SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

**ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 177
OF THE REVISED CORPORATION CODE OF THE PHILIPPINES**

1. For the year ended **December 31, 2020**

2. SEC Identification Number **CS201518815** 3. BIR Tax Identification No. **009-133-917-000**

4. Exact name of registrant as specified in its charter **CEMEX HOLDINGS PHILIPPINES, INC.**

5. **Metro Manila, Philippines**
   Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
   Industry Classification Code:

7. **34th Floor Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City 1200**
   Address of principal office — Postal Code

8. **+632-8849-3600**
   Issuer's telephone number, including area code

9. **Not Applicable**
   Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	**Number of shares of common stock outstanding and amount of debt outstanding**
Common Shares	13,489,226,623

11. Are any or all of the securities listed on a Stock Exchange?

    Yes [X] No [ ]
    Stock Exchange: Philippine Stock Exchange (Main Board)
    Securities Listed: Common Shares

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 25 and 177 of the Revised Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [X] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [X] No [ ]

13. State the aggregated market value of the voting stock held by non-affiliates of the registrant.

₱3,407,006,235.54, based on 2,988,601,961 common shares held by non-affiliates of the registrant as at March 31, 2021 @ ₱1.14 per share (which is the average market price at which stocks of the registrant was sold on March 31, 2021)

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Not Applicable

Yes [ ] No [ ]

15. The following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

The audited 2020 consolidated financial statements of the Company which are attached as an exhibit to this Form 17-A (Annual Report) is incorporated by reference in ITEM 1 (2)(viii) of PART I (Transactions with Related Parties), ITEM 2 of PART I (Properties), ITEM 6 of PART II (Management's Discussion and Analysis), ITEM 7 of PART II (Financial Statements), ITEM 8 of PART II (Information on Independent Accountant and other Related Matters) and ITEM 12 of PART III (Certain Relationships and Related Party Transactions):

- ***Audited 2020 Consolidated Financial Statements of the Company (with consolidated statements of financial position as at December 31, 2020 and 2019, and consolidated comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2020, 2019 and 2018) and Schedules***

PART I – BUSINESS AND GENERAL INFORMATION

ITEM 1. BUSINESS

(1) History and Business Development

(a) Organization

CEMEX HOLDINGS PHILIPPINES, INC., a subsidiary of CEMEX ASIAN SOUTH EAST CORPORATION ("CASEC"), was incorporated as a stock corporation on September 17, 2015 under Philippine laws primarily to invest in or purchase real or personal property; and to acquire and own, hold, use, sell, assign, transfer, mortgage all kinds of properties such as shares of stock, bonds, debentures, notes, or other securities and obligations; provided that it shall not engage either in the stock brokerage business or in the dealership of securities, and in the business of an open-end investment company as defined in Republic Act 2629, Investment Company Act.

CASEC is a wholly-owned indirect subsidiary of CEMEX España, S.A., which in turn is indirectly owned by CEMEX, S.A.B. de C.V. ("CEMEX"), a company incorporated in Mexico with address of its principal executive office at Avenida Ricardo Margain Zozaya #325, Colonia Valle del Campestre, Garza Garcia, Nuevo León, Mexico. CEMEX is one of the largest cement companies in the world based on annual installed cement production capacity. CEMEX's Ordinary Participation Certificates (Certificados de Participación Ordinarios) ("CPOs"), each of which currently represents two "Series A" shares and one "Series B" share, are listed on the Mexican Stock Exchange and trade under the symbol "CEMEX.CPO." CEMEX's American Depositary Shares, each of which currently represents ten CPOs, are listed on the New York Stock Exchange ("NYSE") and trade under the symbol "CX".

The term "Parent Company" used in this Form 17-A (Annual Report) refers to CEMEX HOLDINGS PHILIPPINES, INC. without its subsidiaries. The term "Company" refers to CEMEX HOLDINGS PHILIPPINES, INC. together with its consolidated subsidiaries.

The Parent Company's two principal operating subsidiaries, i.e., APO Cement Corporation ("APO Cement") and Solid Cement Corporation ("Solid Cement"), are involved in the production, marketing, distribution and sale of cement and other cement products in the Philippines with well-established brands, such as "APO", "Island", and "Rizal", each of which has a multi-decade history in the Philippines.

On January 1, 2016, the Company acquired, directly and indirectly through intermediate holding companies, a 100% equity interest in each of Solid Cement and APO Cement as a result of the following acquisitions:

(a) 1,112,934,284 preferred shares of APO Cement representing 40% of the outstanding capital stock of APO Cement from CEMEX Asia Holdings, Ltd;

(b) 500,000 common shares of Solid Cement representing 10% of the outstanding capital stock of Solid Cement from CEMEX Asia Pacific Investments B.V.;

(c) 1,500,000 common shares of Solid Cement, representing a 30% equity interest in Solid, from CEMEX Asia, B.V. (in addition to CEMEX Asia, B.V.'s minority interest in two shares that it owned jointly with Sandstone Strategic Holdings, Inc.);

(d) 458,500 common shares of Edgewater Ventures Corporation representing 100% of the outstanding capital stock of Edgewater Ventures Corporation from CEMEX Asia Holdings, Ltd.;

(e) 2,360,000 common shares of Triple Dime Holdings, Inc. representing 40% of the outstanding capital stock of Triple Dime Holdings, Inc. from CEMEX Asia Holdings, Ltd.;
(f) 120,000 common shares of Bedrock Holdings, Inc. representing 100% of the outstanding capital stock of Bedrock Holdings, Inc. from CEMEX Asia Holdings, Ltd.; and

(g) 4,660,966 common shares of Sandstone Strategic Holdings, Inc. representing 45% of the outstanding capital stock of Sandstone Strategic Holdings, Inc. from CEMEX Asia Holdings, Ltd.

On June 17, 2016, the Securities and Exchange Commission of the Philippines ("SEC") issued a Pre-effective Clearance for Registration covering 5,195,395,454 common shares of the Parent Company broken down as follows: (a) 2,337,927,954 common shares that shall be offered and sold to the public by way of primary offering ("IPO") and (b) 2,857,467,500 issued and outstanding shares which shall not be included in the offer. In view of the SEC Pre-effective Clearance for Registration and the Parent Company's compliance with other conditions imposed by the Board of the Philippine Stock Exchange ("PSE"), the PSE approved on June 17, 2016 the initial listing of up to 5,195,395,454 common shares under the Main Board of the Exchange.

On June 30, 2016, the SEC resolved to render effective the Registration Statement of the Parent Company and issued a Certificate of Permit to Offer Securities for Sale in favor of the Parent Company. On July 18, 2016, the total outstanding shares of the Parent Company consisting of 5,195,395,454 common shares were listed on the Main Board of the Philippine Stock Exchange.

On April 2, 2019, the Board of Directors approved the increase in the Parent Company's authorized capital stock ("ACS") from P5,195,395,454 divided into 5,195,395,454 Common Shares with par value P1.00 per share, of which 5,195,395,454 Common Shares are issued and fully paid-up, to P18,310,395,454 divided into 18,310,395,454 Common Shares with a par value of P1.00 per share. This increase was authorized by the Parent Company's shareholders owning more than 2/3 of the total issued and outstanding capital during a special meeting of stockholders held on October 16, 2019. Following said special stockholders' meeting, the Parent Company initiated the corresponding processes with the SEC and the PSE for a stock rights offering ("Stock Rights Offering") for the purpose of raising the equivalent in Philippine Peso of up to US$250 million.

On December 11, 2019, the SEC issued a Notice of Confirmation of Exempt Transaction, confirming that the Stock Rights Offering is exempt from the registration requirements of the Securities Regulation Code of the Philippines and the board of directors of the PSE approved the Parent Company's application for listing of the shares to be offered in the Stock Rights Offering, subject to the fulfillment of certain listing conditions, such as but not limited to the Parent Company having obtained the SEC's approval of the increase in the company's authorized capital stock.

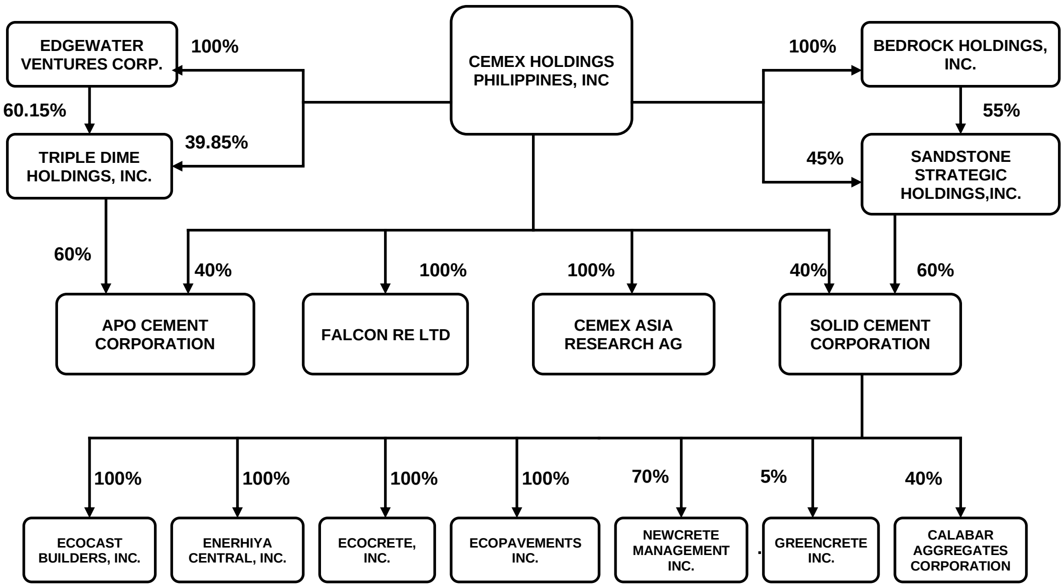
On January 6, 2020, the Parent Company announced that the Stock Rights Offering would involve the offer of 8,293,831,169 common shares with a par value of par value P1.00 per share (the "Rights Shares") at an offer price of P1.54 per Rights Share that would be issued from the Parent Company's increased ACS. The proceeds from the Stock Rights Offering would be used primarily to fund the expansion of Solid Cement's plant in Antipolo City (the "Solid Expansion Project"), including (i) to pay outstanding amounts owed by Solid Cement under a revolving credit facility agreement dated November 21, 2018, as amended and restated from time to time, between Solid Cement, as the borrower, and CEMEX Asia, B.V. ("CABV"), as the lender (the "Solid Expansion Facility Agreement"), which facility agreement has been used primarily but not exclusively to fund the Solid Expansion Project, including (ii) to pay outstanding amounts owed by APO Cement under a master loan agreement dated October 1, 2014, as amended and restated from time to time, between APO Cement, as borrower, and CABV, as lender (the successor to CEMEX Hungary KFT) (the "APO Operational Facility Agreement"), and for other general corporate purposes.

The offer period for the Stock Rights Offering was concluded on January 24, 2020. The total proceeds raised from the Stock Rights Offering amounted to ₱12,772,500,000.26.

On 27 February 2020, the SEC approved the Parent Company's application for increase of ACS and on 4 March 2020, the 8,293,831,169 common shares comprising the Rights Shares were listed under the Main Board of the Exchange.

After the Stock Rights Offering and the approval by the SEC of the Parent Company's application for increase in authorized capital stock, the Parent Company's issued and outstanding shares totaled 13,489,226,623 common shares.

The following diagram provides a summary of the Company's organizational and ownership structure as of December 31, 2020:



(b) Subsidiaries and Associates

The following are brief descriptions of the Company's operating subsidiaries:

- ***APO Cement Corporation***. APO Cement was incorporated in the Philippines on December 27, 1961 primarily to engage in the production and marketing of cement. The Parent Company owns a direct 40% equity interest in APO Cement as well as an indirect 60% equity interest through its equity interest in Triple Dime Holdings, Inc. APO Cement owns and operates the APO Cement plant and primarily produces products which carry the APO cement brand.

- ***Solid Cement Corporation* and its subsidiaries**. Solid Cement was incorporated in the Philippines on September 14, 1987. The Parent Company owns a direct 40% equity interest in Solid Cement as well as an indirect 60% equity interest through its equity interest in Sandstone Strategic Holdings, Inc. Solid Cement owns and operates the Solid Cement plant and primarily produces products which carry the Island and Rizal cement brands. Solid Cement also owns a 100% equity interest in each of the following subsidiaries:

  - ***Ecocast Builders, Inc.*** and ***Ecopavements Inc.*** Ecocast Builders, Inc. and Ecopavements Inc. were each incorporated in the Philippines on October 16, 2014 to primarily provide its customers with materials and solutions for cement-intensive housing and pavement projects, respectively. Ecopavement Inc.'s Board of Directors confirmed plans to close the business operations of the company effective on December 31, 2017 and subsequently during a joint special meeting of Ecopavements Inc.'s Board of Directors and Shareholders on August 31, 2018, the shortening of the corporate term of the Company to December 31, 2019 was approved.

- ***Ecocrete, Inc.*** Ecocrete, Inc. was incorporated in the Philippines on February 13, 2013 to primarily manufacture, develop and sell ready-mix concrete and other construction related products materials. Ecocrete, Inc.'s Board of Directors confirmed plans to close the business operations of the company effective on December 31, 2017, and subsequently during a joint special meeting of Ecocrete, Inc.'s Board of Directors and Shareholders on August 31, 2018, the shortening of the corporate term of the Company to December 31, 2019 was approved.

- ***Falcon Re Ltd*.** – Falcon Re Ltd. was incorporated in Barbados on May 9, 2016. The Parent Company owns a direct 100% equity interest in Falcon Re Ltd., which reinsures third-party insurers of the Company covering risks association with property insurance coverage, with political violence and non-damage business interruption programs, liability program and cyber risks.

- ***CEMEX Asia Research A.G*.** – CEMEX Asia Research AG was incorporated in Switzerland on December 18, 2015. The Parent Company owns a direct 100% equity interest in CEMEX Asia Research A.G., which is the licensee for the certain licensed trademarks and intangible assets to which the Company has access through several agreements with CEMEX and its affiliate, CEMEX Research Group A.G.

The following are brief descriptions of the Company's investment holding company subsidiaries and other subsidiaries that have not started commercial operations:

- ***Edgewater Ventures Corporation*** and ***Triple Dime Holdings, Inc.*** Edgewater Ventures Corporation was incorporated in the Philippines on April 23, 1998 and Triple Dime Holdings, Inc. was incorporated in the Philippines on May 13, 1998. The Parent Company owns a 100% equity interest in Edgewater Ventures Corporation, which is an investment holding company that owns a direct 60.15% equity interest in Triple Dime Holdings, Inc. which is also an investment holding company. The Parent Company owns directly the remaining 39.85% equity interest in Triple Dime Holdings, Inc. Triple Dime Holdings Inc. owns a direct 60% equity interest in APO Cement.

- ***Bedrock Holdings, Inc.*** and ***Sandstone Strategic Holdings, Inc.*** Bedrock Holdings, Inc. was incorporated in the Philippines on October 30, 1998 and Sandstone Strategic Holdings, Inc. was incorporated in the Philippines on November 12, 1998. The Parent Company owns a direct 100% equity interest in Bedrock Holdings, Inc., which is an investment holding company that owns a direct 55% equity interest in Sandstone Strategic Holdings, Inc., which is also an investment holding company. The Parent Company directly owns the remaining 45% equity interest in Sandstone Strategic Holdings, Inc. Sandstone Strategic Holdings, Inc. owns a direct 60% equity interest in Solid Cement.

- ***Enerhiya Central, Inc.*** Enerhiya Central, Inc. was incorporated in the Philippines on February 26, 2013, to primarily sell, broker market and/or aggregate electricity to industrial, commercial and institutional clients. Enerhiya Central, Inc. has not yet started commercial operations. The Parent Company owns an indirect 100% equity interest in Enerhiya Central, Inc. through its 100% equity interest in Solid Cement.

- ***Newcrete Management Inc.*** Newcrete Management Inc. was incorporated in the Philippines on November 14, 2012, to provide management services related to technical support, concrete sales, concrete products, special building materials and other related products and services. Newcrete Management Inc. has not yet started commercial operations. The Parent Company owns an indirect 70% equity interest in Newcrete Management Inc. through its 100% equity interest in Solid Cement.

The following are brief descriptions of companies in which Solid Cement has minority investments:

- ***Calabar Aggregates Corporation.*** Calabar Aggregates Corporation was incorporated in the Philippines on January 31, 1991. Calabar Aggregates Corporation is a company in which the Parent Company owns an indirect 40% equity interest through its 100% equity interest in Solid Cement. This company is currently inactive.

- ***Greencrete Inc.*** Greencrete Inc. was incorporated in the Philippines on November 14, 2012. The Parent Company owns an indirect 5% equity interest in Greencrete Inc. through its 100% equity interest in Solid Cement. Greencrete Inc. has not yet started commercial operations.

(c) Material Reclassification, Merger and Consolidation

There was no material reclassification, merger or consolidation undertaken by the Company in 2020.

(2) General Business Description

The Company has two cement plants with aggregate installed annual capacity[1] of 5.7 million tonnes of cement as of December 31, 2020. APO Cement's cement production plant is located in Naga City, Cebu and currently has three grinding lines and has an installed annual capacity of 3.8 million tonnes of cement, and serves its customers in the Visayas and Mindanao regions through its marine and land distribution network. Solid Cement's cement production plant is located in Antipolo City, Rizal and currently has three grinding lines and an installed annual capacity of 1.9 million tonnes of cement.

In October 2018, the principal project agreements were entered into with CBMI Construction Co., Ltd of China for the procurement, construction and installation of a 1.5 million metric tons per year new integrated cement production line at Solid Cement's plant. On 1 February 2019, the Board of Investments duly registered Solid Cement as a New Producer of Cement on a Pioneer Status but with Non-Pioneer Incentives for its 1.5 million metric tons per year new integrated cement production line located in Antipolo City, Rizal. The incentives granted to this registered project include, among others, (1) a 4-year income-tax holiday period commencing from December 2020 or actual start of commercial operations (whichever is earlier)[2] and (2) importation *at zero duty* of capital equipment, spare parts and accessories directly needed and exclusively used in the operations of the registered project. The income qualified for income-tax holiday shall be limited to the income directly attributable to the eligible revenue generated from this registered project. The Company targets the completion of the construction for this expanded/new integrated line to take place in December 2021.

Solid Cement's plant principally serves the National Capital Region. The operations of the ready-mix plant located in Manila were discontinued in December 2017.

In 2020, the Company sold gray ordinary Portland cement, masonry cement and blended cement. The Company's cement products are principally sold under the APO, Island and Rizal brand names. The

[1] cement grinding capacity

[2] Further to a letter dated 15 February 2021 of the Board of Investments of the Philippines ("BOI"), approving Solid Cement's request for an amendment of the timetable for the registered project, the start of commercial operations of the registered project was moved from "December 2020" to "January 2022", and accordingly the 4-year income tax holiday period granted by the BOI to Solid Cement shall be reckoned from January 2022 or actual start of commercial operations, whichever is earlier.

Island and Rizal brands are primarily sold to customers in Luzon, whereas the APO brand cement is primarily sold to customers in the Visayas and Mindanao.

Among the various electronic or digital platforms and automated operating systems utilized by the Company is CEMEX Go, an end-to-end integrated digital platform launched in October 2018 and developed to provide an integrated experience for order placement, tracking of deliveries and managing invoices for the Company's main products. CEMEX Go can be accessed from a laptop or any mobile device. Once an order is placed, the customer can track its delivery path in real-time. Supplemental documents like contracts and terms of reference per project can also be accessed and viewed. Through CEMEX Go's Order and Product Catalogue, customers have complete control over their orders. Across the different markets where this application was launched by CEMEX, the Philippines has had one of the fastest adoption rates within the CEMEX group. As of December 31, 2020, more than 90% of orders from the Company's on-boarded clients were placed using this digital platform.

The Company has a customer service center which is responsible for overall customer relationship management activities, such as order-taking and fulfillment, inquiries and complaint management. The information provided by a customer upon completing an order form is logged in our customer database, which allows us to see the order type, quantity and delivery preferences that are typical of each of our customers over time. To ensure service quality, we monitor specific key performance indicators, including response rate, handling time, and voice service quality. In October 2020, the Company virtually inaugurated its new in-house Service Center located in the head office in Makati City. This new Service Center enhances our capacity to better serve our customers across multiple communication channels.

(i) Products

Principal Product – Cement

Cement is a binding agent that, when mixed with sand, stone or other aggregates and water, produces either ready-mix concrete or mortar. The Company provides its customers with high-quality branded cement products and services in both bagged and bulk formats. The Company relies on professional knowledge and experience to develop customized products that fulfill its customers' specific requirements and foster efficient and sustainable construction. The Company sells a large proportion of its cement in bags. Sales of cement and cement products accounted for 89.4% of consolidated net sales for 2020 before eliminations. The principal groups of related products and services are gray ordinary Portland cement, blended cement and masonry cement. The Company delivers its bagged, branded product to a large number of distribution outlets so that its cement is available to end-users in a point of sale near to where the product will be used.

Product	Brands	Description	Product Specifications and National Standards Met
Gray Ordinary Portland	APO Portland Cement	General-purpose Type I Portland cement made for high performance applications. It passes the specifications of Type II cement as moderately sulfate resistant and is suitable for applications near bodies of water.	PNS 07:2018 ASTM C150:2018
	Island Portland Cement	General-purpose Portland cement made for high performance applications. Achieves higher compressive strength in less time compared to other Portland cement.	PNS 07:2018 ASTM C150:2018
Masonry	Rizal Masonry Cement	Type M masonry cements. Minimizes the carbon footprint of regular Portland cement by up to 32% and	PNS ASTM

	APO Masonry Cement	allows better moisture retention and adhesion strength.	C91/ C91M:2019
Blended	Rizal Portland Super APO Portland Premium	All-purpose Type 1P cement formulated with natural minerals that add beneficial properties, such as increased strength and durability over time. Used for general construction applications where structures are exposed to moderate sulfate environments.	PNS 63:2019 ASTM C595: 2018

Others

The Company sold admixtures and building materials to third parties in 2020. The Company also generated revenue from co-processing of waste materials or alternative fuel resources from third parties in 2020. These transactions accounted to not more than 0.06% and 0.14%, respectively, of the total consolidated net sales of the Company for the year.

(ii) Export Revenue

The export revenue for cement as of December 31, 2020 amounted to approximately ₱88.6 million which is 0.4 % of total revenue of the Company for the fiscal year. The cement was exported to the Pacific Islands.

(iii) Distribution Methods

As at December 31, 2020, the Company's distribution infrastructure utilizes 5 marine distribution terminals and 23 land distribution centers/warehouses located across the Philippines, in addition to 1 jetty/marine terminal in Cebu. The Company distributes its products using a fleet which is managed directly by its subsidiaries or by third-party transport providers. As at December 31, 2020, the Company leases 99 trucks for the distribution of bag and bulk cement, charters 23 marine vessels for the waterborne distribution of bag cement in the Philippines, and contracts 4 marine vessels for the distribution of bulk cement.

(iv) Product Development

The Company continues to work with its current portfolio of products with the objective of developing products to suit customers' specific requirements or specifications.

(v) Competition

As of December 31, 2020, the Company's major competitors in the Philippine cement market were Holcim Philippines, Inc., Republic Cement Group, Taiheiyo Cement Philippines, Inc., Northern Cement Corporation, Goodfound Cement Corporation, Mabuhay FilCement Inc., Eagle Cement Corporation and Big Boss Cement Inc., as well as importers that import cement primarily from Vietnam. The Company competes through a wide section of the Philippine archipelago, primarily on the basis of quality, market presence, distribution network, diversity of product offerings, sales strategy, brand image and pricing.

(vi) Sources and Availability of Raw Materials and Supplies

The primary raw materials used in the Company's cement production are limestone, pozzolan, clay and gypsum. Raw materials costs represented approximately 13%, 12%, 11% and 12% of the Company's consolidated costs of sales for fiscal years 2020, 2019, 2018 and 2017, respectively.

The raw materials are delivered directly to the Company's production facilities by trucks and conveyor belts. The Company purchases the majority of its limestone, pozzolan and clay requirements from APO Land & Quarry Corporation ("ALQC") and Island Quarry and Aggregates Corporation ("IQAC") pursuant to long-term supply agreements, each having 20-year terms commencing on January 1, 2016 and automatic renewals for successive periods of two years.

ALQC is an entity that is wholly-owned by Impact Assets Corporation, a corporation in which CASEC owns a 40% equity interest. IQAC is an entity that is wholly-owned by Albatross Holdings, Inc., a corporation in which CASEC owns a 40% equity interest.

Most of the quarries from which ALQC and IQAC mine raw materials, such as limestone, pozzolan and clay are located near the Company's cement production plants, which reduces the Company's pre-production transport time and costs.

The Company's cement plant operations consume significant amounts of electricity and fuel.

The Company sources electricity by purchasing grid electricity from third parties, in addition to electricity from in-house generators at its plants and, with respect to Solid Cement plant, from the waste-heat-to-energy facility of SINOMA Energy Conservation Ltd (SINOMA). When running at full utilization, APO Cement plant requires approximately 48 megawatts of power while Solid Cement plant requires up to approximately 24 megawatts of power. Electricity costs in the Philippines are among the highest in Asia. Electricity cost and availability are also impacted by the limited numbers of suppliers, a complex regulatory framework, low grid reliability, the geography of the Philippines which makes distribution costly, the climate and weather conditions in the Philippines which regularly impacts power supply and quality, and dependence on imported fuel.

In 2020, the Company sourced most of its electricity requirements by purchasing grid electricity from third parties. Both APO Cement and Solid Cement plants purchased grid electricity for its respective power needs from San Miguel Electric Corporation (SMEC) from 2017 to 2020. In August 2020, SMEC assigned and transferred its obligations to supply APO Cement and Solid Cement to its affiliate, i.e., SMC Consolidated Power Corporation (SCPC) - a retail electricity supplier. Following the expiration of the supply arrangement between APO Cement and SCPC, APO Cement began purchasing grid electricity from Team (Philippines) Energy Corporation effective from December 26, 2020.

Regarding the in-house power generators at the Company's plants, the power generation plant at APO Cement plant has a rated capacity of approximately 67.2 megawatts, while the power generation plant at Solid Cement plant has a rated capacity of approximately 15.9 megawatts of power.

In January 2012, Solid Cement entered into a 15-year build-and-operate arrangement with SINOMA, to implement a waste heat recovery system at Solid Cement plant. SINOMA's facility captures waste heat generated by the plant's kilns and converts it into electricity. Pursuant to this arrangement, SINOMA owns the facility and is responsible for the maintenance, repairs and operations of the facility and, subject to certain conditions, is obligated to deliver all of the electricity generated by the facility to SOLID Cement plant. Moreover, subject to certain conditions, Solid Cement is obligated to purchase all of the electricity generated by the facility. This waste-heat-to-energy facility has a rated capacity of approximately 6 megawatts of power. In March 2017, the Company entered into a similar 15-year build-and-operate arrangement with SINOMA to implement a waste-heat-to-energy facility at APO Cement plant.

The Company primarily uses coal to fire its kilns and alternative fuels. The Company obtains all of its imported coal from Transenergy, Inc., a subsidiary of CEMEX that sources coal, petroleum coke and other energy products on a CEMEX group-wide basis seeking to obtain favorable pricing.

The Company continues to focus on the use of alternative fuels to increase energy efficiency and manage its fuel costs. It seeks to optimize its fuel mix with available alternative fuels, using refusederived fuel, rubber tires, waste plastic, rice husks and other alternative fuels. In 2020, the usage of alternative fuels at Solid Cement plant amounted to approximately 17.1% of the overall fuel used to fire its kiln.

The Company primarily uses heavy fuel oil for the electricity generators in both plants, and the trucks and vessels used in the distribution of its products run primarily on diesel. The Company obtains its supply of heavy fuel oil and diesel from domestic suppliers.

(vii) Dependence on a single or a few customers

The Company sells cement directly to retailers such as hardware stores. The Company also sells cement directly to institutional customers such as contractors, developers and ready-mix operators. Many of the customers resell the Company's products to a variety of end-users, such as households, small and large contractors and ready-mix concrete producers, while the cement products which the Company sells directly to institutional customers are used in a variety of private and public infrastructure projects. The business of the Company does not depend on any single or few customers, and no single customer represented more than 20% of the Company's consolidated net sales.

(viii) Transactions with Related Parties

Refer to ITEM12 of PART III of this Form 17-A (Annual Report) (Certain Relationships and Related Party Transactions) and Note 13 - Balances and Transactions with Related Parties of the Notes to the Consolidated Financial Statements as at December 31, 2020 and 2019 contained in the accompanying Audited Financial Statements filed as part of this Form 17-A (Annual Report).

(ix) Intellectual Properties

The Company relies on trademarks to establish and protect its business interests. As a subsidiary of a multinational corporation, all of the trademarks and intellectual property of CEMEX and its subsidiaries, as well as the protection and enforcement thereof, are managed by the CEMEX offices in Mexico and Switzerland with the assistance of the local operating companies. The Company has license rights to use the "CEMEX" name, and the "APO", "Island" and "Rizal" brands from CEMEX and its subsidiary based in Switzerland, CEMEX Research Group AG ("CRG"). In exchange for the right to use the trademarks or brands owned by CEMEX, the Company incurred royalty fees payable to CEMEX for the fiscal year 2020 amounting to ₱22.8 million, which accounted for 0.12% of the Company's consolidated revenue.

On the other hand, CRG is also the legal owner of certain intangible assets, including but not limited to, know-how, processes, software and best practices over which the Company has a non-exclusive right to use, exploit and enjoy. The Company relies on these intangible assets for continuous improvements, enhancements and variations considering industry evolution and the particular needs of the Philippine market, and has entered into license agreements that allow its operating subsidiaries to use these intangible assets. In exchange for the intangible assets and tools made available by CRG to the Company, as well as the right to use trademarks or brands, the Company incurred royalty fees payable to CRG for the fiscal year 2020 amounting to ₱ 724 million, which accounted for 3.7% of the Company's consolidated revenue.

The Company owns "Semento Filipino" and "Pioneer Cement" trademarks.

(x) Governmental approval of principal products

APO Cement and Solid Cement possess licenses issued by the Bureau of Product Standards – Department of Trade and Industry which allows them to use the Philippine Standard (PS) Quality Mark for its various products.

(xi) Governmental Regulations

The principal areas in which the Company is subject to regulation are product quality standards, environmental compliance, its methods of distribution, labor, taxation, antitrust and health and safety. For example, the Occupational Safety and Health Standards promulgated by the Department of Labor and Employment, prescribes the minimum set of standards, rules, and regulations for the welfare and protection of workers in all places of employment. Apart from domestic rules, the Company is also guided by global benchmarks and standards on occupational health and safety, which is a key focus of management. There are management policies and rules in accordance with applicable laws and regulations such as production safety measures, the handling of hazardous materials, guidelines on high risk operations, and the Company also conducts regular training on occupational health and safety.

(xii) Research and Development

CEMEX's research and development center, led by CRG based in Switzerland, work in close collaboration with the Company's customers to offer them unique, integrated and cost-effective solutions that aim to fulfill their specific performance requirements, including a growing portfolio of value-added brands and help the Company to anticipate and understand society's trends in order to create innovative, sustainable construction solutions, while challenging the current technological landscape.

CEMEX's innovative, sustainable construction solutions have been conceptualized and engineered to positively impact the jobsite safety, promote efficient construction practices, sensibly preserve natural resources vital to life, and improve the quality of life in rapidly transforming cities. Underlying CEMEX's R&D philosophy is a growing culture of global collaboration and coordination, where the global R&D collaboration network identifies and promotes novel collaboration practices, and mobilizes its adoption throughout the CEMEX organization. Pursuant to several license agreements the Company is able to access the research and development capabilities of CRG through the Company's enjoyment and utilization in the Philippines of certain licensed trademarks and intangible assets developed and owned by CRG. In the event that the Company incurs costs for research and development activities undertaken in the Philippines, such costs are reimbursed to the Company by CRG.

(xiii) Compliance with Environmental Law

The Company is subject to a broad range of environmental laws and regulations in the Philippines, such as the Philippine Clean Air Act of 1999, the Philippine Clean Water Act of 2004 and the regulatory framework established by the Philippine Environmental Impact Statement System. These laws and regulations impose increasingly stringent environmental protection standards regarding, among other things, air emissions, wastewater discharges, the use and handling of hazardous waste or materials, waste disposal practices and the remediation of environmental damage or contamination.

The Company allocates resources to government-mandated social development funds in compliance with environmental laws and regulations. For instance, in 2020, the Company incurred expenses amounting to approximately ₱4.2 million for social development programs.

(xiv) Employees

As at December 31, 2020, the Company has a total of 759 full-time employees in the Philippines, while the Parent Company's foreign subsidiaries employed a total of 5 employees. A breakdown of the employees in the Philippines is shown below:

Area	Number of Employees
Corporate and Administration	211
Cement Business (commercial sales & administration, cement operations & technology, and logistics)	543
Other Businesses	5

As of December 31, 2020, approximately 31% of the non-managerial employees of our cement business were members of, and were represented by, labor unions. Their labor conditions, including wages and benefits, are governed by collective bargaining agreements negotiated at the plant level. The Solid Cement plant has two unions and the collective bargaining agreements of these unions will expire on December 31, 2022 and February 28, 2023, respectively. The APO Cement Plant has two unions and the collective bargaining agreements for these unions will both expire on December 31, 2021. Each of these unions is associated with the Trade Union Congress of the Philippines. Under the Philippine Labor Code, a labor union serves as the certified collective bargaining representative of the relevant bargaining unit (i.e., rank and file; supervisors unit) for a period of five years, whereby the bargaining unit will then conduct a certification election to determine who its collective bargaining agent will be for the next five years. Accordingly, APO Cement and Solid Cement negotiate collective bargaining agreements with the newly elected collective bargaining representative every five years for the general and political terms. The economic terms, such as the salary, allowances and all monetary and non-monetary benefits to which the collective bargaining members are entitled, can be renegotiated after a period of three years from the execution of the collective bargaining agreement. There has been no strike affecting Solid Cement plant or APO Cement plant during the past nineteen years.

(xv) Major Risks Affecting the Business

Substantially all of the Company's manufacturing business and assets are located in the Philippines. Accordingly, economic conditions in the Philippines may adversely affect its business, prospects, financial condition and results of operations.

The results of the Company's operations depend, to a significant extent, on the performance of the Philippine economy. The Philippines has experienced periods of slow or negative growth, high inflation, significant depreciation of the peso and the imposition of exchange controls.

The Company's growth prospects are largely dependent upon the economic growth in the Philippines. The Company's growth will depend in part on whether the Philippine economy can maintain a consistent growth rate as well as our ability to capitalize on such growth. Even if the Philippine economy grows, there can be no assurance that growth will necessarily translate into an increase in demand for the Company's products. In addition, there can be no assurance that current or future governments will adopt economic policies conducive to sustaining growth in the Philippines.

There also can be no assurance that an economic slowdown in the Philippines will not recur. Factors that may adversely affect the Philippine economy include:

- increased and sustained elevated levels of inflation;
- decreases in business, industrial, manufacturing or financial activity in the Philippines or globally;
- scarcity of credit or other financing;
- increased interest rates and/or interest rate volatility;
- exchange rate fluctuations;
- an increase in unemployment levels or decrease in consumer confidence;
- a decrease in remittances from overseas Filipino workers;

- changes in the taxation policies and laws;
- the impact of pandemics, epidemics or outbreaks of infectious diseases, including the COVID-19 pandemic, which may adversely affect, among other matters, supply chains, international operations, liquidity availability, investor confidence and consumer spending, as well as availability of, and demand for, our products and services;
- a re-emergence of Severe Acute Respiratory Syndrome (commonly known as SARS) or avian influenza (commonly known as the bird flu), Middle East respiratory syndrome coronavirus (commonly known as MERS-CoV) or the emergence of another similar disease in the Philippines or in other countries in Southeast Asia, such as the Zika virus;
- natural disasters, including landslides, typhoons, earthquakes, fires, floods and similar events;
- political instability, terrorism or military conflict in the Philippines, other countries in the region or globally; and
- political or economic developments in or affecting the Philippines.

In addition, the strength of the Philippine economy (and demand for the Company's products in particular) is influenced and affected by global factors, including the performance of the global and regional economies, including in particular the United States and China, and the global economy, in general. If these economies were to suffer periods of prolonged weakness, it could adversely affect the Company's business, prospects, financial condition and results of operations.

Any deterioration of the economic or political environment in the Philippines could adversely affect demand for the Company's products. Demand for the Company's products is highly related to construction levels and depends, in large part, on residential and commercial construction activity as well as private and public infrastructure spending and government-led projects in the Philippines. Declines in the construction industry are usually correlated with declines in economic and political conditions. However, there can also be no assurance that any increase in construction activity, infrastructure spending or the gross domestic product of the Philippines will result in a correlated increase in the demand of our products. As a result, a deterioration of economic or political conditions in the Philippines could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

Pandemics, epidemics or outbreaks of infectious diseases could materially adversely affect the Company's financial condition and results of operations

In addition to risks to the health and safety of the Company's employees, customers, contractors and suppliers, the impact of pandemics, epidemics or outbreaks of infectious diseases may result in governmental measures to be implemented to attempt to contain and mitigate the effects of the disease. These measures, and the adverse effects of the pandemic, epidemic or outbreaks of infectious diseases may result, in: (i) temporary restrictions on, or suspended access to, or shutdown, or suspension or the halt of, the Company's manufacturing plants and other facilities; (ii) staffing shortages, production slowdowns or stoppages and disruptions in our delivery systems; (iii) disruptions or delays in our supply chains, including shortages of materials, products and services on which the Company and its businesses depend; (iv) reduced availability of land and sea transport methods to deliver our products, including labor shortages, logistics constraints and increased border controls or closures; (v) increased cost of materials, products and services on which the Company and its businesses depend; (vi) reduced investor confidence and consumer spending where the Company operates; (vii) a general slowdown in economic activity, including construction, and a decrease in demand for the Company's products and industry demand generally; (viii) constraints on the availability of financing in the financial markets, if available at all, including on access to credit lines and working capital facilities from financial institutions; or (ix) the Company's inability to, if required, refinance our existing indebtedness on desired terms, if at all.

On March 11, 2020, the World Health Organization declared as a pandemic the outbreak of the Coronavirus COVID-19 (the "COVID-19 Pandemic"), due to its rapid spread throughout the world. On March 16, 2020, the President of the Philippines issued Proclamation No. 929 declaring a state of calamity throughout the Philippines due to the COVID-19 Pandemic which resulted in the imposition of an Enhanced Community Quarantine ("ECQ") throughout Luzon starting midnight of March 16, 2020. The President announced several social distancing measures which were implemented including extension of suspension of classes in all levels in Metro Manila, prohibition of mass gatherings or events, imposition of community quarantine measures as necessary, restriction of mass public transport system (MRT, LRT, etc.), and most importantly, suspension of land, domestic air and domestic sea travel to and from the Metro Manila beginning March 15, 2020. On March 26, 2020, the Governor of Cebu Province announced the implementation of ECQ measures for the entire island of Cebu, effective March 30, 2020. While transportation was heavily regulated, on March 19, 2020, the Department of Trade and Industry issued Memorandum Circular No. 20-06 mandating that the movement of all types of cargo should be left unhampered. On March 24, 2020, the Philippine Government enacted Republic Act No. 11469, otherwise known as the Bayanihan Act, to effectively enact measures to address the pressing problems caused by the COVID-19 Pandemic. Beginning May 16, 2020, several cities and provinces (which included Metro Manila and Cebu City) were placed under modified enhanced community quarantine, while other cities and provinces (which included the Province of Rizal and other cities in the Province of Cebu) were placed under general community quarantine. By the second half of August 2020, Metro Manila, Cebu City, as well as the Municipalities of Minglanilla and Consolacion in the Province of Cebu, were among the areas which shifted to general community quarantine. On September 1, 2020, Cebu City, the Province of Cebu, and Rizal Province shifted to modified general community quarantine with lesser quarantine restrictions. As of December 31, 2020, Metro Manila remained under general community quarantine.

Consistent with the ECQ implementation in Luzon, the Company voluntarily initiated steps to temporarily suspend the production of cement products at, and distribution of cement products from, Solid Cement plant in the third week of March 2020. On May 20, 2020, after taking measures to fully comply with government regulations, operations at Solid Cement plant were resumed and have been able to operate continuously since then. APO Cement plant has remained operational year-to-date as of December 31, 2020, complying with all government regulations and the necessary hygiene and safety measures.

A further discussion on the impact of the COVID-19 Pandemic on the Company is found under "*Trends, Events or Uncertainties Affecting Recurring Revenues and Profits*" in ITEM 6 of PART II (Management's Discussion and Analysis) of this Form 17-A (Annual Report).

A reduction or delay in public or private construction projects may have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's principal business is reliant on levels of public and private construction activity in the Philippines. Significant interruptions or delays in, or the termination of, public or private construction projects may adversely affect the Company's business, financial condition and results of operations.

Historically, a substantial portion of construction activity in the Philippines relates to infrastructure, and public investment in the Philippines is driven by the Philippine government's desire to increase investment in infrastructure. There can be no assurance that the Philippine government will continue to promote public infrastructure spending. For example, the current Philippine government may decide to limit the scope of infrastructure projects in the future if, for example, it faces budget constraints. A reduction in public infrastructure spending in the Philippines would adversely affect the Company's business, prospects, financial condition and results of operations.

Private construction, particularly in housing, is driven by, among other things, the growth of the Philippine economy generally, and in particular the growth of business process outsourcing to the Philippines, in addition to remittances from overseas Filipino workers. An economic slowdown in the Philippines or a significant decrease in remittances from overseas Filipino workers may adversely impact the Company's business, prospects, financial condition and results of operations.

The Company has substantial indebtedness, the terms of which may restrict its ability to obtain additional financing on commercially reasonable terms or at all.
As of December 31, 2020, the Company had ₱12,853 million of outstanding debt, including ₱10,787 million of outstanding debt owed to BDO Unibank, Inc. (the "BDO"), and ₱2,066 million of lease obligations according to PFRS 16.

The Company's indebtedness could have significant adverse consequences, including by impairing its ability to obtain additional financing for working capital, capital expenditures, acquisitions or general corporate purposes. Furthermore, the Company may have a higher level of indebtedness than some of its competitors, which may put it at a competitive disadvantage and reduce its flexibility in planning for, or responding to, changing conditions in the industry, including increased competition, and the Company may be more vulnerable to general economic downturns and adverse developments in its business. If the Company incurs additional indebtedness, it could make it more difficult for it to satisfy its payment obligations and could increase the severity of these risks.

Pursuant to the BDO Facility Agreement[3], the Parent Company is required to comply with the following financial covenants commencing in June 2021 each of which is tested twice annually:

- a ratio of total debt to Operating EBITDA not exceeding 4.00x; and
- a ratio of Operating EBITDA to interest expense not less than 4.00x.

As of December 31, 2018, December 31, 2019 and December 31, 2020, the ratio of the Company's total debt to Operating EBITDA was 6.2, 3.5 and 3.1, respectively. For fiscals 2018, 2019 and 2020, the ratio of the Company's Operating EBITDA to interest expense was 3.0, 3.7 and 6.0 respectively. On May 15, 2019, the Company signed an Amendment to the BDO Facility Agreement and Supplemental Agreements thereto that, among other changes, exclude from financial covenants in the BDO Facility Agreement any principal and interest from certain subordinated loans and advances incurred in relation with the new cement line being built by Solid Cement that have been made or are to made to the Company by any subsidiary of CEMEX.

Any of the foregoing could materially adversely impact the Company's business, prospects, financial condition and results of operations.

The price of cement is subject to significant fluctuations and an oversupply of cement could adversely affect the Company's profitability.
The Company's results of operations are highly dependent upon the prices it receives for the sale of its cement products. Pricing is generally set through competitive negotiation with dealers and is a function of the demand for, and supply of, cement in the relevant market. Demand for cement varies most significantly with construction activity, while supply is determined by domestic production levels and imports. Since 2016, imported cement mainly from Vietnam has substantially increased the supply of cement in the Philippines, which adversely impacted pricing. Based on available information from the Department of Trade and Industry, including reports relating to its affirmative preliminary determination on the imposition of safeguard measures on the importation of cement from various countries, the share of cement imports in the domestic market grew from 0% in 2013 to approximately 8% in 2016, 13% in 2017, 14% in 2018 and 15% in 2019.

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[3] "BDO Facility Agreement" refers to the senior unsecured peso long-term loan facility that the Parent Company signed with BDO Unibank, Inc. on February 1, 2017, for an amount of up to the Philippine Peso equivalent of US$ 280 million, to refinance a majority of the Parent Company's outstanding long-term loan with New Sunward Holding B.V. (NSH), a subsidiary of CEMEX. During the 1st quarter of 2017, this long-term loan with NSH was fully repaid. On June 30, 2020, the Parent Company reached an agreement with BDO, amending the BDO Facility Agreement to require the Parent Company to commence to comply with these financial covenants in June 2021 instead of June 2020.

On August 27, 2019, the Department of Trade and Industry issued a general definitive import safeguard duty for cement imports of cement types 2523.29.90 and 2523.90.00 under the ASEAN Harmonized Tariff Nomenclature from major exporting markets of China, Japan, Taiwan, Thailand and Vietnam effective for three years at the rate of ₱10.00 per 40kg bag for the first year, ₱9.00 per 40kg bag for the second year, and ₱8.00 per 40kg bag for the third year. This duty is supposed to provide a disincentive to the importation of cement into the Philippines. This general safeguard measure was updated on December 5, 2020 in order to fix the general definitive import safeguard duty to ₱9.80 per 40kg bag for the second year (i.e., from October 22, 2020 to October 21, 2021). This trade measure is subject to annual review. There can be no assurance that the Philippine Government will not reduce or eliminate this duty prior to its expiry or that they will be replaced with new import duties upon or after its expiration. Any reduction or elimination of this duty may result in increased imports of cement into the Philippines, from Vietnam or elsewhere and, if cement companies in Vietnam or elsewhere continue to export cement into the Philippines, we may realize lower pricing for our cement or risk losing a portion of our share of the market. Any of the foregoing could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

In October 2018, Solid Cement entered into the principal project agreements with CBMI Construction Co., Ltd ("CBMI"), an affiliate of Sinoma International Engineering Co., Ltd., which, in turn, is a member company affiliated to China National Building Materials Group Co., Ltd., for the procurement, construction and installation of a new integrated cement production line to expand the installed annual capacity of Solid Cement plant by 1.5 million tonnes. The decision to add this new production line, the construction of which is currently expected to be completed in December 2021, was largely based on an expectation of a favorable long-term cement demand outlook in the Philippines. However, if demand is weaker than anticipated when the new line commences operations or thereafter, the additional installed annual capacity from this new production line may result in excess supply of cement and adversely impact pricing.

An extended or substantial decline in the prices of cement in the Philippines may materially and adversely affect the Company's business, prospects, financial condition and results of operations.

The Company is dependent on the continuing operation of the Company's two cement plants.
The principal manufacturing facilities of the Company are at two cement plants. The Solid Cement plant is located in Antipolo City, Rizal in Luzon and the APO Cement plant is located in Naga City, Cebu in the Visayas. These plants are subject to the normal risks of industrial production, including equipment breakdowns, labor stoppages, natural disasters, directives from Government agencies, such as the government's implementation of community quarantine restrictions in Luzon and in the Visayas, and power interruptions.

In the past, the Company has experienced a number of power disruptions, including as a result of inadequate power generation and transmission infrastructure in the Philippines and natural disasters such as typhoons, which are common in the Philippines. While the APO Cement plant is capable of generating enough back-up power to supply all of its electricity needs, the Solid Cement plant is only capable of generating enough back-up power to supply approximately 60% of its current electricity needs.

Any prolonged or significant disruption to the cement plants, whether due to repair, maintenance or servicing, industrial accidents, mechanical equipment failure, human error or otherwise, will disrupt and adversely affect the Company's operations. Additionally, any major or sustained disruptions in the supply of utilities such as water or electricity, or the supply of raw materials, or any fire, flood, landslide or other natural calamities, or communal unrest or acts of terrorism, may disrupt our operations or damage our cement plants or inventories and could adversely affect the Company's business, prospects, financial condition and results of operations. For example, on September 20, 2018, the landslide occurred in Sitio Sindulan, Barangay Tina-an, Naga City, Cebu, Philippines (the "Naga Landslide") affecting a site located within an area covered by the mining rights of ALQC. The Naga landslide prompted local and national authorities to order the suspension of the mining operations of ALQC[4]. Business continuity plans were put in place by APO Cement with a view to addressing the disruption in the supply arrangement with ALQC. In order to overcome the supply disruption caused by the Landslide, APO Cement sourced raw materials from other suppliers.

The Company typically shuts down its cement plants, terminals or other facilities to undertake maintenance and repair work at scheduled intervals. Although the shut downs are scheduled such that not all of the facilities are shut down at the same time, the unexpected shut down of any facility may nevertheless affect the Company's business, prospects, financial condition and results of operations from one period to another.

The Company's operations depend on an adequate supply of raw materials. The limited availability or increased costs of certain raw materials may adversely affect our business, prospects, financial condition and results of operations.

The production of cement is highly dependent on an adequate supply of certain raw materials. Our primary raw materials are limestone, pozzolans, clay and gypsum. The Company purchases the majority of its limestone, pozzolan and clay requirements from ALQC and IQAC pursuant to long-term supply agreements, each having 20-year terms commencing on January 1, 2016 and automatic renewals for successive periods of two years and the Company is reliant on these agreements to obtain an adequate supply of limestone, pozzolans and clay at reasonable prices. Under these agreements, the Company is exposed to fluctuations in the spot prices of limestone, pozzolans and clay. The Company does not enter into hedging arrangements for any of these materials, and we are therefore exposed to any such fluctuations in the spot prices.

For the materials that the Company sources through global sourcing arrangements with CEMEX, including clinker, the Company may not select the lowest-cost suppliers, stimulate price tension between competing suppliers or have the ability to manage the adequate supply of these materials at reasonable prices. The Company also purchases materials such as limestone, clay, pozzolans and gypsum from third parties in and outside of the Philippines.

The Company cannot give assurance that the price it pays for its raw materials will be stable or the most competitive in the future, or that the raw materials it requires for its operations will be available in the amounts required or at all. The cost of these materials could be adversely affected by price changes, strikes, weather conditions, governmental controls or other factors that are outside of our control. Price changes to raw materials may result in unexpected increases in production costs, and the Company may be unable to increase the prices of our products to offset these increased costs and therefore may suffer a reduction to its margins, which could adversely affect the Company's business, prospects, financial condition and results of operations.

Any interruption to or a shortage in the supply of the raw materials and/or other supplies used by the Company could prevent the Company from operating its facilities at full capacity, and if the shortage is severe, could lead to the suspension of our production all together. Any of the foregoing would adversely affect the Company's business, prospects, financial condition and results of operations.

The Company may fail to secure certain materials required to run its business.

The Company may use products produced in other industrial processes of third parties, such as coal, pet coke, gypsum, fuels and alternative fuels, among others. The Company tries to secure the supply of the required materials through long-term renewable contracts and framework agreements, which allow the Company to better manage supplies. Should existing suppliers cease operations or reduce or eliminate production of these products, or should for any reason any suppliers not be able to deliver to the Company the contractual quantities and qualities, or should laws and/or regulations in any region or country limit the access to these materials, sourcing costs for these materials could increase significantly or require the Company to find alternative sources for these materials, which could have a

[4] By September 30, 2020, local and national authorities allowed ALQC to resume its mining operations in the affected areas.

material adverse effect on our business, financial condition, liquidity, results of operations and prospects. Additionally, any increase in the scarcity or decrease in the quality of natural resources (including water) could adversely affect the Company's business, prospects, financial condition and results of operations.

The Company leases the premises on which its principal manufacturing installations from ALQC and IQAC.

All of the Company's principal manufacturing installations are located on land owned by ALQC or IQAC. Under our lease agreements, ALQC and IQAC have various customary rights as landlord. Each of these lease agreements expires in December 2040 and is extendable for another 25 years. There can be no assurance that ALQC and IQAC will act in the Company's best interests in connection with our leasing arrangements, or that the Company will be able to enforce its rights under these agreements. If ALQC and IQAC were to take actions that are adverse to the Company, such as modifying the pricing of our leases, the Company's business could be materially adversely affected. Additionally, as the leases expire, the Company may be unable to negotiate renewals on commercially acceptable terms or at all. Even if the Company is able to renew existing leases, the terms of such renewals may not be as attractive as the expiring leases, which could materially and adversely affect the Company's business, prospects, financial condition and results of operations.

The Company has significant lease obligations and its failure to meet those obligations could adversely affect the Company's business, prospects, financial condition and results of operations.

The Company leases many of its key logistics centers and capital equipment from third parties as well as certain land from ALQC and IQAC. A failure on the part of the Company to pay its rental obligations would constitute a default allowing the applicable landlord or lessor to pursue any remedy available to it under applicable law, which would include taking possession of our property and, in the case of real property, evicting us. Further, as the Company's leases expire, the Company may not be able to negotiate renewals on commercially acceptable terms or at all. If any of these events were to occur, it could materially and adversely affect the Company's business, prospects, financial condition and results of operations.

The Company operates in highly competitive markets.

The markets in which the Company operate are highly competitive and are served by a variety of established companies with recognized brand names, as well as new market entrants such as new brand introductions by local manufacturers and importers. Companies in these markets compete based on a variety of factors, often employing aggressive pricing strategies to gain or protect their share of the market.

On May 10, 2019, San Miguel Corporation confirmed, through its wholly-owned subsidiary First Stronghold Cement Industries Inc., that it had entered into definitive agreements with companies controlled by LafargeHolcim, for the purchase of 85.7% equity interest in Holcim Philippines, Inc. The transaction is the subject of a mandatory merger review by the Philippine Competition Commission. On May 11, 2020, the Philippine Stock Exchange released an Exchange Notice which referenced disclosures made by San Miguel Corporation and Holcim Philippines, Inc. that the planned transaction will not proceed due to the failure to obtain the approval of the Philippine Competition Commission within the required period agreed by the parties.

The Company's results of operations depend, in part, on its ability to compete effectively and maintain or increase its share of the market. In the relatively consolidated cement industry, the Company primarily competes on the basis of quality, market presence, distribution network, diversity of product offerings, sales strategy, brand image and pricing. Some of the Company's competitors may be more established, benefit from greater brand recognition or have greater manufacturing and distribution channels and other resources than that of the Company. In addition to domestic competition, the Philippines has historically had periods during which there were significant imports of cement from foreign-based producers. If foreign-based producers begin exporting significant volumes of cement to the Philippines and the Company is unable to compete effectively with such foreign imports or with domestic competitors, the Company may lose some of its market share, its revenues could decline or grow at a slower rate and our business, prospects, financial condition and results of operations could be adversely affected.

The construction industry is generally cyclical and variations in supply (including by increase of capacities) and demand (including from a decrease in construction activities) may result in overcapacity and a corresponding reduction in the utilization of the cement plants.
The Company is affected by the cyclical nature of the construction industry, which is characterized by periods of growth and slowdown or decline caused by variations in supply and demand. Such fluctuations may lead to periods of overcapacity where cement supply exceeds cement demand. Overcapacity could be due to (i) a decrease in demand and a failure by the industry to adjust supply or (ii) the industry adding capacity in excess of that required to satisfy demand.

Higher electricity and fuel costs, or the reduction or interruption in supply thereof, may adversely affect the Company's business, prospects, financial condition and results of operations.
The Company's operations consume significant amounts of electricity and fuel. The cement plants use electricity from the electricity grid, in addition to electricity produced from in-house generators fired by heavy fuel oil and waste production heat. The price and availability of electric energy and fuel are generally subject to market volatility and, therefore, may have an adverse impact on the Company's costs and operating results.

Fluctuations in distribution costs, disruptions in transportation and our reliance on our third-party service providers may adversely affect our business, prospects, financial condition and results of operations.
Pursuant to our direct sales model, we distribute our products throughout the Philippines, which involves significant expense and logistical difficulties. Distribution costs are impacted by a number of factors such as fuel costs, weather conditions and our logistics footprint, including the size and utilization of the Company's fleet of trucks and vessels that it charters, the cost of chartering trucks and vessels and the cost of other distribution infrastructure such as terminals and distribution centers. The Company has sought to expand its distribution infrastructure in order to bring products closer to the markets in which they are sold. Any future increases in the Company's distribution costs could cause it to raise its prices for cement and make it uneconomical for the Company's customers to purchase its products, which could result in a significant decrease in the volume of cement the Company sells to its customers. The Company also engages and relies on third-party service providers, the majority of which relate to services the Company requires for its distribution activities. In the event where any of these service providers were to stop providing the Company with their services, the Company would need to procure loading, hauling and delivery services elsewhere, which may come at a greater cost to the Company. Distribution of cement in the Philippines also poses significant logistical difficulties given the geography of the Philippines. The Company cannot give assurance that its operations will not be materially adversely affected in the future if distribution costs increase or if distribution of its products is interrupted. Any substantial increase in distribution costs or interruption in distribution could adversely affect the Company's business, prospects, financial condition and results of operations.

The results of operations could be affected by fluctuations in interest rates.
The Company is exposed to interest rate risk primarily in connection with certain long-term loans which are subject to variable interest rate. There can be no assurance that fluctuations in interest rates will not adversely impact the Company's business, financial condition and results of operations.

The Company's operations can be affected by adverse weather conditions.
Construction activity, and thus demand for the Company's products, decreases substantially when heavy or sustained rainfalls occur. Consequently, demand for the Company's products is significantly lower during the rainy season in the Philippines or during periods of unexpected heavy or sustained rainfalls. Adverse weather conditions can adversely affect the Company's results of operations and profitability especially if they occur with unusual intensity, during unexpected periods or last longer than usual, especially during peak construction periods. This was the case in September 2018 when the

operations of the APO Cement plant was affected by the landslide in Naga, Cebu which took place during the rainy season.

The development or implementation of the Company's various projects including the planned expansion of the Solid Cement plant may not be completed on schedule or within the allocated budget.

On April 25, 2019, Solid Cement held its ceremonial groundbreaking for its new line, and certain key equipment, such as the kiln, are already at the plant. Various activities have already been ongoing, including the mobilization of equipment and site development. The time taken and the costs the Company incurs to complete this, and any other development or expansion project we may undertake, may be directly or indirectly affected by many factors, including shortages of materials, equipment, availability of contractors, technical skills and labor, adverse weather conditions, natural disasters, labor disputes, disputes with independent contractors and sub-contractors, accidents, and other problems and circumstances beyond our control.

Specifically, the time to finalize the expansion and the costs incurred in connection with the development of the Company's projects may be affected by the following factors, among others, which are generally beyond our control:

- delays or inability to obtain all necessary location, zoning, land use, building, development and other required governmental and regulatory licenses, permits, approvals and authorizations;
- construction risks, which include delays in construction and cost overruns (whether from variation to original design plans or any other reason), a shortage or increase in the cost of construction and building materials, equipment or labor as a result of inflation or otherwise, inclement weather conditions, unforeseen engineering, environmental or geological problems, defective materials or building methods, default by contractors and other third-party providers of their obligations, or financial difficulties faced by such persons, disputes between counterparties to a construction or construction-related contract, work stoppages, strikes, accidents, among others; and
- possible shortage of available cash to fund construction and capital improvements, as we may need to make significant capital expenditures without receiving revenue and cash flow from these properties until future periods, and the related possibility that financing for these capital improvements may not be available on commercially reasonable terms or at all.

There can be no assurance that the expansion of the Solid Cement plant, and any other development or expansion project we may undertake, will be completed within the anticipated time frame and the allocated budget, or at all. Furthermore, there can be no assurance that future demand for the Company's products will warrant the additional installed annual capacity that it expects to have available following the expansion of the Solid Cement plant, or any other development or expansion project that the Company may undertake, in which case it is possible that the Company may not recoup its expenditures in connection with such projects in full or at all. Moreover, as the Solid Cement plant expansion remains ongoing, the Company may need to augment its domestic production with additional cement or clinker from third parties or through global sourcing arrangements with CEMEX in order to serve the Philippine market. A delay in, or the slow development of, the Solid Cement plant expansion would require the Company to rely on imported cement or clinker for longer than is currently anticipated. Any of the foregoing could have a material adverse effect on our business, prospects, financial condition and results of operations.

The Company expects that the construction of the new production line will be completed in December 2021 at a total cost of approximately US$235 million.

New regulatory developments may increase costs of doing business or restrict operations.

The principal areas in which the Company is subject to regulation are product quality standards, environmental compliance, the Company's methods of distribution, labor, taxation, antitrust and health and safety. The Company may also be adversely affected by regulations applicable to ALQC and IQAC, or to other third parties that provide the Company with products and services. The adoption of new laws or regulations or a stricter interpretation or enforcement thereof in the Philippines may increase the Company's operating costs or impose restrictions on the Company's operations.

The results of operations could be affected by fluctuations in currency exchange rates.
The Company is exposed to foreign exchange fluctuations to the extent the Company incurs monetary assets and/or liabilities, or recognizes income or expenses, in a currency different from its functional currency, which is the Philippine Peso.

The Company's insurance coverage may not cover all the risks to which the Company may be exposed and the Company effectively self-insures a portion of its risks.
The Company faces the risks of fatalities and injury of its employees and contractors, loss and damage to its products, property and machinery due to, among other things, fire, theft and natural disasters such as floods and earthquakes. The Company also faces risks related to cyber-security related matters. Such events may cause a disruption to or cessation of its operations. While the Company believes that it has suitable insurance coverage in line with industry practices, in some instances the Company's insurance coverage may not be sufficient to cover all of its potential unforeseen losses and liabilities. In addition, the Company's insurance coverage is subject to deductibles, exceptions and limitations, and may not cover all the risks to which the Company may be exposed, or cover all losses or all types of claims that may arise from an incident.

In accordance with Philippine law, which requires the Company to maintain insurance policies issued by insurers regulated in the Philippines, substantially all insurance premiums paid by APO Cement and Solid Cement are paid to a third-party insurer in the Philippines. This third-party insurer in turn reinsures most risks with an affiliate of CEMEX (the "CEMEX Reinsurer"). In 2016, we incorporated Falcon Re Ltd. ("Falcon") as a wholly-owned Barbados entity to create its own reserves and reinsure the CEMEX Reinsurer in connection with certain liabilities and risks. Falcon is expected to continue to retain 10% of the CEMEX Reinsurer's risk in connection with our property insurance and 100% of the CEMEX Reinsurer's risk in connection with earthquake and wind stop loss, non-damage business interruption, political risks insurance, cyber liability and professional liability insurance. As a result of these arrangements, the Company will effectively self-insure these risks to the extent of Falcon's retained liability. Moreover, there can be no assurance that the reserves established by Falcon will exceed any losses in connection with the Company's self-insured risks, consequently the Company may suffer net losses as a result of its insurance strategy.

In addition, the Company's insurance coverage is subject to periodic renewal. If the availability of insurance coverage is reduced significantly for any reason, the Company may become exposed to certain risks for which it is not and, in some cases could not be, insured. Moreover, if the Company's losses exceed its insurance coverage, if its losses are not covered by the insurance policies it has taken up, or if the Company is required to pay claims to its insurers pursuant to the re-insurance arrangements described above, the Company may be liable to cover any shortfall or losses. Our insurance premiums may also increase substantially because of such claim from its insurers. In any of such circumstances, the Company's business, prospects, financial condition and results of operations may be adversely affected.

The Philippine Constitution and related statutes set forth restrictions on foreign ownership of companies that own land or mineral rights.
The Company currently does not conduct any mining operations, nor does it own any land or mineral rights, as it leases the land on which the APO Cement plant, Solid Cement plant and its other principal facilities are located and it purchases substantially all of its raw materials from ALQC and IQAC. While it does not currently own land or mineral rights, it may do so in the future. If the Company does decide to purchase and own land or mineral rights in the Philippines, foreign ownership in the Company will be limited to a maximum of 40% of its issued and outstanding capital stock. Under such circumstances, the Company would not be permitted to allow the issuance or the transfer of Common Shares to persons other than Philippine Nationals (as defined under Republic Act No. 7042, as amended) if such issuance or transfer would result in it ceasing to be a Philippine National for purposes of complying with the restrictions on land and mineral rights ownership. These restrictions may adversely affect the liquidity

and market price of the Parent Company's common shares to the extent international investors are restricted from purchasing its common shares in normal secondary transactions.

The Company is subject to anti-corruption, anti-bribery, anti-money laundering, antitrust laws and other regulations in the Philippines and elsewhere. Any violation of any such laws or regulations could have a material adverse impact on our business, prospects, financial condition and results of operations.

The Company is subject to anti-corruption, anti-bribery, anti-money laundering, antitrust and other international laws and regulations and are required to comply with the applicable laws and regulations of the Philippines. In addition, it is subject to regulations on economic sanctions that restrict dealings with certain sanctioned countries, individuals and entities. Given the large number of contracts to which the Company is a party, and the great variety of people and entities with which it interacts with in the course of business, the Company is subject to the risk that its affiliates, employees, directors, officers, partners, agents and service providers may misappropriate its assets, manipulate its assets or information, make improper payments or engage in corruption, bribery, money laundering or other illegal activity, for such person's personal or business advantage.

During the third quarter of 2018, the Philippine Government's antitrust supervisory body, the Philippine Competition Commission, requested information from the Parent Company in connection with an on-going investigation into alleged improper facilitation of the maintenance of high cement prices by certain cement companies (who were not identified to the Company) that are members of the Cement Manufacturers' Association of the Philippines (the "CEMAP"). APO Cement and Solid Cement are members of CEMAP. Republic Act No. 10667 or the Philippine Competition Act (the "PCA") serves as the primary competition law in the Philippines for promoting and protecting market competition. Violations under the PCA may result in fines and penalties, civil damages and criminal sanctions, depending on the offense committed and the severity of the offense. While the Parent Company is not aware of any allegation related to this investigation against the Parent Company, Solid Cement or APO Cement, there can be no assurance that this investigation will not result in adverse actions against CEMAP and/or the Company (including against Solid Cement or APO Cement as members of CEMAP) and any penalties and/or fines levied against CEMAP may result in contribution of payment for such penalties and/or fines by CEMAP members, including Solid Cement and APO Cement.

There can be no assurance that the Company's internal policies and procedures will be sufficient to prevent or detect all inappropriate practices, fraud or violations of law by its affiliates, employees, directors, officers, partners, agents and service providers or that any such persons will not take actions in violation of the organization's policies and procedures. If the Company or any member of the CEMEX group fail to fully comply with applicable laws and sanctions regulations, the applicable government authorities may investigate it and, if it is the case, impose fines, penalties and remedies, which could cause the Company to lose clients, suppliers and access to debt and capital markets. Any violations by the Company or a member of the CEMEX group of anti-bribery, anti-corruption, anti-money laundering, antitrust or other laws or regulations could have a material and adverse effect on the Company's business, prospects, financial condition and results of operations.

The Company is subject or may become subject to litigation proceedings and investigations that could harm its reputation, business, prospects, financial conditions and results of operation if an unfavorable ruling were to occur.

From time to time the Company is and may become involved in litigation and other legal proceedings relating to claims arising from our operations in the normal course of business. The Company is currently involved in various legal proceedings that have arisen in the ordinary course of its business including claims for environmental damages. The Company may also become involved in litigation to protect the trademark rights associated with its brands or the CEMEX name or in investigations related to antitrust matters.

In September 2015, Solid Cement suffered an oil spill at its cement facility involving approximately 2,000 liters of heavy fuel oil that overflowed from one of our storage tanks, the majority of which was recovered within seven days of the incident. However, due to heavy rain conditions, a portion was carried towards drainage areas that led to the Teresa River. As a result of the incident, three separate administrative proceedings were initiated against us before the Laguna Lake Development Authority ("LLDA"), the Environmental Management Bureau of the Department of Environment and Natural Resources and the City of Antipolo, Rizal. These proceedings have been resolved and we paid minimal fines of ₱250,000 in aggregate.

On November 19, 2018, the Parent Company and APO Cement were served summons concerning an environmental class action lawsuit filed by 40 individuals and one legal entity (on behalf of 8,000 individuals allegedly affected by the Naga Landslide) at the Regional Trial Court of Talisay, Cebu, against the Parent Company, APO Cement, ALQC, the Mines and Geosciences Bureau of the Department of Environment and Natural Resources, the City Government of Naga, and the Province of Cebu. A further discussion on this class action lawsuit is found in ITEM 3 of PART I of this Form 17-A (Annual Report).

The outcome of the various legal proceedings and investigations involving the Company is uncertain and in the case of an adverse final decision in any of these legal proceedings or investigations, thereby affecting our reputation, business, prospects, financial condition and results of operations. Furthermore, such proceedings can divert the attention of the Company's management from its business and any negative publicity resulting from such proceedings or other disputes may also result in substantial expenses and adversely affect our business, prospects, financial condition and results of operations.

The Company is subject to human rights laws and internal policies regarding human rights, and any violation of human rights laws or deviation from the Company's and CEMEX's internal policies related to human rights may adversely affect the Company.

The Company seeks to align its strategy and operations with universal principles on human rights and it expects all of its employees and business partners to similarly adhere to these principles. Even though the Company has a strict human rights policy (including through the application of CEMEX policies) and a process of ongoing due diligence to monitor its adherence, it is possible that an affiliate, employee, director, officer, partner or a third party related to the Company could be accused or perceived to deviate from this policy. A significant deviation from its human rights principles could impact the Company's employees, communities, suppliers or customers, as well as the Company's reputation, which in turn could cause some persons to avoid business transactions with the Company, adversely impact the Company's capacity to operate without disruptions and affect talent retention and attraction efforts, all of which could have an adverse impact on the Company's business, prospects, financial condition and results of operations.

The inability of the subsidiaries to pay dividends or make distributions or other payments to the Parent Company in sufficient amounts, including due to bankruptcy or insolvency, would impair the Company's ability to pay-off its indebtedness, make dividend payments or comply with future obligations.

The Parent Company is a holding company and operates exclusively through its operating subsidiaries. The Parent Company's primary assets will be the equity capital of its subsidiaries, APO Cement and Solid Cement. The ability of its subsidiaries to pay dividends to the Parent Company in the future will depend on their earnings, solvency, covenants contained in future financing or other agreements and on regulatory restrictions. If the Parent Company is unable to receive cash from its subsidiaries pursuant to dividend payments and/or other obligations, it may not have sufficient funds to pay-off its indebtedness, make dividend payments, pay any fees to CEMEX resulting from services rendered under the agreements [See ITEM 12 of PART III of this Form 17-A (Annual Report) (Certain Relationships and Related Party Transactions)], or comply with its future obligations.

CEMEX's significant interest in the Company may result in conflicts of interest.

As of December 31, 2020, CASEC held 77.84% of the outstanding common shares of stock of the Parent Company. As a result of its ownership of the Parent Company's common shares of stock through its indirect ownership of CASEC (which may decide to purchase or sell all or part of its shareholdings at any time), CEMEX will generally be able to determine the outcome of corporate actions requiring, as applicable, the approval of shareholders holding a majority or two-thirds of the outstanding shares of stock of the Parent Company, including the election of a majority of its directors.

CEMEX's interests may differ from those of other holders of the Parent Company's common shares, and actions that CEMEX may take with respect to the Company may not be as favorable to other shareholders as they are to CEMEX. As of the date of this report, the Parent Company's Board of Directors will include persons who are also directors and/or officers of CEMEX. As a result, CEMEX may gain the benefit of corporate opportunities that are presented to these directors, provided that either (i) the corporate opportunities were presented to these directors in their capacity other than as directors of the Company, or (ii) if the corporate opportunities were presented to these directors in their capacity as directors of the Company and our Board decides by a majority vote of the disinterested directors not to pursue such corporate opportunity. Additionally, conflicts of interest may arise between the Company and CEMEX in a number of areas relating to their ongoing relationships including, but not limited to:

- disagreements over corporate opportunities;
- competition between the Company and CEMEX;
- employee remuneration, retention or recruiting;
- level of debt the Company can incur and use of cash resources;
- any potential dividend policy the Company may adopt; and
- the services and arrangements from which the Company benefits as a result of its relationship with CEMEX.

There is a risk that the Parent Company may be in direct competition with CEMEX with respect to the Company's activities in the construction materials industry because CEMEX may potentially engage in the same activities in which it engages in the Philippines. To address these potential conflicts, a adopted a corporate opportunity policy has been adopted and is reflected in the Framework Agreement. Pursuant to the Framework Agreement, the Parent Company and CEMEX are permitted to compete with each other anywhere else in the world; provided, however, that in any country where competition between CEMEX and the Parent Company is not prohibited under the Framework Agreement, CEMEX has first priority right over any investment opportunity and we must refrain from taking advantage of any such investment opportunity in any such country without the prior consent of CEMEX and CASEC. CEMEX has also agreed not to compete with us in the Philippines while the Framework Agreement is in full force and effect; however if CEMEX no longer owns more than 50% of the Parent Company's total voting power, or the Parent Company is no longer consolidated with CEMEX under IFRS, or for any other reason the Parent Company ceases to be a subsidiary of CEMEX (as such term is defined in the Framework Agreement), then such restrictions will no longer apply to CEMEX. Due to the significant resources of CEMEX, including financial resources and name recognition, CEMEX could have a significant competitive advantage over the Parent Company should it decide to engage in the type of business we currently or in the future conduct upon the expiration or termination of the Framework Agreement, which may cause the Company's business to be materially adversely affected.

In addition, under the terms of the 2016 Framework Agreement, while the Company is an indirect subsidiary of CEMEX, it is restricted, subject to certain exceptions, from taking certain actions, such as issuing shares, incurring indebtedness, making capital expenditures and disposing and acquiring of assets, without the prior consent of CEMEX and CASEC. See ITEM 12 of PART III of this Form 17-A (Annual Report) (Certain Relationships and Related Party Transactions)

We believe that the involvement of CEMEX in the Company's operations has been, and will continue to be, important in the pursuit and implementation of the Company's business strategy. However, CEMEX, through CASEC, may not remain the controlling shareholder in the future. The Company's business, prospects, financial condition and results of operations and the market price of the Parent Company's common shares could be materially and adversely affected if CEMEX ceases to participate actively in the Company's operations.

ITEM 2. PROPERTIES

(1) The Company does not own land. The majority of the Company's property, consisting of plant and equipment, are located in Naga City, Cebu; Antipolo City, Rizal; Batangas City, Batangas; La Paz, Iloilo City; and Tondo, Manila. The production plants and distribution infrastructure are strategically located to serve key markets in the Philippines. APO Cement's production plant is located in Naga City, Cebu. Solid Cement's production plant is located in Antipolo City, Rizal.

The following table sets forth certain information concerning the land and floor space leased by the Company from ALQC, IQAC and other entities for the Company's cement plants, offices and other facilities as of December 31, 2020:

	Land and/or Floor Space (approx. square meters)
APO Cement plant	453,884
Solid Cement plant	635,013
Marine distribution centers	60,724
Land distribution centers/warehouse	49,321
Company headquarters	2,192
Sales offices	136

Under the lease agreements of APO Cement and Solid Cement with ALQC and IQAC, respectively, each of APO Cement and Solid Cement as lessee uses the leased premises for its various business activities including the manufacture of cement and other cement products as well as the temporary storage and distribution of its products and raw materials. The term of the lease agreements is 25 years, effective from January 1, 2016, and extendable for another 25 years, unless the lessee opts not to renew. The lease between Solid Cement and IQAC (as amended) covers an approximate aggregate area of 650,013 square meters, and annual rent payments of approximately ₱28.8 million plus VAT are due for the first two years of the lease. The lease between APO Cement and ALQC covers an approximate aggregate area of 453,884 square meters, and annual rental payments of approximately ₱58.2 million plus VAT are due for the first two years of the lease. For every two-year period thereafter, the annual rental fee will be reviewed and adjusted if necessary to ensure that the rental fee reflects market conditions. For the year 2020, the annual rent payment due under the lease between Solid Cement and IQAC (as amended) amounted to ₱28.8 million, while the annual rent payment due under the lease between APO Cement and ALQC amounted to ₱58.2 million.

For additional information relating to lease liabilities, see Note 21 of the Notes to the Company's Consolidated Financial Statements as at December 31, 2020 and 2019 in the accompanying Audited Financial Statements filed as part of this Form 17-A (Annual Report).

(2) The table below summarizes fixed assets and right-of-use assets portfolio of the Company as of December 31, 2020:

(In Thousand Pesos)	Amount (₱)
Buildings and improvements	6,448,196
Machinery and equipment	15,697,483
Construction in progress	7,868,581
Sub-total	30,014,260
Less: Accumulated depreciation, depletion, amortization and allowance for impairment loss	(8,314,883)
Total	21,699,377

(3) The Company’s properties are not mortgaged or encumbered.

ITEM 3. LEGAL PROCEEDINGS

On September 20, 2018, a landslide occurred in Sitio Sindulan, Barangay Tina-an, Naga City, Cebu, Philippines (the “Naga Landslide”), a site located within an area covered by the mining rights of ALQC. ALQC is a principal raw material supplier of APO Cement. The Parent Company does not own any equity stake (directly or indirectly) in ALQC or its parent company, Impact Assets Corporation. CASEC, an indirect subsidiary of CEMEX, S.A.B. de C.V. which is the majority stockholder of the Parent Company, owns a minority 40% stake in Impact Assets Corporation.

Landslide prompted local and national authorities to order the suspension of the mining operations of ALQC. Business continuity plans were put in place by APO Cement and implemented to address the disruption in the supply arrangement with ALQC. By September 30, 2020, local and national authorities allowed ALQC to resume its mining operations in the affected areas.

On November 19, 2018, the Parent Company and APO Cement were served summons concerning an environmental class action lawsuit filed by 40 individuals and one legal entity (on behalf of 8,000 individuals allegedly affected by the Landslide) at the Regional Trial Court of Talisay, Cebu[5], against the Parent Company, APO Cement, ALQC, the Mines and Geosciences Bureau of the Department of Environment and Natural Resources, the City Government of Naga, and the Province of Cebu, for “Restitution of Damage of the Natural and Human Environment, Application for the Issuance of Environmental Protection Order against Quarry Operations in Cebu Island with Prayer for Temporary Protection Order, Writ of Continuing Mandamus for Determination of the Carrying Capacity of Cebu Island and Rehabilitation and Restoration of the Damaged Ecosystems”.

In the complaint, among other allegations, plaintiffs (i) claim that the Naga Landslide occurred as a result of the defendants’ gross negligence; and (ii) seek, among other relief, (a) monetary damages in the amount of approximately ₱4.3 billion, (b) the establishment of a ₱500 million rehabilitation fund, and (c) the issuance of a Temporary Environment Protection Order against ALQC while the case is still pending. In the complaint, ALQC, APO Cement and the Parent Company are made solidarily liable for payment of monetary damages and establishment of a rehabilitation fund.

Among other defenses and based on a report by the Mines and Geosciences Bureau of the Department of Environment and Natural Resources, the Parent Company, APO Cement and ALQC hold the position that the Naga Landslide occurred due to natural causes and deny liability, fault and negligence.

In an order dated August 16, 2019, the Regional Trial Court denied plaintiffs’ Application for Temporary Environment Protection Order. By denying such application, the Regional Trial Court found that the applicants did not sufficiently establish that they will suffer grave injustice and irreparable injury by the continued operations of ALQC while the proceedings are pending. Plaintiffs moved for reconsideration, but the Court also denied plaintiffs’ motion in an Order dated September 30, 2019. Plaintiffs did not appeal this ruling, which became final as of December 5, 2020.

In an order dated September 30, 2019, the Regional Trial Court partially granted the affirmative defenses of the private defendants and ruled, among others, that the subject case against the Parent Company and APO Cement is dismissed for failure to state a cause of action. The court also ruled that: (i) the 22 plaintiffs who failed to sign the verification and certification against forum shopping are dropped as party-plaintiffs; (ii) the subject case is not a proper class suit, and that the remaining 17 plaintiffs can only sue for their respective claims, but not as representatives of the more than 8,000

[5] The records of the case were subsequently transferred to the Regional Trial Court of Cebu City Branch 23.

alleged victims of the landslide incident; (iii) plaintiffs' cause of action against ALQC for violation of Section 19(a) of Republic Act No. 10121 is dismissed; (iv) there is a misjoinder of causes of action between the environmental suit and the damage suit; and (v) the damage suit of the remaining plaintiffs will proceed separately upon payment of the required docket fees within 30 days from receipt of order, otherwise, the case for damages will be dismissed. The plaintiffs filed a motion for reconsideration of the court's order dated September 30, 2019, which remains pending as of the date of this report. Meanwhile, during the hearing of plaintiffs' motion for reconsideration on September 11, 2020, the Province of Cebu was officially dropped as a party-defendant in the case, on oral motion of plaintiffs.

In the event that the court's order dated September 30, 2019 were to be reconsidered maintaining the inclusion of the Parent Company and APO Cement as private defendants who are solidarily liable with ALQC, and a final adverse resolution were to be concluded in this case against the private defendants, plaintiffs will have the option to proceed against any one of ALQC, APO Cement or the Parent Company for satisfaction of the entirety of the potential judgement award, without the need to proceed against any other private defendant beforehand. Thus, ALQC's, APO Cement's or the Parent Company's assets alone could be exposed to execution proceedings.

As of the date of this report, at this stage of the overall proceedings and considering all possible defenses that could be available, while we cannot assess with certainty the likelihood of an adverse result in the overall proceedings, we believe a final adverse resolution in the overall proceeding is not probable, and, in turn, because we are not able to assess the outcome of the reconsiderations filed against the court's order, we are not able to determine if a final adverse resolution, if any, would have a material adverse impact on the Company's consolidated results of operations, liquidity and financial condition.

In addition to the above proceedings, several of the subsidiaries of the Parent Company are involved in various legal proceedings that have arisen in the ordinary course of business. These proceedings involve: 1) national and local tax assessments; 2) labor claims; and 3) other diverse civil actions. The Company also received various information requests from governmental and administrative authorities when such authorities are conducting periodic or general reviews of the markets in which we operate. The Parent Company believes that it has made adequate provisions to cover both current and contemplated general and specific litigation risks, and the Parent Company believes these matters will be resolved without any material significant effect on its operations, financial position and results of operations. The Parent Company is sometimes able to make and disclose reasonable estimates of the expected loss or range of possible loss, as well as disclose any provision accrued for such loss. However, for a limited number of ongoing legal proceedings, the Parent Company may not be able to make a reasonable estimate of the expected loss or range of possible loss or may be able to do so but believe that disclosure of such information on a case-by-case basis would seriously prejudice our position in the ongoing legal proceedings or in any related settlement discussions. Accordingly, in these cases, the Parent Company has disclosed qualitative information with respect to the nature and characteristics of the contingency, but have not disclosed the estimate of the range of potential loss.

The Parent Company believes these matters will be resolved without any material significant effect on its business, consolidated financial position or consolidated financial performance.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Annual Meeting of Stockholders of the Parent Company was held on 24 June 2020 and was conducted online and accessed by remote communication. During this annual meeting the following matters were approved by stockholders holding the requisite percentage of shareholdings: (a) approval of the minutes of the Annual Meeting of Stockholders held on June 6, 2019 and the minutes of the Special Meeting of Stockholders held on October 16, 2019; (b) Report of the President and Chief Executive Officer; (c) approval of the Annual Report (SEC Form 17-A) and audited financial statements as of 31 December 2019; (d) ratification of actions of the Board of Directors and Management since June 6, 2019; (e) election of the members of the Board of Directors; and (f) appointment of the accounting firm of R.G. Manabat & Co. as external auditor of the Corporation for the fiscal year 2020; and (f) approval of the amendments to Sections 4, 5, 7 and 8 of Article II and Section 2 of Article III of the Amended By-Laws of the Parent Company. The Securities and Exchange Commission issued its Certificate of Filing of Amended By-laws dated 13 October 2020 with the approved version of the Amended By-Laws of the Parent Company.

No other matter was submitted during the fourth quarter of the fiscal year covered by this Form 17-A (Annual Report) to a vote of security holders, through the solicitation of proxies or otherwise.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

(1) Market information

The common stocks of the Company are traded at the Philippine Stock Exchange (PSE). For the year ended December 31 2020[6], the high and low market prices for each quarter are shown below:

	2020	
Quarter period	High	Low
January to March	₱ 2.18	₱ 0.90
April to June	₱ 1.27	₱ 1.01
July to September	₱ 1.66	₱ 0.86
October to December	₱ 1.84	₱ 1.44

(2) Shareholders

As of December 31, 2020, there were thirteen billion four hundred eighty nine million two hundred twenty six thousand and six hundred twenty three (13,489,226,623) issued and outstanding common shares of stock of the Parent Company.

Based on the report prepared by CHP's stock transfer agent, the total number of stockholders of record as of December 31, 2020, the top twenty (20) *stockholders of record* of the Parent Company, including the number and percentage of total common shares outstanding held by each as of December 31, 2020 were as follows:

Names of Stockholders of Record	No. of Shares Held	% to Total Outstanding Shares
PCD Nominee Corporation (Non-Filipino)[(a) (d)]	8,711,634,375	64.58%
CEMEX ASIAN SOUTH EAST CORPORATION[(b)]	2,857,467,493	21.18%
PCD Nominee Corporation (Filipino) [(c) (e)]	1,917,098,212	14.21%
Sysmart Corporation	1,000,000	nil
Cai Yu Xi	1,000,000	nil
Elvira M. Cruz or Bernardo A. Cruz	325,481	nil
Sysmart Corporation	215,200	nil
Bob Dy Gothong	208,600	nil
Tristan Q. Perper	100,000	nil
Miguelito C. De Guia &/Or Milagros D. De Guia	77,889	nil

[6] For the first quarter of 2021, the high and low market prices of the Company shares were ₱1.64 and ₱1.08, respectively.

Myra P. Villanueva	40,000	nil
Elvira M. Cruz or Bernardo A. Cruz	38,000	nil
Majograjo Development Corporation	10,000	nil
Anita Uy Mustera or Nicolas R. Mustera	2,700	nil
Milagros P. Villanueva	2,500	nil
Myrna P. Villanueva	2,500	nil
Jesus San Luis Valencia	1,259	nil
Marietta V. Cabreza	1,000	nil
Christine F. Herrera	1,000	nil
Victor Co and/or Alian Co	200	nil
Shareholders Association of the Philippines, Inc.	100	nil

[a] PCD Nominee Corporation is not related to the Parent Company. The beneficial owners of the shares held through a PDTC participant are the beneficial owners thereof to the extent of the number of shares registered under the respective accounts with the PDTC participant. Except for disclosures made in respect of Note [b] below, the Parent Company has no record relating to the power to decide how the shares by PCD Nominee Corporation (Filipino and Non-Filipino) are to be voted.
[b] Cemex Asian South East Corporation ("CASEC"), the majority stockholder of the Parent Company, is a corporation incorporated in the Philippines, but wholly-owned by a Netherlands company. In addition to the 2,857,467,493 shares indicated in the table above, CASEC owns in scripless form 7,643,157,169 shares recorded under *PCD Nominee Corporation (Non-Filipino),* inclusive of 5 shares held as of end of December 2020 by Sergio Mauricio Menendez Medina, Ignacio Alejandro Mijares Elizondo, Alejandro Garcia Cogollos, Antonio Ivan Sanchez and Maria Garcia Villan, respectively. As of December 31, 2020, the total number of shares owned by CASEC is 10,500,624,662 corresponding to 77.84% of the total issued and outstanding shares of the Parent Company.
[c] See Note [a]
[d] Based on the Top 100 PDTC Participants Report (consolidated) of the Philippine Depository & Trust Corporation as of the last trading day of December 2020, the *PCD Nominee Corporation (Non-Filipino)* and the *PCD Nominee Corporation (Filipino)* accounts included the following:

(1) BDO Securities Corporation – holding 5,710,694,680 shares
(2) The Hongkong and Shanghai Banking Corp. Ltd.- Clients' Acct – holding 2,439,484,208
(3) COL Financial Group, Inc. – holding 355,450,154 shares
(4) AB Capital & Investment Corp.- Trust & Investment Div. – holding 272,951,615 shares
(5) Deutsche Bank Manila-Clients A/C – holding 162,823,516 shares
(6) Citibank N.A. – holding 160,324,504 shares
(7) Philippine Equity Partners, Inc. – holding 157,132,270 shares
(8) Abacus Securities Corporation – holding 149,063,686 shares
(9) First Metro Securities Brokerage Corp – holding 139,943,838 shares
(10) Papa Securities Corporation – holding 109,445,124 shares

[e] See Note [d]

As of December 31, 2020, the total number of shares owned by Cemex Asian South East Corporation is 10,500,624,662 common shares corresponding to 77.84% of the total issued and outstanding shares of the Parent Company. As of December 31, 2020, an estimated 22.07% of the total outstanding shares of stock of the Parent Company was held by the public.

(3) Dividends declaration, if any

The Parent Company has not declared any dividends on its common equity from the time of its initial listing and any subsequent interim period for which financial statements are required to be presented by SRC Rule 68.

(4) Sales of Unregistered Securities within the last three (3) years

In January 2020, the Parent Company conducted a stock rights offering involving 8,293,831,169 common shares of stock pursuant to a Notice of Confirmation of Exempt Transaction of the Securities and Exchange Commission which was issued on December 11, 2019, confirming that the stock rights offering is exempt from the registration requirements of the Securities Regulation Code (SRC) under SRC Section 10.1 (e) and (i).

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the Company's consolidated financial condition and results of operations as at and for the years ended December 31, 2020, 2019, 2018 and 2017, and certain trends, risks and uncertainties that may affect the Company's business.

See Note 3 of the Notes to the Company's Consolidated Financial Statements as at December 31, 2020 and 2019 in the accompanying Audited Financial Statements filed as part of this Form 17-A (Annual Report) for the impact in adoption.

<u>AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND DECEMBER 31, 2019</u>

<u>Results of Operations</u>

Revenue

The consolidated revenue for the years ended December 31, 2020 and 2019 amounted to ₱19.7 billion and ₱23.6 billion, respectively. Revenue was generated mainly from sale of cement products as a result of the Company's ordinary activities.

The decrease in revenue of 16.5% in 2020 compared to 2019 was attributed to a 11% decline in domestic gray cement volumes mainly due to the impact of the COVID-19 Pandemic and 6% decline in our domestic cement prices driven by a higher proportion of pick-up sales, lower demand and competitive market dynamics.

The breakdown of revenue after elimination of transactions between consolidated entities for the year ended December 31, 2020 and 2019 were as follows:

	For the year ended December 31, 2020		For the year ended December 31, 2019	
Segment	***Amount****	***%Revenue***	***Amount****	***%Revenue***
Cement	₱19,669	100%	₱23,588	100%
Other business	38	0%	8	0%
Total	₱19,707	**100%**	**₱23,596**	**100%**

**Amounts in millions*

Cost of Sales

Consolidated cost of sales for the years ended December 31, 2020 and 2019, amounted to ₱11.6 billion and ₱13.9 billion, respectively. Costs arose mainly from power and fuel consumption, raw materials and supplies used during production, depreciation and other expenses directly attributable to the manufacturing of finished goods.

Decrease of 16.5% in 2020 compared to 2019 was attributable to lower sales volume, lower production cost per ton as well as an extraordinary benefit in shutdown costs in 2020 due to reduced scope and postponement of APO Cement plant major kiln shutdown.

Power and fuel represented approximately (i)19.2% and 22.8%, respectively, of cost of sales in 2020, and (ii) 19.1% and 20.6%, respectively, of cost of sales in 2019.

Gross Profit

As a result of the above conditions, gross profit for the years ended December 31, 2020 and 2019, reached ₱8.1 billion and ₱9.7 billion, respectively. Gross profit as a percentage of revenue for the year ended December 31, 2020 and 2019, represented 41.1% and 41.0%, respectively.

Operating Expense
Operating expenses amounted to ₱6.3 billion and ₱7.3 billion for the years ended December 31, 2020 and 2019, respectively. Operating expenses were composed of administrative, selling, and distribution expenses.

Administrative and selling expenses amounted to ₱2.8 billion and ₱3.1 billion, or 14.1% and 13.2% of revenue, in 2020 and 2019, respectively. These include: a) license fees amounting to ₱747.0 million and ₱865.4 million, respectively; b) insurance amounting to ₱209.2 million and ₱195.8 million, respectively; c) salaries and wages amounting to ₱727.5 million and ₱766.8 million, respectively; and d) administrative fees amounting to ₱620.9 million and ₱744.2 million, respectively. Total Administrative and selling expenses decreased by 10.6% due to lower license fees and strict measures to control costs by reducing discretionary expenses.

Distribution expenses amounted to ₱3.5 billion and ₱4.2 billion, which accounted for 17.8% and 17.9% of revenue, in 2020 and 2019, respectively. Total Distribution expenses decreased by 17.2% year-over-year for 2020, driven by initiatives to increase operational and cost efficiency.

Other expenses included in operating expenses cover utilities and supplies, taxes and license, depreciation, advertising and travel expenses, rental, and others.

Operating Income before Other Expenses, Net
For the reasons discussed above, operating income before other expenses - net amounted to ₱1.8 billion and ₱2.3 billion in 2020 and 2019, respectively. These comprised of 9.2% and 9.9% of revenue, respectively.

Other Income (Expenses), Net
Other income (expenses), net for the years ended December 31, 2020 and 2019 were (₱30.3) million and ₱8.5 million, respectively. Movement in *other income*, net in 2020 compared to other expenses, net in 2019 was primarily due to incremental costs incurred by the Company due to the COVID-19 Pandemic.

Financial and Other Financial Expenses, Net
Net financial expenses in 2020 and 2019 amounted to ₱626.4 million and ₱1,304.5 million, respectively. Decrease of 52.0% in 2020 compared to 2019 were attributable to lower outstanding loan balances and declining interest rates. The company disbursed around ₱7.9 billion for the repayment of debt owed to CEMEX Asia, B.V., during the first quarter of 2020.

Foreign Exchange Gain (Loss), Net
Foreign exchange gain of ₱170.2 million and ₱453.1 million were reported in 2020 and 2019, respectively.

Movement in *net foreign exchange gain* in 2020 compared to *net foreign exchange gain* in 2019 was mainly due to: (a) lower balances of deposit agreements between the Parent Company and its foreign subsidiaries; (b) realized foreign exchange loss from redenomination of revolving facility agreement between Solid Cement and CEMEX Asia, B.V. in the first quarter of 2020 compared to unrealized foreign exchange gain in 2019; and (c) appreciation of Philippine peso against U.S. dollar in 2020 from ₱50.64 exchange rate as at December 31, 2019 to ₱48.02 exchange rate as at December 31, 2020.

The Company entered into the following agreements which affected the movement in foreign exchange gains (losses):

- On 1 August 2016, the Parent Company signed deposit agreements with Falcon Re Ltd. and CEMEX Asia Research A.G., respectively, in which the mentioned subsidiaries may deposit and withdraw the amount placed at any time and date, according to the conditions established in the deposit agreement. The agreements shall be valid and binding until August 1, 2021. The principal under the Falcon Re Ltd deposit agreement shall bear interest calculated daily at a rate equal to Western Asset Institutional Liquid Reserve Fund (WAILRF) minus 10 basis points. The principal under the CEMEX Asia Research A.G. deposit agreement was subject to an initial interest rate of 2.25%, which interest was subsequently increased to 2.5% per annum effective in July 2017 and then to 3% per annum starting March 2018.

- On November 21, 2018, Solid Cement signed a revolving facility agreement with CEMEX Asia, B.V. allowing Solid to withdraw in one or several installments a sum of up to U.S.$75,000, which was amended on February 2019, increasing the facility to U.S.$100,000. On November 28, 2019, further amendments were made to increase the facility to U.S.$160,000. The agreement, which was subject to initial interest rate of 8.2%, bears an interest based on the Company's leverage ratio. On January 3, 2020, the loan was redenominated from U.S.$ to Philippine Peso at ₱51.09 exchange rate. The loan amount was paid in full in March 2020.

Income Tax
As a result of operations, the Company's income tax expense in 2020 and 2019 amounted to ₱336.0 million and ₱219.2 million, respectively.

Increase of 53.3% in 2020 compared to 2019 was mainly due to the utilization of deferred tax assets during the second half of 2020 which reduced cash tax payments.

Net Profit (Loss)
As a result of the abovementioned concepts, net profit (loss) for the years ended December 31, 2020 and 2019 amounted to ₱985.1 million and ₱1,279.6 million, respectively.

Financial Position
Cash and Cash Equivalents
Cash and cash equivalents amounted to ₱6.1 billion and ₱1.4 billion as at December 31, 2020 and December 31, 2019, respectively. As at December 31, 2020, cash and cash equivalents of ₱6.1 billion include ₱1.9 billion cash in banks and ₱4.3 billion short-term investments which were readily convertible to cash. As at December 31, 2019, cash and cash equivalents of ₱1.4 billion include ₱1.2 billion cash in banks and ₱0.2 billion short-term investments which were readily convertible to cash. Net increase in cash and cash equivalents was mainly from the proceeds from the company's concluded Stock Rights Offering, net of payments of loans from related parties.

Trade Receivables - Net
Trade receivables amounted to ₱700.2 million and ₱893.0 million as at December 31, 2020 and December 31, 2019, net of allowance for impairment losses amounting to ₱26.7 million and ₱23.8 million, respectively, which mainly pertain to receivables from customers. Decrease was mainly driven by lower credit sales and increase in cash sales in 2020.

Due from Related Parties
Related party balances amounted to ₱3.8 million and ₱27.7 million as at December 31, 2020 and December 31, 2019, respectively. The decrease in the balances of receivables from related parties is attributable to the collection of receivables arising from the sale of goods, provision of back-office and other support services, advances, and foreign currency conversion.

Insurance Claims and Premium Receivables
Insurance premiums receivable, which amounted to ₱86.4 million and ₱437.0 million as at December 31, 2020 and December 31, 2019, respectively, is related to non-damage business interruption insurance receivable from third party insurance company. Premiums receivable represents premiums on written policies which are collectible within the Company's credit term. Claims from insurance amounted to ₱1.1 million and ₱8.5 million as at December 31, 2020 and December 31, 2019. Decrease was mainly from collection of December 31, 2019 premiums insurance receivables, net of unpaid premiums of insurance policies which were written during 2020.

Other Current Accounts Receivable
Other accounts receivables amounted to ₱43.7 million and ₱65.2 million as at December 31, 2020 and December 31, 2019, respectively. Movements primarily refer to receivable from contractors, short-term deposits, loan receivables, receivable from employees and others. Decrease mainly refers to assignment of a third party loan from other accounts receivable to receivable from a related party.

Inventories
Inventories amounted to ₱2.3 billion and ₱3.0 billion as at December 31, 2020 and December 31, 2019, respectively. Inventories consisting of raw materials, cement and work in process amounted to ₱1.4 billion and ₱1.9 billion as at December 31, 2020 and December 31, 2019, respectively, and the remaining balance pertains to spare parts. Decline in inventories in 2020 primarily refers to decrease in work-in-process and finished goods inventories due to production optimization initiatives.

Derivative assets
Derivative assets amounted to ₱24.0 million and nil as at December 31, 2020 and December 31, 2019, respectively. The Company entered an agreement with CEMEX to confirm that the company will bear all the risks and rewards arising out of the hedge contract that CEMEX has entered during 2020. Movement refers to mark-to-market valuation of the hedge instrument.

Prepayments and Other Current Assets
Other current assets amounted to ₱1.8 billion and ₱1.7 billion as at December 31, 2020 and December 31, 2019, respectively, which pertain primarily to prepayments of insurance, ₱628.6 million and ₱508.8 million, respectively, prepayment of taxes, ₱1,041.4 million and ₱645.0 million, respectively. Movement is primarily due to unamortized balance of prepaid NDBI and general liability insurance accounts.

Investment in an Associate and Other Investments
Investments in Associates cover minority equity investments in Greencrete Inc. and Calabar Aggregates Corporation.

Other Assets and Noncurrent Accounts Receivable
Other assets amounting to ₱782.4 million and ₱837.2 million as at December 31, 2020 and December 31, 2019, respectively, primarily consisted of long-term prepayments amounting to ₱27.9 million, long-term performance deposits of ₱266.4 million and ₱259.9 million, respectively, and debt reserve account and guarantee bonds used in operations amounting to ₱407.8 million and ₱480.8 million, respectively. The rest mainly referred to noncurrent portion of the unamortized transportation allowances of employees and other long-term prepayments. Movement mainly refers to lower debt service reserve account from the company's supplemental agreement with BDO.

Property, Machinery, Equipment and Assets for the Right-of-Use
Property, machinery and equipment had a balance of ₱19.9 billion and ₱18.0 billion as at December 31, 2020 and December 31, 2019, respectively. For the year ended December 31, 2020 and for the year ended December 31, 2019, ₱274.5 million and ₱659.4 million, respectively, were incurred for maintenance capital expenditures and ₱3.3 billion and ₱3.2 billion, respectively, for strategic capital expenditures.

Assets for the right-of-use amounted to ₱1.8 billion and ₱2.0 billion as at December 31, 2020 and December 31, 2019, respectively. For the year ended December 31, 2020 and December 31, 2019, additions to assets for the right-of-use amounted to ₱558.2 million and ₱362.4 million, respectively.

Advances to Contractors
In November 2018, the Company made a down payment amounting to ₱2.1 billion to a third party for the construction and installation of Solid Cement's new production line and is presented under noncurrent assets in the consolidated statements of financial position. As at December 31, 2020, and

December 31, 2019, the balance of this account amounted to ₱1.1 billion and ₱1.6 billion, respectively. Movement was due to the depletion of advances in line with the progress of the Solid Expansion Project.

Deferred Income Tax Assets - Net
The Company's deferred income tax asset amounted to ₱1.1 billion and ₱1.0 billion as at December 31, 2020 and December 31, 2019, respectively, which mainly represented pension, unrealized foreign exchange losses and future tax benefits from operating losses. Movement mainly refers to recognition of additional deferred tax assets from operating losses and Minimum Corporate Income Tax. Deferred tax liability amounted to ₱0.9 million and ₱1.6 million as at December 31, 2020 and December 31, 2019, respectively.

Goodwill
The Company's goodwill arose from the business combinations when the Parent Company acquired its subsidiaries in 2016. As of December 31, 2020, no impairment to goodwill is recognized.

Trade Payables
Trade payables as at December 31, 2020 and December 31, 2019 amounted to ₱4.2 billion and ₱4.8 billion, respectively. The decrease in trade payables is mainly due to the payment to various suppliers and settlement of various insurance with Pioneer.

Due to Related Parties
Short-term payable to related parties had a balance of ₱1.5 billion and ₱2.7 billion as at December 31, 2020 and December 31, 2019, respectively. Long-term payable to related parties amounted to nil and ₱5.4 billion as at December 31, 2020 and December 31, 2019, respectively. Movement primarily refers to repayment of loans with CABV.

Contract Liabilities, Unearned Income, Other Accounts Payable, Accrued Expenses, and Income Tax Payable
Contract liabilities, unearned income, other payables and accruals which amounted to ₱1.6 billion and ₱1.9 billion as at December 31, 2020 and December 31, 2019, respectively, pertained mainly to accruals, contract liabilities (which include advances from customers and unredeemed customer loyalty points), unearned income from insurance premium, provisions, and income tax payable. Movement is mainly due to lower accruals for freight cost, utilities and maintenance costs in 2020.

Lease Liabilities
Current portion of finance lease liabilities amounted to ₱628.3 million and ₱525.4 million as at December 31, 2020 and December 31, 2019, respectively. Noncurrent portion of finance lease liabilities amounted to ₱1.4 billion and ₱1.6 billion as at December 31, 2020 and December 31, 2019.

Retirement Benefit Liability
Retirement benefit liability amounting to ₱653.9 million and ₱794.2 million as at December 31, 2020 and December 31, 2019, respectively, pertains to the provision recognized by the Company associated with employees' defined benefit pension plans.

Long-term Bank Loan
The total outstanding balance of the BDO Refinancing Loan amounted to ₱10.8 billion and ₱11.4 billion as at December 31, 2020 and December 31, 2019, respectively. The unamortized debt issuance cost of this long-term bank loan, amounting to ₱80.1 million and ₱106.0 million, was deducted from the total loan liability as at December 31, 2020 and December 31, 2019, respectively. Short-term portion of the bank loan amounted to ₱140.1 million as at December 31, 2020 and December 31, 2019.

Other Noncurrent Liabilities
Other noncurrent liabilities of ₱20.6 million as at December 31, 2020 and December 31, 2019, pertains to provision for asset retirement obligation.

Common Stock
As at December 31, 2020 and December 31, 2019, the total authorized capital stock of the Parent Company consisted of 18,810,395,454 and 5,195,395,454 common shares at a par value of ₱1 per share, respectively and the total issued and outstanding capital stock was 13,489,226,623 and 5,195,395,454 common shares at a par value of ₱1 per share, respectively. Increase in common stock was due to the Stock Rights Offering.

Other Equity Reserves
The amount referred to the cumulative effects of items and transactions that were, temporarily or permanently, recognized directly to stockholders' equity which included share-based compensation, remeasurement of retirement benefits liability (net of tax) and cumulative currency translation of foreign subsidiaries.

Retained Earnings
Retained earnings of ₱3.2 billion and ₱2.3 billion as at December 31, 2020 and December 31, 2019 respectively, included the Company's cumulative net results of operations.

AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

Results of Operations

Revenue
The consolidated revenue for the years ended December 31, 2019, 2018 and 2017 amounted to ₱23.6 billion, ₱23.4 billion and ₱21.8 billion, respectively. Revenue was generated mainly from sale of cement products as a result of the Company's ordinary activities.

Increase of 7.5% in 2018 compared to 2017 was primarily due to a 6.8% increase in the volume of cement sold resulting from debottlenecking initiatives to increase production and supply chain throughput by approximately 500,000 tonnes, in addition to increased construction activity in both the public and private sectors, and a 0.9% increase in our average selling price for cement.

The breakdown of revenue after elimination of transactions between consolidated entities for the year ended December 31, 2019, 2018 and 2017 were as follows:

	For the year ended December 31, 2019		For the year ended December 31, 2018		For the year ended December 31, 2017	
Segment	***Amount****	***%Revenue***	***Amount****	***%Revenue***	***Amount****	***%Revenue***
Cement	₱23,588	100%	₱23,400	100%	₱21,571	99%
Other business	8	0%	18	0%	213	1%
Total	**₱23,596**	**100%**	₱23,418	**100%**	₱21,784	**100%**

**Amounts in millions*

Cost of Sales
Consolidated cost of sales for the years ended December 31, 2019, 2018 and 2017, amounted to ₱13.9 billion, ₱14.2 billion and ₱12.3 billion, respectively. Costs arose mainly from power and fuel consumption, raw materials and supplies used during production, depreciation and other expenses directly attributable to the manufacturing of finished goods.

Increase of 15.4% in 2018 compared to 2017 was attributable to higher sales volume, increased raw materials costs resulting from the September 2018 Naga Landslide and higher fuel and power costs.

Power and fuel represented approximately (i)19.1% and 20.6%, of cost of sales in 2019, respectively, (ii) 21.4% each, of cost of sales in 2018, and (iii) 21.5% and 22.1%, respectively, of cost of sales and services in 2017.

Gross Profit
As a result of the above conditions, gross profit for the years ended December 31, 2019, 2018 and 2017, reached ₱9.7 billion, ₱9.2 billion and ₱9.5 billion, respectively. Gross profit as a percentage of revenue for the year ended December 31, 2019, 2018 and 2017, represented 41.0%, 39.3% and 43.4%, respectively.

Operating Expense
Operating expenses amounted to ₱7.3 billion, ₱7.7 billion and ₱7.3 billion for the years ended December 31, 2019, 2018 and 2017, respectively. Operating expenses were composed of administrative, selling, and distribution expenses. Administrative and selling expenses amounted to ₱3.1 billion, ₱3.0 billion and ₱3.1 billion, or 13.2%, 12.8% and 14.1% of revenue, in 2019, 2018 and 2017, respectively. These include: a) license fees amounting to ₱865.4 million, ₱883.5 million and ₱827.8 million, respectively; b) insurance amounting to ₱195.8 million, ₱226.8 million and ₱154.1 million, respectively; c) salaries and wages amounting to ₱766.8 million , ₱653.0 million and ₱590.9 million, respectively; and d) administrative fees amounting to ₱744.2 million, ₱656.9 million and ₱878.6 million, respectively. Distribution expenses amounted to ₱4.2 billion, ₱4.7 billion and ₱4.3 billion, which accounted for 17.9%, 19.9% and 19.6% of revenue, in 2019, 2018 and 2017, respectively.

Other expenses included in operating expenses cover utilities and supplies, taxes and license, depreciation, advertising and travel expenses, rental, and others.

Operating Income before Other Expenses, Net
For the reasons discussed above, operating income before other expenses - net amounted to ₱2.3 billion, ₱1.5 billion and ₱2.1 billion in 2019, 2018 and 2017, respectively. These comprised of 9.9%, 6.5% and 9.7% of revenue, respectively.

Other Income (Expenses), Net
Other income (expenses), net for the years ended December 31, 2019, 2018 and 2017 were ₱8.5 million, (₱42.7) million and (₱226.2) million, respectively. Movement in *other income*, net in 2019 compared to other expenses, net in 2018 was primarily due to one-off Naga landslide losses in 2018 amounting to ₱71.7 million. Lower *other expenses*, net in 2018 compared to 2017 was attributable to the one-off asset impairment losses amounting to ₱175.2 million in 2017.

Financial and Other Financial Expenses, Net
Net financial expenses in 2019, 2018 and 2017 amounted to ₱1,304.5 million, ₱1,113.5 million and ₱1,048.2 million, respectively. Increase of 17.2% in 2019 compared to 2018 and increase of 6.2% in 2018 compared to 2017 were attributable to higher debt level to fund our Solid Cement plant expansion project and higher benchmark rates.

Foreign Exchange Gain (Loss), Net
Gain (loss) of ₱453.1 million, (₱381.4) million and (₱70.9) million were reported in 2019, 2018 and 2017, respectively.

Movement in *net foreign exchange gain* in 2019 compared to *net foreign exchange loss* in 2018 was mainly due to: (a) deposit agreements between the Parent Company and its foreign subsidiaries; (b) revolving facility agreement between Solid Cement and CEMEX Asia, B.V.; and (c) appreciation of Philippine peso against U.S. dollar in 2019 from ₱52.58 exchange rate as at December 31, 2018 to ₱50.64 exchange rate as at December 31, 2019.

Increase in *foreign exchange loss* of 438.4% in 2018 from 2017 was primarily due to depreciation of the Philippine peso against the U.S. dollar.

The Company entered into the following agreements which affected the movement in foreign exchange gains (losses):

- On 1 August 2016, the Parent Company signed deposit agreements with Falcon Re Ltd. and CEMEX Asia Research A.G., respectively, in which the mentioned subsidiaries may deposit and withdraw the amount placed at any time and date, according to the conditions established in the deposit agreement. The agreements shall be valid and binding until August 1, 2021. The principal under the Falcon Re Ltd deposit agreement shall bear interest calculated daily at a rate equal to Western Asset Institutional Liquid Reserve Fund (WAILRF) minus 10 basis points. The principal under the CEMEX Asia Research A.G. deposit agreement was subject to an initial interest rate of 2.25%, which interest was subsequently increased to 2.5% per annum effective in July 2017 and then to 3% per annum starting March 2018.
- On February 1, 2017, the Parent Company signed a senior unsecured peso long-term loan facility with BDO Unibank, Inc. ("BDO") for an amount of up to the Philippine Peso equivalent of U.S.dollar 280 million ("BDO Refinancing Loan"), to refinance a majority of the Parent Company's outstanding long-term loan facility with New Sunward Holding B.V. ("NSH"), a subsidiary of CEMEX. During the first quarter of 2017, the foregoing long-term loan with NSH was fully repaid.
- On November 21, 2018, Solid Cement signed a revolving facility agreement with CEMEX Asia, B.V. allowing Solid to withdraw in one or several installments a sum of up to U.S.$75,000, which was amended on February 2019, increasing the facility to U.S.$100,000. On November 28, 2019, further amendments were made to increase the facility to U.S.$160,000. The agreement, which was subject to initial interest rate of 8.2%, bears an interest based on the Company's leverage ratio.

Income Tax
As a result of operations, the Company's income tax expense in 2019, 2018 and 2017 amounted to ₱219.2 million, ₱953.7 million and ₱130.8 million, respectively.

Decrease of 77.0% in 2019 compared to 2018 was mainly due to the recognition of previously unrecognized deferred income tax assets. Increase of 629.3% in 2018 compared to 2017 was attributable primarily to intra-group dividends received from foreign subsidiaries and write-downs of previously recognized deferred income tax assets.

Net Profit (Loss)
As a result of the abovementioned concepts, net profit (loss) for the years ended December 31, 2019, 2018 and 2017 amounted to ₱1,279.6 million, (₱970.7 million) and ₱638.3 million, respectively.

Financial Position
Cash and Cash Equivalents
Cash and cash equivalents amounted to ₱1.4 billion, ₱1.8 billion and ₱1.1 billion as at December 31, 2019, 2018 and 2017, respectively. As at December 31, 2019, cash and cash equivalents of ₱1.4 billion, include ₱1.2 billion cash on hand and in banks and ₱0.2 billion short-term investments which are readily convertible to cash. As at December 31, 2018, cash and cash equivalents of ₱1.8 billion include ₱1.7 billion cash on hand and in banks and ₱0.1 billion short-term investments which are readily convertible to cash. As at December 31, 2017, cash and cash equivalents of ₱1.1 billion include ₱0.6 billion cash on hand and in banks and ₱0.5 billion short-term investments which are readily convertible to cash.

Decrease of 22.9% in 2019 cash and cash equivalents from 2018 was primarily due to ₱3.0 billion cash provided by operating activities, ₱3.1 billion used in investing activities and ₱0.3 billion used in financing activities. Increase of 71.4% in 2018 cash and cash equivalents from 2017 was due to to ₱2.3 billion cash provided by operating activities, ₱3.3 billion used in investing activities and ₱1.7 billion provided by financing activities.

Trade Receivables - Net
Accounts receivables amounted to ₱893.0 million, ₱708.9 million and ₱818.8 million as at December 31, 2019, 2018 and 2017, respectively, net of allowance for impairment losses amounting to ₱23.8 million, ₱24.1 million and ₱36.1 million, respectively, which mainly pertained to receivables from customers.

Increase of 26.0% in 2019 compared to 2018 was attributable to a lower proportion of cash sales to overall sales while the decline of 13.4% in 2018 compared to 2017 was primarily due shorter collection period in 2018.

Due from Related Parties
Related party balances amounted to ₱27.7 million, ₱30.3 million and ₱26.4 million as at December 31, 2019, 2018 and 2017, respectively. Movements in *due from related parties* were primarily from the sale of goods, invoicing of administrative fees, and advances between related parties.

Insurance Claims and Premium Receivables
Premiums receivable, which amounted to ₱437.0 million, ₱604.9 million and nil as at December 31, 2019, 2018 and 2017, respectively was related to non-damage business interruption insurance receivable from third party insurance company. Premiums receivable represents premiums on written policies which are collectible within the Company's credit term.

Insurance claims amounted to ₱8.5 million, ₱345.1 million and nil as at December 31, 2019, 2018 and 2017, respectively. As at December 31, 2018, outstanding insurance claims refer to the loss incurred during the September 2018 Naga Landslide.

Decline in 2019 insurance claims and premium receivables was attributable to the receipt of 2018 outstanding insurance claims during 2019. The increase in 2018 from 2017, in addition to the insurance claims from the September 2018 Naga Landslide, was due to premiums receivables outstanding as at December 31, 2018, which the Company did not have as at December 31, 2017.

Other Current Accounts Receivable
Other accounts receivables amounted to ₱65.2 million, ₱73.1 million and ₱74.6 million as at December 31, 2019, 2018 and 2017, respectively, which mainly pertained to short term deposits, receivables from contractors and employees and loan receivables. Decline in 2019 was primarily due to the decrease in short-term deposits and receivable from employees.

Inventories
Inventories amounted to ₱3.0 billion, ₱3.5 billion and ₱3.3 billion as at December 31, 2019, 2018 and 2017, respectively. Inventories consisting of raw materials, cement and work in process amounted to ₱1.9 billion, ₱1.8 billion and ₱1.7 billion as at December 31 2019, 2018 and 2017, respectively, and the remaining balance referred to spare parts. Inventories are measured at cost or net realizable value, whichever is lower.

Decline of 13.6% in 2019 from 2018 was mainly attributable to ₱0.6 billion decline in materials and spareparts while the increase of 7.1% in 2018 from 2017 was attributable mainly to ₱0.4 billion increase in inventory in transit.

Prepayments and Other Current Assets
Other current assets amounted to ₱1.7 billion, ₱1.7 billion and ₱1.4 billion as at December 31, 2019, 2018 and 2017, respectively, which referred primarily to prepayments of insurance, ₱508.8 million, ₱529.8 million and ₱542.7 million, respectively, and prepayment of taxes, ₱645.0 million, ₱525.3 million and ₱548.9 million, respectively, and advances to suppliers, ₱367.8 million, ₱444.9 million and ₱116.8 million, respectively. Increase in 2018 prepayments from 2017 was primarily attributable to the increase in advance payments for clinker and raw materials.

Investment in an Associate and Other Investments
As of December 31, 2019, 2018 and 2017, investments in an associate and other investments cover minority equity investments in Greencrete Inc., Calabar Aggregates Corporation and others. In 2018, the Company sold its rights pertaining to a proprietary membership share which caused the decline of 8.5% from 2017.

Other Assets and Noncurrent Accounts Receivable
Other assets amounting to ₱837.2 million, ₱818.2 million and ₱716.7 million as at December 31, 2019, 2018 and 2017, respectively, primarily consisted of long-term prepayments amounting to ₱27.9 million, ₱41.7 million and ₱47.8 million, respectively, long-term performance deposits of ₱259.9 million, ₱115.7 million and ₱122.4 million, respectively, and debt reserve account and guarantee bonds used in operations amounting to ₱480.8 million, ₱601.2 million and ₱485.5 million, respectively. The rest mainly referred to noncurrent portion of the unamortized transportation allowances of employees. Increase in 2018 from 2017 was primarily attributable to the increase in debt service reserve account with BDO.

Advances to Contractors for Plant Construction
In November 2018, the Company made a downpayment to a third party for the construction and installation of Solid's new production line and is presented under noncurrent assets in the consolidated statements of financial position amounting to $40.7 million (approximately ₱2.1 billion). As at December 31, 2019 and 2018, the balance of this account amounted to ₱1.6 billion and ₱2.1 billion, respectively. Movement was due to the depletion of advances in line with the progress of the Solid Cement plant expansion project.

Property, Machinery and Equipment and Assets for the Right-of-use - Net
Property, machinery and equipment had a balance of ₱18.0 billion, ₱15.6 billion and ₱15.6 billion as at December 31, 2019, 2018 and 2017, respectively. As at December 31, 2019, 2018 and 2017, ₱0.7 billion, ₱1.1 billion and ₱0.8 billion, respectively, were incurred for maintenance capital expenditures and ₱3.2 billion, ₱0.3 billion and ₱0.5 billion, respectively, for strategic capital expenditures. Increase in 2019 from 2018 was primarily attributable to the capital expenditures on Solid Cement plant expansion project.

Assets for the right-of-use as at December 31, 2019, 2018 and 2017 amounted to ₱2.0 billion, ₱2.2 billion and ₱2.2 billion, respectively.

Deferred Income Tax
The Company's deferred income tax asset amounted to ₱1.0 billion, ₱774.4 million and ₱1.1 billion, while deferred income tax liability amounted to ₱1.6 million, ₱147.4 million and ₱95.8 million, as at December 31, 2019, 2018 and 2017, respectively. Deferred income tax asset includes temporary tax differences which have future tax benefits. Movements in *deferred income tax* for the comparative periods are mainly related to NOLCO, excess MCIT over RCIT and unrealized foreign exchange gains and losses.

Goodwill
As of December 31, 2019, the Company's goodwill arose from the business combinations when the Parent Company acquired its subsidiaries.

Trade Payables
Trade payables as at December 31, 2019, 2018 and 2017 amounted to ₱4.8 billion, ₱4.9 billion and ₱2.3 billion, respectively, which were related to purchases of raw materials and other goods, and services provided by third parties. Increase in 2018 from 2017 was attributable to longer payment terms with suppliers, purchase of imported clinker and cement due to the September 2018 Naga Landslide landslide, and costs related to the initial stages of SOLID Cement plant expansion project.

Due to Related Parties
Short-term payable to related parties had a balance of ₱2.7 billion, ₱2.7 billion and ₱2.3 billion as at December 31, 2019, 2018 and 2017, respectively. Long-term payable to related parties amounted to ₱5.4 billion, ₱2.5 billion and ₱1.1 billion as at December 31, 2019, 2018 and 2017, respectively. The increase in payable to related parties for the comparative periods was mainly due to additional drawdowns in revolving facility agreement of the Company with CEMEX Asia, B.V.

Contract Liabilities, Unearned Income, Other Accounts Payable and Accrued Expenses, and Income Tax Payable
Contract liabilities, unearned income, other payables and accruals which amounted to ₱1.9 billion, ₱2.3 billion and ₱2.1 billion as at December 31. 2019, 2018 and 2017, respectively, pertained mainly to accruals, contract liabilities (which include advances from customers and unredeemed customer loyalty points) unearned income from insurance premium, provisions, and tax payables.

Decrease in contract liabilities, unearned income, other accounts payable and accrued expenses, and income tax payable of 16.4% in 2019 from 2018 was attributable to: a) accrued expenses; b) unearned income from reinsurance premiums; c) taxes payable such as VAT, withholding taxes and others; d) advances from customers; and e) income tax payable. Increase in contract liabilities, unearned income, other accounts payable and accrued expenses, and income tax payable of 8.5% in 2018 from 2017 was primarily attributable to accrued expenses.

Lease Liabilities
The current portion of lease liabilities amounted to ₱525.4 million, ₱453.7 million and ₱264.0 million as at December 31, 2019, 2018 and 2017, respectively. The noncurrent portion of lease liabilities amounted to ₱1.6 billion, ₱1.9 billion and ₱2.1 billion as at December 31, 2019, 2018 and 2017, respectively. Decline in 2019 from 2018 was attributable to lower lease additions and remeasurement from lease termination during the year.

Retirement Benefit Liability
Retirement Benefit Liability amounting to ₱794.2 million, ₱715.2 million and ₱761.0 million as at December 31, 2019, 2018 and 2017, respectively, pertained to the provision recognized by the Company associated with employees' defined benefit pension plans.

Increase of 11.0% in 2019 as against 2018 was attributable to the actuarial losses amounting to ₱165.8 million, net off actual plan contributions amounting to ₱105.0 million. Decrease of 6.0% in 2018 compared to 2017 was primarily due to actuarial gains amounting to ₱196.1 million, net off ₱88.5 million retirement obligation acquired from transferred employees.

Long-term Bank Loan
The total outstanding balance of the Parent Company's unsecured peso long-term facility with BDO Unibank, Inc. was ₱11.4 billion, ₱13.8 billion and ₱13.9 billion as at December 31, 2019, 2018 and 2017, respectively. The debt issuance cost of this long-term bank loan, corresponding to ₱106.0 million, ₱138.2 million and ₱166.6 million, on unamortized basis, was deducted from the total loan liability as at December 31, 2019, 2018 and 2017, respectively. Short-term portion of the bank loans amounted to ₱140.1 million each as at December 31, 2019, 2018 and 2017. In 2019, the Company made partial pre-payments under this bank loan amounting to ₱2.2 billion.

Other Noncurrent Liabilities
Other noncurrent liabilities of ₱20.6 million as at December 31, 2019, 2018 and 2017 referred to provision for asset retirement obligation.

Common Stock
As at December 31, 2019, 2018 and 2017, the total authorized capital stock of CHP consisted of 5,195,395,454 common shares at a par value of ₱1 per share, and the total issued and outstanding capital stock was 5,195,395,454 common shares at a par value of ₱1 per share.

Other Equity Reserves
The amount referred to the cumulative effects of items and transactions that were, temporarily or permanently, recognized directly to stockholders' equity which included share-based compensation, remeasurement of retirement benefits liability (net of tax), cumulative currency translation of foreign subsidiaries and unrealized gains and losses arising from fair value changes on derivative asset designated as a hedging instrument.

Decrease in 2019 from 2018 was attributable to: a) currency translation loss of foreign subsidiaries amounting to ₱243.0 million; and b) loss on remeasurement on retirement benefit liability amounting to ₱116.0 million. Increase in 2018 from 2017 was attributable to: a) currency translation gain of foreign subsidiaries amounting to ₱238.9 million; and b) gain on remeasurement on retirement benefit liability amounting to ₱137.3 million.

Retained Earnings
Retained earnings of ₱2.3 billion, ₱981.3 million and ₱2.0 billion as at December 31, 2019, 2018 and 2017, respectively, included the Company's cumulative net results of operations.

Company Performance Indicators and Liquidity

Key Performance Indicators
As of December 31, 2020, the Company sets certain performance measures to gauge its operating performance periodically and to assess its overall state of corporate health. Listed below are the major performance measures, which the Company has identified as reliable performance indicators. Analyses are employed by comparisons and measurements on a consolidated basis based on the financial data as at December 31, 2020, 2019, 2018 and 2017.

Key Financial Indicators	**Formula**	**2020**	**2019**	**2018 (As restated)**	**2017 (As restated)**
Current Ratio	Current Asset/Current Liabilities	**1.4 : 1**	**0.7 : 1**	**0.8 : 1**	**0.9 : 1**
Solvency Ratio	Profit + Depreciation and Amortization/Total Liabilities	**0.2 : 1**	**0.1 : 1**	**0.0 : 1**	**0.1 : 1**
Net debt to Equity Ratio	Debt*/Total Equity	**0.3 : 1**	**0.9 : 1**	**1.0 : 1**	**0.8 : 1**
Asset to Equity Ratio	Total Assets/Total Equity	**1.5 : 1**	**2.0 : 1**	**2.0 : 1**	**1.8 : 1**

**The debt is net of cash and cash equivalents.*

Key Financial Indicators	**Formula**	**2020**	**2019**	**2018 (As restated)**	**2017 (As restated)**
Interest Rate Coverage Ratio	Operating income before other income (expenses) – net/ interest	**3.6 : 1**	**1.9 : 1**	**1.4 : 1**	**2.1 : 1**
Profitability Ratio	Operating income before other income (expenses) – net/ Revenue	**0.1 : 1**	**0.1 : 1**	**0.1 : 1**	**0.1 : 1**

As of December 31, 2020, the Company does not have any off-balance sheet arrangements that are reasonably likely to have a material effect on its financial condition, operating results and liquidity or capital resources.

Liquidity
The Company's operations are exposed to risks from changes in price, interest rates, inflation, foreign exchange, governmental spending, social instability and other political, economic and/or social

developments in Philippines, any one of which may materially impact its net income and cash from operations. Consequently, in order to meet liquidity needs, the Company relies on cost-efficiency, profitability management and operating improvements to optimize capacity utilization and maximize profitability, as well as advances or borrowing under credit facilities, proceeds of debt and proceeds from asset sales. The Company also participates in liquidity management program pursuant to which it invests excess liquidity and has certain flexibility to undertake borrowings (intragroup or with CEMEX) to meet its own liquidity needs. Amounts that are invested or borrowed under this liquidity management program are often denominated in U.S. dollars.

Material Commitments for Capital Expenditures for 2021

The Company has budgeted for 2021 about ₱7,030 million for capital expenditures and investments which substantially consist of the following: ₱1,350 million – maintenance and other CAPEX and ₱5,680 million - Solid Cement's new cement production line. The Company expects to fund these capital expenditures through the use of proceeds raised during the Stock Rights Offering conducted in January 2020 and revenue or cashflow from operations.

Bank Loan

On February 1, 2017, the Parent Company signed a Senior Unsecured Philippine peso Term Loan Facility with BDO Unibank, Inc. (BDO") for a loan amount of up to the Philippine peso equivalent of US$280 million, the proceeds of which were applied to refinance its borrowings from New Sunward Holding B.V., which is an indirect subsidiary of CEMEX. The term loan provided by BDO has a tenor of seven years from the date of the initial drawdown on the facility and consists of a fixed rate and a floating rate tranche based on market rates plus spread. On December 8, 2017, the Parent Company, together with APO Cement and Solid Cement, entered into a supplemental agreement to the facility agreement with BDO pursuant to which it was agreed that (i) the commencement date for compliance with certain financial covenants under the facility agreement would be in June 2020; (ii) debt service reserve accounts were created; and (iii) additional debt incurrence restrictions be put in place. One of these debt incurrence restrictions agreed is based on a financial ratio that measures, on a consolidated basis, the Company's ability to cover its interest expense using its Operating EBITDA (as defined in the facility agreement) and is measured by dividing Operating EBITDA by the financial expense for the last twelve months as of the calculation date. On December 14, 2018, the Company and BDO entered into another supplemental agreement to the facility agreement that provides an option, only for certain potential events of default under the facility agreement, for the Company's ultimate parent company, CEMEX or any of CEMEX's subsidiaries which is not a direct or indirect subsidiary of the Company, to pay all amounts outstanding under the facility agreement before they become due and payable prior to their maturity in certain events.

On May 15, 2019, the Company entered into an agreement with BDO to amend further the facility agreement to, among others, (i) conform the facility agreement with certain changes required due to PFRS 16 taking effect as of January 1, 2019, (ii) exclude from certain financial covenants in the facility agreement any principal and interest from certain subordinated loans and advances incurred in relation with the new cement line being built by Solid Cement that have been made or are to be made to the Parent Company or its subsidiaries by any subsidiary of CEMEX, and (iii) allow for certain loans taken by the Parent Company and its subsidiaries with any CEMEX subsidiary to be paid with proceeds from any equity fundraising activity conducted by us without having to pay a prepayment fee to BDO under the facility agreement. On June 30, 2020, the Parent Company reached an agreement with BDO further amending their facility agreement so that the Parent Company is required to comply with certain financial covenants commencing on June 30, 2021.

None of the foregoing amendments and supplements has the effect of increasing the debt level, maturity date, or interest cost under the facility agreement.

As of December 31, 2020, the Parent Company is in compliance with the applicable restrictions and covenants of the facility agreement; however, the Parent Company cannot give assurance that it will be able to comply with the restrictions and covenants contained in the said facility agreement, as supplemented. The Parent Company may need to seek waivers, amendments and/or further supplement the facility agreement in the future. Even though the Parent Company has been able to supplement the facility agreement in the past, there is no assurance that that any future waivers, amendments and/or supplements, if requested, will be obtained or entered into.

Trend, Events or Uncertainties Affecting Recurring Revenues and Profits

The various measures imposed to date by the Philippine Government and those that will be additionally implemented as a result of the COVID-19 Pandemic have and may further adversely affect the Company's workforce deployment and operations and the operations of the Company's customers, distributors, suppliers and contractors, and may negatively impact the Company's financial condition, results of operations and cash flows. The Company faces significant uncertainties arising from the impacts of the COVID-19 Pandemic that may include restrictions on access to the Company's manufacturing facilities, on its operations or workforce, or similar limitations for the Company's customers, distributors, suppliers and contractors, which could limit customer demand and/ or the Company's capacity to meet customer demand, any of which could have a material adverse effect on the Company's financial condition and results of operations. The degree to which the COVID-19 Pandemic affects the Company's financial condition and results of operations will depend on future developments of the coronavirus situation in the country, which are highly uncertain and cannot be predicted, including, but not limited to, the duration and spread of the outbreak, its severity, the actions to contain the virus or treat its impact, government policy, and how quickly and to what extent normal economic and operating conditions can resume. On March 27, 2021, the government announced that in order to slow down the surge in COVID-19 cases, stop further spread of COVID-19 variants, allow the health system to cope, and protect more lives, several cities and provinces (which included the Province of Rizal and Metro Manila) will be under enhanced community quarantine effective from March 29, 2021 until April 11, 2021.

The Company implemented, and continues to implement, strict hygiene protocols in all its operations and modified its manufacturing, sales, and delivery processes to implement physical distancing, so as to protect the health and safety of its employees and their families, customers and suppliers; and drastically reduce the possibility of contagion of the COVID-19 Pandemic. The Company has undertaken and continues to explore temporary measures to address the adverse impact of the COVID-19 Pandemic on its workforce and operations with the objective of re-aligning the organization's resources with the evolving conditions in the different markets in which the Company operates. These measures include (but are not limited to) the reduction of plant production and inventory levels, the suspension, deferment or reduction in capital expenditures and budgeted operating expenses (including sales and administration expenses) and the implementation of changes in work-deployment schedules. The Company plans to continue to focus its efforts on managing the impact of the COVID-19 Pandemic on its production, commercial, and financial activities. It will continue to carefully monitor this overall situation and expects to take additional steps, as could be required.

The consequences resulting from the COVID-19 Pandemic have negatively affected the Company. During the year ended December 31, 2020, consolidated revenues decreased by 16% against the previous year, caused mainly by the decrease in sales volumes from reduced operations. This decrease in revenues was partially offset by a reduction in cost of sales and operating costs and expenses, which decreased 17% and 14%, respectively, during the same period, because of reduced operations but also considering the strict control of expenditures. For the year ended December 31, 2020, additional expenses were incurred by the Company associated with measures designed to address the adverse impact of COVID-19 pandemic amounting to ₱49.8 million presented under "Other income (expenses) - net".

The Company considers that, as the effects and duration of such pandemic may extend, there could be significant adverse effects in the future mainly in connection with: (i) increases in estimated credit losses on trade accounts receivable; (ii) impairment of long-lived assets including goodwill; (iii) further disruption in supply chains; and (iv) liquidity effects to meet the Company's short-term obligations.

Other than as disclosed elsewhere in this Form 17-A (Annual Report) or in the Company's Consolidated Financial Statements as at December 31, 2020 and 2019 in the accompanying Audited Financial Statements filed as part of this Form 17-A (Annual Report), the Parent Company is not aware of any trends, uncertainties, demands, commitments or events for the year ended December 31, 2020 that are reasonably likely to have a material and adverse effect on the Company's net sales, income, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future results of operations or financial conditions, or that would trigger direct or contingent financial obligation, including any default or acceleration of an obligation.

Refer to the discussion on major risks affecting the business in ITEM 1 of PART I of this Form 17-A (Annual Report).

ITEM 7. FINANCIAL STATEMENT

The Company's Consolidated Financial Statements as at December 31, 2020 and 2019 and the Parent Company's separate Financial Statements as at December 31, 2020 and 2019 in the accompanying Audited Financial Statements are filed as part of this Form 17-A (Annual Report).

ITEM 8. INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS

(A) External Audit Fees and Services

The external auditor of the Company is R.G. Manabat & Co. (RGM&Co.).

The fees billed for professional services rendered to the Company by R.G. Manabat & Co. (exclusive of out-of-pocket expenses) consisted of the following:

Nature of Work	2020	2019	2018	2017
(a)(1) Audit of annual financial statements or services that are normally engaged by external auditor in connection with statutory and regulatory filings or engagements	₱6,058,500	₱ 6,058,500	₱ 6,058,500	₱ 6,100,700
(a)(2) Other audit-related services	₱6,748,000	₱ 4,095,000	₱ 2,469,000	₱ 2,619,000
(b) Other non-audit related services (eg. for tax accounting, compliance, advice, planning and other form of tax services)	₱ -	₱ -	₱ -	₱ 465,078

(B) Changes in and disagreements with accountants on accounting and financial disclosures

The accounting policies adopted in the preparation of the consolidated financial statements of the Company and its subsidiaries for the year ended December 31, 2020 have been applied consistently to all years presented therein, except that certain amendments to accounting standards have been adopted as at January 1, 2018 and applied in the preparation of the consolidated financial statements. A brief discussion of these changes is found in Note 3 of the Notes to the Company's Consolidated Financial Statements as at December 31, 2020 and 2019 in the accompanying Audited Financial Statements filed as part of this Form 17-A (Annual Report).

There were no disagreements with accountants on accounting and financial disclosures.

PART III - CONTROL AND COMPENSATION INFORMATION

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF CEMEX HOLDINGS PHILIPPINES, INC.

(1) Directors and Executive Officers

Basic information and a brief description of the business experience of each of the Directors and Executive Officers of the Parent Company as of December 31, 2020 including directorships held in reporting companies, if any, are provided below.

Members of the Board of Directors

The *independent* directors are: Pedro Roxas, Alfredo S. Panlilio and Eleanor M. Hilado. The *non-executive* directors are Sergio Mauricio Menéndez Medina, Antonio Ivan Sanchez Ugarte and Maria Garcia Villan. The *executive* directors are Ignacio Alejandro Mijares Elizondo and Alejandro Garcia Cogollos.

A. Independent Directors

Pedro Roxas. 64 years old, Filipino citizen. Pedro Roxas holds a B.S. Degree in Business Administration from the University of Notre Dame in Indiana, USA. Mr. Roxas is the Chairman of the Board of Directors of Roxas Holdings Inc., Roxas and Company, Inc., Roxas Land Corporation. Mr. Roxas has extensive experience serving as an independent director for companies such the Philippine Long Distance Telephone Company, Manila Electric Co., BDO Private Bank, Mapfre Insular Insurance Corporation, and Brightnote Assets Corporation. He is the President of the Philippine Sugar Millers Association. He is also member of the Board of Fundacion Santiago and Chairman of Club Punta Fuego. Mr. Roxas serves as an independent member of the Board of Directors of the Parent Company. He was initially elected to the Board on June 3, 2016 and assumed office effective from July 14, 2016. He was re-elected as independent member of the Board during the Parent Company's annual stockholders' meetings held on June 7, 2017, June 6, 2018, June 6, 2019 and on June 24, 2020. Mr. Roxas is the Chairman of the Parent Company's Audit Committee and a Member of the Nomination Committee.

Alfredo Panlilio. 57 years old, Filipino citizen. Alfredo Panlilio holds a B.S. degree in Business Administration in 1984 from San Francisco State University in California and a Master of Business Administration degree from the J.L. Kellogg School of Management at Northwestern University in Illinois, USA and from The Hong Kong University of Science and Technology in 2009. From 1992 to 1997, Mr. Panlilio worked at IBM as an executive lead in various industries, including manufacturing, transportation, travel, and utilities. He then spent two years with ABS CBN, the Philippines' biggest TV network, where he marshaled synergies among the network's various subsidiaries. In 1999, Mr. Panlilio became the Senior Vice President and head of the Corporate Business Group of the Philippine Long Distance Telephone Company ("PLDT"), the Philippines' leading telecommunications firm, a role he served until 2002. In 2003, he was appointed to lead PLDT's Carrier Business Group, where he managed the formulation and implementation of domestic and international inter-carrier requirements. In 2004, Mr. Panlilio became the President and CEO of PLDT Global Corporation to grow the international retail business and maximize revenue potential of the PLDT Group of Companies. In 2010, PLDT acquired the Philippines' largest distribution utility, Manila Electric Company ("Meralco"), and Mr. Panlilio was appointed as Senior Vice President of Meralco and served as Meralco's Head of Customer Retail Services and Corporate Communications**.** On July 1, 2019, he assumed the role of EVP and Chief Revenue Officer of PLDT and was appointed President and CEO of Smart Communications, Inc. in August 2019. He is the Chairman of the Board of Directors or the President and board member, respectively of various companies affiliated with of PLDT and Smart Communications, Inc. Mr. Panlilio also serves as president of the MVP Sports Foundation, the umbrella sports advocacy organization of the Metro Pacific Group, the President of Samahang Basketbol ng Pilipinas and the PBA Governor for the Meralco Bolts. He is the Treasurer of the National Golf Association of the Philippines and Manila Golf, Inc. Mr. Panlilio is also a Trustee of Philpop Musicfest Foundation, Inc. Mr. Panlilio is an independent director on the Board of Directors of the Parent Company. He was initially elected to the Board on June 3, 2016 and assumed office effective from July 14, 2016. He was re-elected as independent member of the Board during the Parent Company's annual stockholders' meetings held on June 7, 2017, June 6, 2018, June 6, 2019 and on June 24, 2020. Mr. Panlilio is the Chairman of the Parent Company's Nomination Committee and a member of the Audit Committee.

Eleanor M. Hilado. 57 years old, Filipino citizen. Eleanor M. Hilado earned her Bachelor of Arts degree in Economics, Cum Laude, from the University of the Philippines. A former banker by profession, Ms. Hilado's 32-year banking career had its beginnings at the Far East Bank and Trust Company. Thereafter, Ms. Hilado joined the Development Bank of the Philippines as Sector Head of its Institutional Banking Group and was primarily responsible for professionalizing and revitalizing the corporate lending business of the institution immediately following its financial rehabilitation. In 1991, she joined the Corporate Banking Group of PCIBank and served as Assistant Vice President and Division Head until March 1997. In October 1997, Ms. Hilado's banking career was further broadened when she assumed senior management positions at PCI Capital Corporation, then the country's preeminent investment bank. In June 2007, she became First Vice President of BDO Capital & Investment Corporation, and was subsequently promoted to Senior Vice President in February 2009, a position she held until February 2018. At BDO Capital & Investment Corporation, Ms. Hilado led industry advocacy efforts to deepen the domestic bond markets by actively working with the Securities and Exchange Commission and the Philippine Dealing and Exchange Corporation to simplify registration requirements for issuers of public securities, on the one hand, and promoting investor education for publicly-issued debt and equity securities, on the other. Throughout her investment banking career, Ms. Hilado was instrumental in expanding the breadth and depth of issuer names and types of capital markets securities available in the domestic bond and equity markets. As Senior Vice President of BDO Capital & Investment Corporation, Ms. Hilado was involved in the implementation of certain capital markets transactions which were pursued with the participation of BDO Capital & Investment Corporation during the period 2016-2017. Concurrent with her position and responsibilities at BDO Capital & Investment Corporation, Ms. Hilado also served as President of Armstrong Securities, Inc. and a member of its Board of Directors, a member broker of the Philippine Stock Exchange and one of three stock brokerage firms of the BDO Unibank Group from 2008-2018. Ms. Hilado is affiliated with the Canadian American School Manila, being a member of its Board of Advisors since 2016. She is also a member of the Board of Governors of the Home for Alternative Learning and Motivational Strategies (a division of the Birthright Educators Foundation). Ms. Eleanor was initially elected as an independent member of the Board of Directors during the Parent Company's annual stockholders' meeting on June 6, 2019 and as member of the Parent Company's Audit Committee and Nomination Committee during the organizational meeting of the Board of Directors held on the same day. She was re-elected as an independent member of the Board of Directors during the Parent Company's annual stockholders' meeting on June 24, 2020. She remains a member of the Audit Committee and the Nomination Committee.

B. Other Directors[7]

Sergio Mauricio Menéndez Medina. 50 years old, Mexican citizen. Sergio Mauricio Menéndez Medina holds a Master of Business Administration degree from Stanford University and a degree in Bachelor of Science in Industrial Engineering from Instituto Tecnologico y de Estudios Superiores de Monterrey. He joined CEMEX in 1993 and has held various key management positions. Mr. Menéndez was the President of CEMEX's operations in the Philippines from 2008 to 2009, the Vice President for Strategic Planning for CEMEX's operations in Europe, Middle East, Africa & Asia region from 2009 to 2011 and, thereafter, the President for CEMEX's operations in Egypt until 2014. He subsequently assumed senior Vice President positions in the commercial department for CEMEX Mexico until 2019, when he was appointed as the President for CEMEX's operations in Europe and became a member of the Executive Committee of CEMEX, S.A.B.de C.V. Mr. Menéndez is currently the President of CEMEX's operations in Europe, Middle East, Africa & Asia region. In view of the resignation of Mr. Joaquin Miguel Estrada Suarez from the Board of Directors of the Corporation, the Board of Directors elected Mr. Menéndez as a member and the Chairman of the Board of Directors on April 2, 2020 at a meeting during which all incumbent board members were present. He was re-elected as a member of the Board during the Parent Company's annual stockholders' meetings held on June 24, 2020, and was elected as Chairman of the Board of Directors during the organizational meeting of the Board of Directors held on the same day.

Ignacio Alejandro Mijares Elizondo. 46 years old, Mexican citizen. Ignacio Alejandro Mijares Elizondo holds a Bachelor's degree in Industrial Engineering from Instituto Tecnológico y de Estudios Superiores de Monterrey, and obtained a Master of Business Administration degree from Stanford Graduate School of Business in 2000. Mr. Mijares joined CEMEX in 2001 and has held several management positions, including President of CEMEX Puerto Rico (2010-2011) and Vice President for Planning and Administration for CEMEX Mexico (2011-2017). He also served as a member of the Executive Committee and Board member of ABC Capital (2011-2017) and was a member of the Executive Committee and Board member of Grupo Cementos Chihuahua (2013-2017). Mr. Mijares was appointed as country head for CEMEX in the Philippines effective from July 1, 2017. On July 4, 2017, he was initially elected to the Board and elected as the Company's President and Chief Executive Officer. He was re-elected as a member of the Board during the Parent Company's annual stockholders' meetings held on June 6, 2018, June 6, 2019 and on June 24, 2020. Mr. Mijares is also the Chairman of the Board of Directors of the following subsidiaries: APO Cement Corporation, Solid Cement Corporation, Triple Dime Holdings, Inc., Edgewater Ventures Corporation, Sandstone Strategic Holdings, Inc., Bedrock Holdings, Inc., Ecocrete, Inc., Enerhiya Central Inc., Ecocast Builders, Inc., Ecopavements, Inc., and Newcrete Management, Inc. Mr. Mijares is the Chairman of the Board of Directors and President of Cemex Asian South East Corporation (the majority stockholder of the Parent Company) and Cemex Strategic Philippines, Inc., an affiliate of the Parent Company which is in the process of winding-up. He is also a member of the board of directors of Impact Assets Corporation and Albatross Holdings, Inc.

Alejandro Garcia Cogollos. 46 years old, Spanish citizen. Alejandro Garcia Cogollos holds a Bachelor's degree in Management and Business Administration from the Universidad Carlos III de Madrid, and obtained an MBA from Escuela de Administración de Empresas (EAE) (Barcelona). Mr. Garcia joined CEMEX Spain in 1999. He became the Controllership Manager of various subsidiaries of the CEMEX Group based in the Netherlands in 2001, a position he held until 2006 when he was assigned to assume the position of Controllership Manager of the CEMEX operations in the United Arab Emirates. Since 2011, he was the Planning & Administration Director for

[7] The following individuals were members of the Board of Directors at the beginning of 2020 but resigned during the year: (a) Mr. Joaquin Miguel Estrada Suarez – who was the Chairman of the Board of Directors –resigned as the Chairman/ member of the Board of Directors effective on March 27, 2020; (b) Mr. Larry Jose Zea Betancourt resigned as member of the Board of Directors (and member of the Audit Committee), effective on October 26, 2020 upon acceptance thereof by the Board of Directors.

CEMEX UAE. In view of the retirement of Mr. Hugo Losada from the organization and his resignation from our Board of Directors and as an executive officer of the Company on April 25, 2018 at a meeting during which a majority of the members were present, Mr. Garcia was elected as a member of the Parent Company's Board of Directors and as Vice President for Planning and Administration. He was re-elected as a member of the Board during the Parent Company's annual stockholders' meetings held on June 6, 2018, June 6, 2019 and on June 24, 2020.

Antonio Ivan Sanchez Ugarte. 50 years old, Spanish citizen. Antonio Ivan Sanchez Ugarte holds a law degree from Deusto University (Bilbao, Spain) and obtained a Master of Laws (Executive LLM) degree with honors from the Northwestern University Pritzker School of Law (Chicago, USA). After several years of private law practice, Mr. Sanchez joined CEMEX as International Legal Counsel in 2001 based in Madrid, Spain. In September 2017, he was appointed as the Head of CEMEX Legal for Asia, Middle East and Africa Region. On December 6, 2017, he was elected as a member of the Board, in view of the retirement of Mr. Vincent Paul Piedad from the organization. The election of Mr. Sanchez as a member of the Board of Directors was effective on January 1, 2018. He was re-elected as a member of the Board during the Parent Company's annual stockholders' meetings held on June 6, 2018, June 6, 2019 and on June 24, 2020. Mr. Sanchez is a member of the Parent Company's Nomination Committee.

Maria Garcia Villan. 48 years old. Spanish citizen. Maria Garcia Villan holds a Master of Business Administration degree from the University of Navarra (Barcelona, Spain) and degrees in Bachelor of Science in Mechanical Engineering from the Universite de Technologie de Compiegne (Compiegne, France) and University of Zaragoza (Zaragoza, Spain). She joined CEMEX in 1998 and has held various management positions. She is currently Strategic Planning Director (CEMEX Corporate Strategic Planning), a position she has held since July 2017. Ms. García was Vice President for Strategic Planning of the CEMEX's operations in Egypt from 2006 to 2008, Strategic Planning-Sustainability Director for CEMEX's operations in Spain & Mediterranean and the Sustainability Construction Director for CEMEX's operations in Europe, Middle East, Africa & Asia region from 2009 to 2011. Ms. García also held positions in the CEMEX Global Trading group from 2012 to 2017. In view of the resignation of Mr. Larry Jose Zea Betancourt from the Board of Directors of the Parent Company (and member of the Audit Committee), the Board of Directors elected Ms. Garcia as a member of the Board of Directors and member of the Audit Committee on December 2, 2020 at a meeting during which all incumbent board members were present.

All members of the Board of Directors hold office for a term of one (1) year until their successors are elected and qualified.

Other Principal Executive Officers[8]

Irma D. Aure. 45 years old, Filipino citizen. Irma D. Aure holds a Bachelor of Arts degree in Behavioral Science and a Master in Business Administration degree. She was the Asia Region Head—HR Services and Solutions of Procter & Gamble (P&G) from June 2017 until June 30, 2019, responsible for the organization's HR technology and operations for the Asia region. Prior to assuming the regional position, Ms. Aure was the Country HR Head, Associate Director of P&G Philippines from August 2013 to May 2017. On July 24, 2019, the Board of Directors appointed Ms. Aure as Vice President for Human Capital and Organization effective July 15, 2019.

[8] The following individuals were among the principal executive officers at the beginning of 2020 but resigned during the year (a) Mr. Arturo Manrique Ramos resigned as Vice President for Cement Operations and Technical, which resignation took effect on February 10, 2020; the Board of Directors elected in his place Mr. Carlos Alberto Palero Castro. (b) Mr. Chito S. Maniago resigned as Director for Corporate Communications and Public Affairs effective on April 13, 2020.

Adrian V. Bancoro. 43 years old, Filipino citizen. Adrian V. Bancoro is a licensed attorney and a certified public accountant. He holds a Bachelor of Laws degree and Bachelor of Science degree in Accountancy. Prior to joining CEMEX, Mr. Bancoro worked as Tax Manager with PricewaterhouseCoopers—Manila from 2003 to 2008. In 2008, he became the Tax and Corporate Counsel of Filinvest Land, Inc., a position he held until 2012. He has participated in CEMEX's Achieve Leadership Program and the Management Development Program of the Asian Institute of Management. He is a member of the Integrated Bar of the Philippines, Philippine Institute of Certified Public Accountants and Tax Management Association of the Philippines. In 2012, Mr. Bancoro became the Tax Director of the CEMEX Philippines group of companies. Mr. Bancoro serves as the Tax Director, a position he has held since February 29, 2016.

Pierre Ignatius C. Co. 31 years old, Filipino Citizen. Pierre Ignatius C. Co holds a Bachelor of Science degree in Management Engineering from the Ateneo de Manila University. He completed the CEMEX Management Development Program at the Asian Institute of Management in 2017. He joined CEMEX Philippines in 2011 as Executive Assistant to the Regional President for Asia, and, in 2014, assumed the role of Financial Planning Manager under the Strategic Planning Department. In 2016, he became Investor Relations Manager of the Parent Company. On June 6, 2019, he was appointed by the Board of Directors as Investor Relations Director of the Parent Company effective on June 7, 2019.

Ma. Virginia Lacson-Del Rosario. 52 years old, Filipino citizen. Ma. Virginia Lacson-Del Rosario obtained a Bachelor of Science degree in Commerce, Major in Business Management and a Master of Business Administration degree. She completed the Management Development Programs of the Asian Institute of Management and Training Institute for Managerial Excellence, Inc. She joined CEMEX Philippines in 2001 as Commercial Administration Manager, and her major responsibilities since then included among others, the design and implementation of credit processes and procedure and managing the team of credit analysts responsible for evaluation transactional risks. On October 24, 2017, Ms. Del Rosario was appointed by the Board of Directors as the Company's Customer Experience Director.

Jose Mauro Gallardo Valdes. 36 years old, Mexican citizen. Jose Mauro Gallardo Valdes holds a Bachelor's degree in Business Administration and Marketing and a Diploma in International Marketing. In 2005, Mr. Gallardo he joined operations of CEMEX in Mexico and assumed responsibilities in various areas in sales administration, information management, customer service, commercial strategy and development. In June 2014, he was Financial Planning Manager and supported the operations of CEMEX Mexico. On June 6, 2018, Mr. Valdes was appointed as the Parent Company's Enterprise Risk Management (ERM) Manager.

Kristine G. Gayem. 40 years old, Filipino citizen. Kristine G. Gayem holds a Bachelor of Science degree in Management and a Master's degree in Business Administration. She completed the Management Development Program of the Asian Institute of Management. She joined CEMEX Philippines in 2007 as a Planning Analyst and supported key projects of CEMEX Philippines and other operations in Asia. In 2013, she was promoted to Energy Manager. On July 24, 2018, she was appointed by the Board of Directors to serve as Energy Director. Ms. Gayem is a member of the Board of Directors of the following subsidiaries: APO Cement Corporation, Solid Cement Corporation, Triple Dime Holdings, Inc., Edgewater Ventures Corporation, Sandstone Strategic Holdings, Inc., Bedrock Holdings, Inc., Enerhiya Central, Inc., Ecocast Builders, Inc., and Ecopavements, Inc. and Ecocrete, Inc.

Edwin P. Hufemia. 49 years old, Filipino. Edwin P. Hufemia holds a degree in Bachelor of Science (Chemical Engineering) and a Master of Engineering (Industrial Systems Engineering) degree. He joined CEMEX Philippines in 2001 when he was appointed as Logistics Planning Manager and has since held several management positions, including Vice President for Commercial and Logistics for CEMEX Philippines from 2004 to 2010, and Managing Director for CEMEX Bangladesh. On October 24, 2017, he was appointed as the Company's Vice President for Supply Chain. He is also a member of the Board of Directors of the following subsidiaries—APO Cement Corporation, Solid Cement Corporation, Triple Dime Holdings, Inc., Edgewater Ventures

Corporation, Sandstone Strategic Holdings, Inc., Bedrock Holdings, Inc., and a member of the Board and President of the other subsidiaries—Ecocast Builders, Inc., Ecocrete, Inc., Enerhiya Central Inc., Ecopavements, Inc. and Newcrete Management, Inc. Mr. Hufemia is a member of the Board of Directors of Cemex Asian South East Corporation (the majority stockholder of the Parent Company) and Cemex Strategic Philippines, Inc., an affiliate of the Parent Company which is in the process of winding-up. He is also a member of the Board of Directors of Impact Assets Corporation and Albatross Holdings, Inc.

Roberto Martin Z. Javier. 46 years old, Filipino citizen. Roberto Martin Z. Javier holds a degree in Bachelor of Science and Commerce, Major in Marketing Management. Throughout his career of over 15 years with CEMEX, Mr. Javier has accumulated extensive experience in sales, marketing, commercial administration and commercial strategy. Mr. Javier has participated in the CEMEX Global Leadership programs and other executive programs from the Asian Institute of Management. In 2014, Mr. Javier became the Vice President for Commercial (Cement) for the CEMEX Philippines group of companies. On February 29, 2016, Mr. Javier was appointed as the Company's Vice President for Commercial and, on October 24, 2017, he assumed the new position of Vice President for Commercial—Institutional Segment. He is also a member of the Board of Directors of the following subsidiaries: APO Cement Corporation, Solid Cement Corporation, Triple Dime Holdings, Inc., Edgewater Ventures Corporation, Sandstone Strategic Holdings, Inc., Bedrock Holdings, Inc., Ecocast Builders, Inc., Ecocrete, Inc., Enerhiya Central Inc., Ecopavements, Inc. and Newcrete Management, Inc. Mr. Javier is also a member of the Board of Directors of Cemex Asian South East Corporation (the majority stockholder of the Parent Company) and Cemex Strategic Philippines, Inc., an affiliate of the Parent Company which is in the process of winding-up.

Erlinda Cari Lizardo, 54 years old, Filipino citizen. Erlinda Cari Lizardo holds a Bachelor of Arts in Communication Arts from the University of Santo Tomas and took Masteral Units in Broadcast Journalism from the University of the Philippines. She joined CEMEX Philippines in 2003 as Corporate Communications Manager supporting the communication and reputation management requirements of CEMEX Philippines. She is also directly involved in the implementation of social responsibility initiatives of the company. She completed CEMEX's Management Development Program at the Asian Institute of Management. Prior to joining CEMEX, she worked at the Office of the Press Secretary in Malacañang handling presidential coverages and media relations. She also served as Legislative Officer at the House of Representatives handling legislative research and government affairs. She was also part of the public relations team at USAID which handled communications requirements for energy and environmental projects. On June 24, 2020, she was appointed by the Board of Directors of the Parent Company as Corporate Communications Director.

Carlos Alberto Palero Castro[9]. 45 years old, Mexican citizen. Carlos Alberto Palero Castro holds a Master of Business Administration degree from the Monterrey Institute of Technology, Mexico and a degree in Bachelor of Science in Electromechanical Engineering from the Panamerican University, Mexico. Mr. Palero joined CEMEX in 1999 and has held positions in various areas including: Process Manager, Quality Manager and Plant Director in several plants in Mexico. In addition, Mr. Palero participated in multiple projects for CEMEX, including various due diligence processes in South America and efficiency increasing efforts in the region. From August 2014 until 2016, Mr. Palero was appointed to the Board of Trinidad Cement Limited. He was CEMEX's Cement Operations Director for Panama and Cartagena, and he was also the Plant Director at Caracolito plant in Colombia. In October 2018, he was appointed as the Cement Operations & Technical Vice President for CEMEX Colombia. On February 10, 2020, Mr. Palero was appointed by the Board of Directors as Vice President for Cement Operations and Technical.

[9] Mr. Carlos Alberto Palero Castro resigned as Vice President of Cement Operations and Technical, effective on 7 January 2021.

Everardo Sánchez Banuet. 47 years old, Mexican citizen. Everardo Sánchez Banuet, holds a Bachelor's degree in Electronic Engineering and Master's Degree in Electronics and Telecommunications and obtained an MBA specializing in Global eManagement. Mr. Sánchez joined CEMEX in 1998 and assumed key positions in operations, planning and commercial areas. In 2011, he assumed the position of Director of Distribution Channel Development for CEMEX's operations in Mexico and later took on the role of Director of Commercial Development – Builders Segment. In 2016, he was promoted to Vice President for Commercial and Logistics of CEMEX Egypt. On January 30, 2019, the Board of Directors appointed Mr. Sanchez as Vice President for Commercial (Distribution Segment) effective on February 15, 2019.

Dino Martin W. Segundo. 49 years old, Filipino citizen. Dino Martin Wilson Segundo obtained his Bachelor of Arts Degree in Economics in 1993 and, thereafter, his Bachelor of Laws Degree in 1998. After passing the 1999 Philippine bar exams, he immediately joined the Soo, Gutierrez, Leogardo & Lee Law Offices as Associate Attorney, focusing on Labor Law, Civil Law, and Criminal Law. Between 2001 and 2007, he was a Senior Associate Attorney at the Carag, Caballes, Jamora & Somera Law Offices, adding Intellectual Property Law and Maritime Law to his fields of specialization. Mr. Segundo joined CEMEX in 2007 as Senior Legal Manager and currently serves as the Company's Legal Director, a position to which he was appointed on June 6, 2018. He participated in CEMEX's Management Development Program at the Asian Institute of Management in 2017. Mr. Segundo is a member of the Board of Directors of the following subsidiaries: APO Cement Corporation, Solid Cement Corporation, Triple Dime Holdings, Inc., Edgewater Ventures Corporation, Sandstone Strategic Holdings, Inc., Bedrock Holdings, Inc., Enerhiya Central, Inc., Ecocast Builders, Inc., and Ecopavements, Inc. He is also a member of the Board of Directors of Cemex Asian South East Corporation (the majority stockholder of the Parent Company) and Cemex Strategic Philippines, Inc., an affiliate of the Parent Company which is in the process of winding-up.

Jannette Virata Sevilla. 58 years old, Filipino citizen. Jannette Virata Sevilla obtained her Bachelor of Laws and Bachelor of Arts (cum laude) degrees in 1987 and 1983, respectively. She was admitted to the Philippine Bar in 1988 and the New York State Bar in 1996. She is currently engaged in the private practice of law, and is also an external legal consultant of CEMEX Asia Pte. Ltd.—Philippine Headquarters. She was previously employed as Regional Legal Counsel for Asia and Vice President for Legal for the CEMEX Philippines group of companies until November 2008. She was formerly a Senior Associate Attorney at Carpio Villaraza & Cruz Law Offices; a Director in the Office of the Chief Presidential Legal Counsel, Office of the President of the Republic of the Philippines; an associate attorney at Bautista Picazo Buyco Tan & Fider Law Offices; and a Law Clerk/Confidential Attorney, Office of Associate Justice Irene R. Cortes, Supreme Court of the Philippines. Ms. Sevilla is the Parent Company's Corporate Secretary and Compliance Officer, positions she has held since September 17, 2015 and August 24, 2016 respectively. She also serves as Corporate Secretary of various subsidiaries. She is a member of the Board of Directors of Solid Cement Corporation. Ms. Sevilla is also a member of the Board of Directors and the Corporate Secretary of Cemex Asian South East Corporation (the majority stockholder of the Parent Company) and Cemex Strategic Philippines, Inc., an affiliate of the Parent Company which is in the process of winding-up.

Juan Carlos Soto Carbajal. 45 years old, Spanish citizen. Juan Carlos Soto Carbajal, holds a Bachelor's degree in Engineering. He joined CEMEX in the United Arab Emirates in 2007. From the operations area, Mr. Soto moved to the procurement area and eventually assumed the position of Procurement Manager in 2010. After a few years, he was promoted to Supply Chain Director heading the logistics and supply chain area. In January 2019, he was designated as the Procurement Director of CEMEX for the Asia, Middle East and Africa (AMEA) region. On January 30, 2019, the Board of Directors appointed Mr. Soto as the Company's Procurement Director effective on January 30, 2019.

Rolando S. Valentino. 46 years old, Filipino citizen. Rolando S. Valentino is a certified public accountant and a certified enterprise-wide risk manager. He obtained a Master of Business Administration in 2016 and holds a Bachelor of Science degree in Accountancy. In 1995, Mr. Valentino worked as an associate with Punongbayan and Auraullo (Grant Thornton International) before joining Solid Cement in 1997. Throughout his career of over 20 years with CEMEX, Mr. Valentino held various positions in Accounting, Process and Continuous Improvement, Logistics, Internal Control, and Risk Management. In 2011, he was appointed Regional Internal Control Manager for the CEMEX Philippines group of companies. Mr. Valentino has received management training from the Asian Institute of Management (honorable mention) and in 2015, he obtained his CERM certification from Asia Risk Management Institute—Singapore. He is a member of the Institute of Internal Auditors—Philippines. In 2015, Mr. Valentino was appointed Regional Internal Control and Risk Manager for the CEMEX Philippines group of companies. Mr. Valentino serves as the Internal Auditor of the Parent Company, a position he has held since August 24, 2016.

Steve Kuansheng Wu. 54 years old, Taiwan citizen. Steve Kuansheng Wu holds an MBA (Finance), an MBA (Accounting), and a Bachelor's degree in Business Mathematics. He has participated in CEMEX's Achieve Leadership Program and its International Management Program, and, since 2001, he has held positions in the accounting areas for several business units of CEMEX in Asia. In 2011 he became Asia Management Financial Service Manager based in CEMEX Philippines. On December 6, 2017, he was appointed as the Parent Company's Treasurer, Chief Financial Officer and Business Services Organization Director. He is also Treasurer, Chief Financial Officer and Business Services Organization Director of the various subsidiaries of the Parent Company, Cemex Asian South East Corporation (the majority stockholder of the Parent Company), and Cemex Strategic Philippines, Inc. an affiliate of the Parent Company which is in the process of winding-up.

(2) Significant Employees

As of December 31, 2020, no single person is expected to make a significant contribution to the business since the Company considers the collective efforts of all of the Company's employees as instrumental to the overall success of the Company's performance.

(3) Family Relationships

As of December 31, 2020, there are no family relationships among the members of the Board of Directors and Executive Officers up to the fourth civil degree of consanguinity or affinity.

(4) Involvement in Certain Legal Proceedings of Directors and Executive Officers

As of December 31, 2020, and to the best of the Parent Company's knowledge and belief, during the past five (5) years, none of the members of the Board of Directors, nor any of the Executive Officers of the Parent Company, (i) has filed any bankruptcy petitions or have had bankruptcy petitions filed against them; (ii) has been convicted by final judgment of any offense punishable by the laws of the Republic of the Philippines or of any other nation or country (excluding minor offenses); (iii) has been or is are subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; or (iv) has been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation.

ITEM 10. COMPENSATION

(1) Directors' Compensation

Under the Parent Company's by-laws, the members of the Board shall receive compensation for the discharge of the duties of supervision and collegiate decision-making proper to said management body. The Board of Directors approved in a special meeting held on June 3, 2016 the following honorarium fee/per diem for independent directors of the Parent Company: (i) an honorarium fee/ per diem equivalent to ₱450,000.00 (computed on an annual basis) for acting as director and (ii) an honorarium fee/per diem equivalent to ₱ 90,000.00 (computed on an annual basis) per Committee membership.

(2) Executives' Compensation

The following table summarizes the aggregate compensation of the President/Chief Executive Officer ("CEO") and the four most highly compensated Executive Officers (the "NEOs") of the Parent Company, as well as the other executive officers of the Parent Company during the last three completed fiscal years and the ensuing fiscal year are as follows:

Name and Principal Position	Year	Salary *(in millions of Philippine Pesos)*	Bonus[10] *(in millions of Philippine Pesos)*	Other Compensation *(in millions of Philippine Pesos)*
CEO and NEOs 1.Ignacio Alejandro Mijares Elizondo (current President and CEO), Pedro Jose Palomino (former President and CEO who resigned during the 3rd quarter of 2017) 2. Paul Vincent Arcenas - Investor Relations Officer and Vice President for Communications, Marketing and Investor Relations 3. Edwin P. Hufemia - Vice President for Supply Chain 4. Hugo Losada Barriola - Vice President for Strategic Planning 5. Maria Virginia Ongkiko Eala - Vice President for Human Resources	Actual 2017	₱50.5	₱29.4	₱32.6
CEO and NEOs 1. Ignacio Alejandro Mijares Elizondo - President and CEO 2. Arturo Manrique Ramos - Vice President for Cement Operations & Technical 3. Edwin P. Hufemia - Vice President for Supply Chain 4. Antonio Desmay Jimenez - Procurement Director 5. Steve Kuan-Sheng Wu - BSO Director	Actual 2018	₱56.4	₱27.0	₱42.2

[10] Bonus includes the value of benefits received in connection with variable compensation or long-term incentive plans applicable to eligible executives.

CEO and NEOs 1. Ignacio Alejandro Mijares Elizondo - President and CEO 2. Arturo Manrique Ramos - Vice President for Cement Operations & Technical 3. Alejandro Garcia Cogollos - Vice President for Planning & Admin. 4. Edwin P. Hufemia - Vice President for Supply Chain 5. Everardo Sanchez Banuet - Vice President for Commercial – Distribution Segment	Actual 2019	₱57.2	₱26.3	₱42
CEO and NEOs 1. Ignacio Alejandro Mijares - Elizondo President and CEO 2. Carlos Alberto Palero Castro - Vice President for Cement Operations & Technical 3. Alejandro Garcia Cogollos - Vice President for Planning & Admin. 4. Edwin P. Hufemia - Vice President for Supply Chain 5. Everardo Sanchez Banuet - Vice President for Commercial – Distribution Segment	Actual 2020	₱ 70.7	₱ 32.4	₱ 19.5
CEO and NEOs 1. Ignacio Alejandro Mijares Elizondo - President and CEO 2. . Edwin P. Hufemia - Vice President for Supply Chain 3. Everardo Sanchez Banuet Vice President for Commercial – Distribution Segment 4. Alejandro Garcia Cogollos Vice President for Planning & Admin. 5. Irma Aure – Vice President for Human Resources & Capital Organization	Projected 2021	₱ 60 estimated	₱ 35.6 estimated	₱ 21.3 estimated
All other executive officers as a group unnamed.	Actual 2017	₱36.5	₱6.9	₱15.9
	Actual 2018	₱61.4	₱20.5	₱30.25
	Actual 2019	₱65.9	₱18.9	₱24.38
	Actual 2020	₱ 65.9	₱ 18.1	₱ 17
	Projected 2021	₱ 63 estimated	₱ 18.4 estimated	₱ 18.7 estimated

Certain executive officers of the Parent Company or its subsidiaries have received compensation in the form of CEMEX S.A.B. de C.V.'s restricted CPOs pursuant to the terms of variable compensation plan applicable to these executives under which the eligible executives are allocated annually with a specific number of restricted CPOs as a long-term incentive compensation to be vested over a specific period of time.

Beginning in 2018, certain executive officers of the Parent Company or its subsidiaries received compensation in the form of cash pursuant to the terms of a variable long-term incentive plan approved by the Parent Company's Board of Directors on April 25, 2018 under which the eligible executives are allocated cash amounts (to be released in four annual installments) which shall be used by these executives to purchase a specific number of shares of the Parent Company from the market.

(3) Employment Contracts Between the Parent Company and CEO and NEOs

As of December 31, 2020, the Parent Company has no special employment contracts with CEO and NEOs.

(4) Warrants and Options Outstanding

As of December 31, 2020, the Parent Company has not issued any warrants or options which are held by the CEO, the NEOs, and all officers and directors as a group.

(5) Employee Restricted Stock and Other Incentive Plans

As of December 31, 2020, the Parent Company has not established an employee restricted stock or other incentive stock plan of its shares or otherwise linked to the value of its shares.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(1) Security Ownership of Certain Record and Beneficial Owners

The Parent Company is not aware of any person or entity who beneficially owns in excess of 5% of the Parent Company's common shares as of December 31, 2020, except as set forth in the table below:

Record Owners	Names of beneficial owner	Nationality	No. of Shares Held	% to Total Outstanding Shares
CEMEX ASIAN SOUTH EAST CORPORATION[(a)]	Same as record holder	Non-Filipino (incorporated in the Philippines but wholly owned by a Netherlands company)	2,857,467,493	21.18%
PCD Nominee Corporation (Non-Filipino) [(b)]	CEMEX ASIAN SOUTH EAST CORPORATION	Non-Filipino	7,643,157,169[(c)]	56.66%
PCD Nominee Corporation (Non-Filipino) [(c)]	PCD Participants and clients	Non-Filipino	1,068,477,206	7.92%
PCD Nominee Corporation (Filipino) [(d)]	PCD Participants and clients	Filipino	1,917,098,212	14.21%

[(a)] CEMEX ASIAN SOUTH EAST CORPORATION ("CASEC"), the majority stockholder of the Parent Company, is a corporation incorporated in the Philippines, but wholly-owned by a Netherlands company.

[(b)] PCD Nominee Corporation is not related to the Parent Company. The beneficial owners of the shares held through a PDTC participant are the beneficial owners thereof to the extent of the number of shares registered under the respective accounts with the PDTC participant. The Parent Company has no record relating to the power to decide how the shares by PCD Nominee Corporation (Filipino and Non-Filipino) are to be voted.

[(c)] Based on several SEC Forms 23-B filed by CASEC in 2020, in addition to the 2,857,467,493 shares indicated in the table above, CASEC owns in scripless form 7,643,157,169 shares recorded under *PCD Nominee Corporation (Non-Filipino),* inclusive of 5 shares held as of end of December 2020 by Sergio Mauricio

Menendez Medina, Ignacio Alejandro Mijares Elizondo, Alejandro Garcia Cogollos, Antonio Ivan Sanchez and Maria Garcia Villan, respectively. As of December 31, 2020, the total number of shares owned by CASEC is 10,500,626,662 corresponding to 77.84% of the total issued and outstanding shares of the Parent Company.

[d] See Note [b]

(2) Security Ownership of Management

As of December 31, 2020, the number of shares owned of record and/or beneficially owned as of December 31, 2020 by the Directors, the CEO and NEOs are set forth below:

Title of Class	Name of Record Owner	Name of Beneficial Owner	Amount	Nationality	% to Total Shares
Common	Pedro Roxas	Same as record owner	51,001	Filipino	nil
Common	Alfredo Panlilio	Same as record owner	1,001	Filipino	nil
Common	Eleanor Hilado	Same as record owner	776,700	Filipino	nil
Common	Sergio Mauricio Menendez Medina	CEMEX ASIAN SOUTH EAST CORPORATION	1 (director's qualifying share)	Mexican	nil
Common	Ignacio Alejandro Mijares Elizondo	Same as record owner (except 1 share beneficially owned by CEMEX ASIAN SOUTH EAST CORPORATION)	3,322,546 (includes 1 director's qualifying share)	Mexican	nil
Common	Alejandro Garcia Cogollos	Same as record owner (except 1 share beneficially owned by CEMEX ASIAN SOUTH EAST CORPORATION)	769,943 (includes 1 director's qualifying share)	Spaniard	nil
Common	Antonio Ivan Sanchez Ugarte	CEMEX ASIAN SOUTH EAST CORPORATION	1 (director's qualifying share)	Spaniard	nil
Common	Maria Garcia Villan	CEMEX ASIAN SOUTH EAST CORPORATION	1 (director's qualifying share)	Spaniard	nil
Common	Edwin P. Hufemia	Same as record owner	1,313,914	Filipino	nil
Common	Everardo Sanchez Banuet	Same as record owner	852,488	Mexican	nil
Common	Irma del Mundo Aure	Same as record owner	348,911	Filipino	nil

(3) Voting Trust Holders of 5% or More

As of December 31, 2020, the Parent Company is not aware of any voting trust or similar arrangement among persons holding more than 5% of the shares.

(4) Changes in Control

Cemex Asian South East Corporation ("CASEC") beneficially owned 55% and 66.78% of the outstanding capital stock of the Parent Company at the beginning of 2019 and at the end of 2019, respectively. By the end of 2020, CASEC beneficially owned 77.84% of the outstanding capital stock of the Parent Company. The Parent Company is not aware of the existence of any change in control agreements.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Framework Agreement with CEMEX

On March 9, 2016, the Parent Company entered into a Framework Agreement with CEMEX and its majority shareholder, CEMEX ASIAN SOUTH EAST CORPORATION (”CASEC”), to avoid conflicts of interest between the Parent Company and CEMEX. The Framework Agreement became effective upon commencement of trading of the Parent Company’s shares on the PSE last July 2016, and may be amended by written agreement between CEMEX, CASEC and the Parent Company, provided that any modification by the Parent Company shall be authorized by the Parent Company’s independent directors. In addition, the Framework Agreement will cease to be in effect if the Parent Company is no longer a subsidiary of CEMEX or if CEMEX ceases to account for its investment in the Parent Company on a consolidated basis or under the participation method for accounting purposes (or any other method that applies similar principles).

The Framework Agreement shall be construed and governed by the laws of the Republic of the Philippines and governs, among other things, the Parent Company’s ability to undertake certain actions including, but not limited to, the incurrence of indebtedness above certain levels, the disposition and acquisition of assets in excess of certain amounts and the making of capital expenditures in excess of certain amounts.

In addition, the Framework Agreement contains provisions relating to competition, solicitation of employees, corporate opportunities, compliance with CEMEX’s debt agreements, financial information, regulatory status, compliance with policies and procedures, share transfer rights, equity purchase rights, litigation, dispute resolution, and further actions and assurances.

Other Transactions

Transactions with affiliated companies or other related parties of the Parent Company (including subsidiaries of CEMEX) are mentioned or referenced to in the Company’s Consolidated Financial Statements as at December 31, 2020 and 2019 contained in the accompanying Audited Financial Statements filed as part of this Form 17-A (Annual Report).

These transactions include, among others, the following:

- <u>Services Agreement</u>

  a) On January 1, 2017, Solid Cement entered into the *Business Support Services Agreement* with CEMEX Central, S.A. de C.V. now CEMEX Operaciones México, S.A. de C.V.[11] (“CEMEX Operaciones”), pursuant to which CEMEX Operaciones provides Solid Cement, whether performed directly by CEMEX Operaciones or through its contractors, with various services necessary for the operation of the Solid Cement business (the “Solid Services”). These Solid Services were previously performed by CEMEX Operaciones pursuant to a certain service agreement dated June 1, 2009 entered into by Solid Cement with CEMEX Asia Pte. Ltd. (through its regional headquarters in the Philippines) which agreement was terminated effective on December 31, 2017. This services agreement has an initial term of five years, subject to renewal by mutual agreement of the parties and may be terminated at any time by either party upon service of written notice of termination to the other party at least 30 days prior to the intended termination date. Additionally, either party may terminate the agreement if (i) a material breach is committed by the other party, or (ii) the other party goes into winding-up, voluntary or involuntary liquidation or other similar process. CEMEX Operaciones has the right to terminate the agreement in the event that Solid Cement ceases to be a direct or indirect

[11] CEMEX Operaciones, S.A. de C.V., a CEMEX subsidiary organized and existing under the laws of Mexico, was merged with CEMEX Central, S.A. de C.V., whereby CEMEX Operaciones was the surviving entity pursuant to an agreement with respect to such merger dated August 1, 2019

subsidiary of CEMEX. Solid Cement pays CEMEX Operaciones a service fee that is calculated according to market practices based on the cost incurred to provide the Solid Services plus an arm's length markup. CEMEX Operaciones calculates periodically the service fee and prepares its invoices in U.S. dollars. The service fees are determined exclusive of taxes.

b) On January 1, 2017, APO Cement entered into the *Business Support Services Agreement* with CEMEX Central, S.A. de C.V. now CEMEX Operaciones, pursuant to which CEMEX Operaciones provides APO Cement, whether performed directly by or through its contractors, with various services necessary for the operation of the APO Cement business (the "APO Services"). These APO Services were previously performed by CEMEX Operaciones pursuant to a certain service agreement dated June 1, 2009 entered into by APO Cement with CEMEX Asia Pte. Ltd. (through its regional headquarters in the Philippines) which agreement was terminated effective on December 31, 2017. This services agreement has an initial term of five years, subject to renewal by mutual agreement of the parties, and may be terminated at any time by either party upon service of written notice of termination to the other party at least 30 days prior to the intended termination date. Additionally, either party may terminate the agreement if (i) a material breach is committed by the other party, or (ii) the other party goes into winding-up, voluntary or involuntary liquidation or other similar process. CEMEX Operaciones has the right to terminate the agreement in the event that APO Cement ceases to be a direct or indirect subsidiary of CEMEX. APO Cement pays CEMEX Operaciones a service fee that is calculated according to market practices based on the cost incurred to provide the APO Services plus an arm's length markup. CEMEX Operaciones calculates periodically the service fee and prepares its invoices in U.S. dollars. The service fees are determined exclusive of taxes.

- *License Agreements*

Pursuant to separate license agreements[12] entered into by the Parent Company's subsidiary, CEMEX Asia Research AG ("CAR"), with CEMEX and CEMEX Research Group AG ("CRG"), respectively, the Parent Company's subsidiaries are allowed the non-exclusive use in the Philippines of different trademarks, names and intellectual property assets owned and developed by CEMEX, such as the name "CEMEX" and brands "APO", "Island" and "Rizal", and other related names and trademarks, processes and information technology, software, industrial models, procurement, commercial and distribution systems. These license agreements became effective with retroactive effect to 1 January 2016 upon completion of the IPO, and have an initial term of five years, automatically renewable for subsequent five-year terms unless terminated by either of the parties thereto by providing one-month written notice prior to the end of the applicable term. These agreements may also be terminated if CAR would cease to be a direct or indirect subsidiary of CEMEX. As consideration for the use of these trademarks, names and intellectual property assets, CAR pays to the licensors a royalty fee determined at an arm's length basis.

- *Loan Facility Agreements*

a) On November 21, 2018, Solid Cement, as borrower, entered into a revolving credit facility agreement with CEMEX Asia, B.V. for a principal amount of up to US$75.0 million (the "Solid Expansion Facility Agreement"). The borrowings under this Solid Expansion Facility Agreement consisted of a tenor of six (6) years and carried a fixed interest rate depending on our consolidated debt to EBITDA leverage ranging from 8.2% to 10.2% per annum.

[12] "Trademark License Agreement" between CEMEX, S.A.B. de C.V., as Licensor, and *CEMEX Asia Research A.G.*, as Licensee, effective as of January 1, 2016 (as from time to time amended and/or restated), and the "Non-Exclusive Use, Exploitation and Enjoyment of Assets License Agreement" between CEMEX Research Group (a subsidiary of CEMEX) as "Licensor", and *CEMEX Asia Research A.G.*, as "Licensee", effective as of January 1, 2016 (as from time to time amended and/or restated)

In February 2019, the parties signed an amendment agreement to this facility increasing the available principal amount to US$100.0 million. In November 2019, Solid Cement further amended the Solid Expansion Facility Agreement to increase the amount available to it under the facility from US$100.0 million to US$160.0 million. The Solid Expansion Facility Agreement was further amended in December 2019 to (i) convert any unpaid interest as of January 3, 2020 (or such other date on which the Offer Price for the Offer Shares in the Rights Offer is determined) (such date, the "SEFA Reference Date") on account of any borrowings made under this Solid Expansion Facility Agreement from U.S. dollar-denominated indebtedness to Philippine peso-denominated indebtedness, (ii) convert any outstanding balances owed by Solid Cement under this facility agreement (including any accrued but unpaid interest) that have been accrued in connection with a draw down by Solid Cement under the facility within an 80-calendar day period following the SEFA Reference Date from U.S. dollar-denominated indebtedness to Philippine peso-denominated indebtedness, and (iii) for the fixed interest to be paid under the Solid Expansion Facility Agreement to range from 8.2% to 10.2% per annum for U.S. dollar-denominated indebtedness and from 10.3% to 12.3% for Philippine peso-denominated indebtedness (depending on our consolidated debt to EBITDA leverage).

On March 5, 2020, Solid Cement fully paid and settled the outstanding balances under the Solid Expansion Facility Agreement which amounted to ₱6,784 million. As of December 31, 2020, there are no unpaid balances under the Solid Expansion Facility Agreement.

b) On October 1, 2014, APO Cement, as borrower, entered into a master loan agreement with CEMEX Hungary KFT (now CEMEX España, S.A.)[13], as lender, with a principal amount of up to US$40.0 million, which was assigned by CEMEX Hungary KFT to CEMEX Asia, B.V. on January 2016 (the "APO Operational Facility Agreement"). In September 2017, the parties agreed to change the denomination of the outstanding principal of the loan to ₱2,046.8 million and to revise the prescribed interest rate to a fixed annual rate equal to 7.68%. On October 1, 2019, this APO Operational Facility Agreement was further amended to extend the maturity date to April 1, 2020 and changed the interest rate to 8.43% annually. On March 5, 2020, APO Cement fully paid and settled the balances under the APO Operational Facility Agreement which amounted to ₱1,090 million. The APO Operational Facility Agreement was not extended or renewed by the parties.

- *General Commercial Arrangements*

The Company (whether directly or indirectly through any of its operating subsidiaries) engaged with affiliated companies or other related companies in various commercial arrangements in the ordinary course and on arm's-length terms, including:

- supply agreements or spot purchases of cement or other construction materials;
- freight contracts pursuant to which said related companies transport to the Company any products or goods purchased by the Company from related companies or third parties but using vessels owned or contracted by said related companies;
- spot purchases of carbon, petroleum coke or other fuels required by us and offered or arranged by said related companies or offered by the Company to said related companies, such as the coal supply contract with Transenergy, Inc. (a CEMEX subsidiary that sources coal, petroleum coke and other products), as well as any hedges for such transactions; and
- the sale or purchase or lease of construction equipment, including machinery, vehicles used for construction, etc., between related companies and the Company.

[13] CEMEX Hungary K.F.T. was merged into CEMEX España, S.A. effective 31 October 2017. As a result of the merger, CEMEX Hungary K.F.T. ceased to exist.

Notably, APO Cement and Solid Cement purchase the majority of their respective limestone, pozzolan and clay requirements from ALQC[14] and IQAC[15] pursuant to long-term supply agreements effective as of January 1, 2016. These supply agreements each have 20-year terms and automatic renewals of two years. All of the principal manufacturing installations of APO Cement and Solid Cement are located on land owned by ALQC or IQAC. Under the lease agreements, ALQC and IQAC have various customary rights as landlord. Each of these lease agreements expires in December 2040 and is extendable for another 25 years.

For further information on related party transactions, including outstanding advance balances, see Note 13 of the Notes to the Company's Consolidated Financial Statements as at December 31, 2020 and 2019 in the accompanying Audited Financial Statements filed as part of this Form 17-A (Annual Report).

Save for transactions with affiliated companies or other related parties of the Parent Company (including subsidiaries of CEMEX) mentioned or referenced to in herein discussions or in the Company's Consolidated Financial Statements as at December 31, 2020 and 2019 contained in the accompanying Audited Financial Statements filed as part of this Form 17-A (Annual Report), there has been no other material related party transactions during the last three years with the Parent Company or any of its subsidiaries in which a Director or Executive Officer of the Parent Company, or a security holder owning at least ten percent (10%) or more of the outstanding shares of stock of the Parent Company, and members of their respective immediate family had or is to have a direct or indirect material interest

PART IV – CORPORATE GOVERNANCE

ITEM 13. BASIC CORPORATE GOVERNANCE POLICIES

(1) ***<u>Manual of Corporate Governance</u>***

The Parent Company adopted its Manual of Corporate Governance (the "Manual") on March 7, 2016. This Manual was amended on October 25, 2016 and May 10, 2017. The Parent Company's policy of corporate governance is principally based on the Manual. The Manual lays down the principles of good corporate governance in the entire organization. The Manual provides that it is the Board's responsibility to initiate compliance to the principles of good corporate governance, to foster long-term success and to secure sustained competitiveness in a manner consistent with the Board's fiduciary responsibility. Upon favorable endorsement of the Audit Committee, the Board of Directors approved to amend the Revised Manual of Corporate Governance on February 6, 2018 and, thereafter, on March 22, 2018.

There are currently three independent directors on the Board of Directors of the Parent Company namely, Eleanor M. Hilado, Pedro Roxas and Alfred S. Panlilio. During the organizational meeting of the Board of Directors held on June 24, 2020, Mr. Roxas was designated as the Lead Independent Director, whose functions shall include, among others, serving an intermediary between the Board Chairman and other independent directors, when necessary, and shall chair meetings among non-executive directors.

The Manual embodies the policies on disclosure and transparency, and mandates the conduct of communication and training programs on corporate governance. The Manual further provides for the

[14] APO Land & Quarry Corporation is not a direct or indirect subsidiary of the Parent Company and is not a member of the Company. ALQC is an entity that is wholly-owned by Impact Assets Corporation, a corporation in which CASEC owns a 40% equity interest.

[15] Island Quarry and Aggregates Corporation is not a direct or indirect subsidiary of the Parent Company and is not a member of the Company. IQAC is an entity that is wholly-owned by Albatross Holdings, Inc., a corporation in which CASEC owns a 40% equity interest.

rights of all shareholders and the protection of the interests of minority shareholders. Any violation of the Manual is punishable by a penalty ranging from reprimand to dismissal, depending on the frequency of commission as well as the gravity thereof.

The Manual expressly provides that any material amendment or revision to the provisions defining the (i) royalty/license fee or service fee, as applicable, payable to CEMEX pursuant to, or (ii) the duration or term of, any of the Company's license agreements involving the trademark and other intellectual properties of CEMEX or the service agreements with CEMEX shall require the affirmative vote of two independent directors.

The Manual recognizes the authority of the Board of Directors to create an internal self-rating system that can measure the performance of the Board and Management in accordance with the criteria provided for in the Manual. The Board of Directors adopted on January 30, 2019 a *Framework for a Self-Rating Performance System* which requires, among others, that every January of each year, separate performance assessments of the Board of Directors and the board committees shall be conducted using the criteria and rating system presented in the circulated questionnaires. The members of the Board of Directors and board committees completed their internal assessments for 2018 and 2019. For the Board of Directors, the criteria focused on the following key areas: composition and competencies of board members, decision-making effectiveness, relevance & timeliness of information and management of shareholders. For the board committees, the criteria focused on the following areas: composition & competencies of committee members, decision-making effectiveness, appropriateness of committee recommendations and availability of information & resources. For the assessment of 2020's performance of the board and the committees, the Corporation engaged the services of the Institute of Corporate Directors ("ICD") to perform the evaluation exercise which was conducted in January through February 2021. The Third-Party Board Evaluation intervention by ICD involves a methodology including Board Performance Self-Assessment and Individual Director Interviews. The Directors' Self-Assessment employed survey questionnaires designed by ICD and accomplished by the CHP Board. The questionnaires are for the Board, the Committees, the Chairperson, and the Individual Directors. Meanwhile, the Individual Director Interviews allowed the directors to share his or her own insights, comments, and ideas on how the CHP Board governs the company. In formulating the parameters and question guides for these interviews, ICD used the Tricker++ Model for Board Functions (Strategy, Policy, Accountability and Oversight) enhanced with three other functions of the Board (Ethics, Social Responsibility and Sustainability): (a) Strategy – This includes the review of the strategic plan, setting the company direction, discussing future trends, and determining the strategy in the short term, medium term and long term; (b) Policies – This covers budget approval, executive compensation, corporate policies, and corporate culture; (c) Oversight – This discusses the effectiveness of the Board in reviewing results, assessing and managing risks, and measuring Board performance and the impact of Board decisions to the shareholder value and key stakeholders; (d) Accountability – This is about transparent reporting to the shareholders, reviewing Audit reports, and legal & regulatory compliance; (e) Ethics – This is practicing ethical business behavior and the company core values; (f) Sustainability – This includes protecting the environment, integrating the 17 UN Sustainable Development Goals and ensuring the long-term success of the company; (g) Social Responsibility – This is about the desire to integrate environmental and social impact to the Board; (h) Other Areas – This is to supplement the questionnaire responses related to Board Dynamics and Processes, Board and Committee Composition.

The organization has a performance rating system for executives and employees.

Through the Investor Relations team and the Corporate Communications team, the Company communicates with its stockholders and other stakeholders and keeps the Company's investors and relevant stakeholders regularly informed of developments in the Company's business. The Company's Sustainability Report identifies the channels through which feedback and communications with various stakeholders are received by the Company. These include social media platforms. The Investor Relations team conducts on a quarterly basis conference calls and webcast presentations which are accessible to its stockholders, during which time the President & Chief Executive Officer presents the operational and financial quarter results of the Company and responds to questions raised by attendees. In 2020, the relevant conference calls and webcast presentations were held on February 13, May 4, July 28 and October 29. The Corporate Communications team conducted in November 2020 the annual stakeholders' meetings with community leaders and representatives in Antipolo City, Rizal and Naga City, Cebu, which are the principal areas in which the Company operates. The Corporate Communications team also participated in barangay dialogues and council sessions in impacted communities, and took part in quarterly multi-partite monitoring activities with relevant government agencies, which provided the forum for assessing the progress of Company-led or supported initiatives or social and community programs and addressing concerns of its stakeholders.

To the best of the Parent Company's knowledge and belief, the Company has substantially complied with and has not violated the provisions of the Manual.

The Parent Company undertakes to further improve its corporate governance practices as may be required by law or the exigency of the business.

On July 28, 2020, the Parent Company disclosed its Integrated Corporate Governance Report for 2019 (SEC Form I-ACGR) with the corresponding attestation on the organization's internal audit, control and compliance system.

(2) *CEMEX Code of Ethics and Business Conduct and Other Global Policies*

The Company adheres to the Code of Ethics and Business Conduct of CEMEX ("Code") which was established to ensure that all employees of CEMEX worldwide abide by the same high standards of conduct in their daily interactions. This Code is designed to govern the Company's relationships with all of its stakeholders, workplace safety, health, environmental responsibility, protection of confidential information, conflicts of interest, financial controls and records, and preservation of assets. Through the organization's ethics committees, training programs, and secure internal communications channels, the Company ensures awareness and enforcement of this Code. Among several implementing global policies of CEMEX being observed by the Company are the Global Anti-Trust Compliance Policy, CEMEX Anti-Bribery/Anti-Corruption Policy and CEMEX Insider Trading Policy. The Code and the various implementing global policies of CEMEX are periodically evaluated and, where deemed necessary or appropriate, updated.

In 2020, the employees of the Company received training on various topics governed by the Code, dedicating more than 9,700 training manhours related to Anti-Corruption and Anti-Bribery, Competition and Anti-Trust, Corporate Governance, Safety, Health & Wellness, Code of Ethics and Business Conduct, and Labor Education. Training programs for employees were also conducted for other functional and technical topics and focus areas.

(3) *Material Related Party Transactions Policy*

The Company adheres to a *Policy on Material Related Party Transactions* (the "MRPT Policy") which was adopted and approved by the Board of Directors on September 3, 2019. The purpose of MRPT Policy is to (a) define the framework for the procedures and processes for the review, approval or ratification, monitoring and recording of Related Party Transactions (as defined in this Policy) of the Corporation; (b) provide guidance to management and employees on the governance guidelines for Related Party Transactions and disclosure requirements; and (c) supplement the *CEMEX Policy and Procedures with Respect to Related Person Transactions*, which is the general policy promulgated by the Board of Directors of CEMEX, S.A.B. de C.V. and applicable to the international group of companies of which the Parent Company is a member.

In compliance with SEC Memorandum Circular No. 10, Series of 2019, the Parent Company submitted on March 4, 2020 to the Securities and Exchange Commission an *Advisement Report* dated March 3, 2020 containing the terms and conditions of the Revolving Master Loan Facility Agreement dated March 3, 2020 between the Parent Company and one of its subsidiaries, SOLID Cement.

(4) ***Board Committees***

The Parent Company's Board has constituted two committees to more effectively manage the operations: (i) the Audit Committee and (ii) the Nomination Committee.

(a) The Audit Committee will carry out, among other things, the following functions: (i) assist the Board of Directors in the performance of its oversight responsibility for: the company's financial reporting process; its system of internal control; its audit process and the monitoring of compliance with applicable laws, rules and regulations; (ii) supervise the effectiveness of its internal control procedures and corporate risk management systems; (iii) perform oversight functions over its internal and external auditors, ensuring that the internal and external auditors act independently from each other, and that each are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions; (iv) review the annual internal audit plan to ensure its conformity with the company's objectives; (v) organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal; (vi) monitor and evaluate the adequacy and effectiveness of its internal control system, including financial reporting control and information technology security; (vii) review the reports submitted by the internal and external auditors; (viii) review the quarterly, half-year and annual financial statements before their submission to the Board of Directors; (ix) coordinate, monitor and facilitate compliance with laws, rules and regulations; (x) evaluate and determine non-audit work, if any, required of the external auditor, and periodically review the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the company's overall consultancy expenses; and (xi) establish and identify the reporting line of the internal auditor to enable them to properly fulfill their duties and responsibilities.

Following the favorable endorsement of the Audit Committee, the Board of Directors approved the Charter for the Audit Committee on October 25, 2016 and approved the Internal Audit Charter on February 6, 2018.

The Audit Committee is currently comprised of four members, three of whom are the independent directors. The Audit Committee reports directly to the Board of Directors.

During the organizational meeting of the Board of Directors held on June 24, 2020, the Board of Directors appointed the following board members as members of the Audit Committee: Pedro Roxas (Chairman), Alfredo S. Panlilio, Eleanor M. Hilado and Larry Jose Zea Betancourt. Following the resignation of Mr. Zea as member of the Board of Directors and member of the Audit Committee, the Board of Directors on December 2, 2020 appointed Maria Garcia Villan as member of the Audit Committee to occupy the vacancy resulting from the resignation of Mr. Zea.

The members of the Audit Committee and the Board of Directors of the Parent Company are informed about the internal controls and procedure observed by the Company, and are regularly updated about and have reviewed the results/ findings of the audit and monitoring processes. The Audit Committee and the Board of Directors have not detected weaknesses in the internal controls and risk management system currently in place which have had a material adverse impact on the operations or financial condition of the Parent Company. In support of the oversight function of the Board of Directors, the Audit Committee is tasked to consider improvements to further enhance the effectiveness of the internal controls and risk management system of the Company.

(b) The Nomination Committee will carry out, among other things, the following functions: (i) be responsible for providing shareholders with an independent and objective evaluation of and assurance that the members of the Board of Directors are competent and will foster the company's long-term success and secure its competitiveness; (ii) review and evaluate the qualifications of persons nominated to the Board of Directors as well as other appointments that require the approval of the Board of Directors; and (iii) assess the effectiveness of the processes and procedures of the Board of Directors in the election or replacement of directors.

The Nomination Committee reports directly to the Board of Directors. Following the favorable endorsement of the Nomination Committee, the Board of Directors approved the Charter for the Nomination Committee on October 25, 2016

The Nomination Committee is currently comprised of four members, three of whom are the independent directors. During the organizational meeting of the Board of Directors held on June 24, 2020, the Board of Directors appointed the following board members as members of the Nomination Committee: Alfredo S. Panlilio (Chairman), Pedro Roxas, Eleanor M. Hilado and Antonio Ivan Sanchez Ugarte.

ITEM 14. SUSTAINABILITY REPORT

The Company's Sustainability Report for 2020 is attached as an Annex to this Annual Report (SEC Form 17-A).

ITEM 15. ATTENDANCE OF DIRECTORS

Members of the Board of Directors (only incumbent members as at end December 2020)	Date of Election [initial date / re-election date(s)]	No. of Board Meetings Held during the Director's effective tenure in 2020	No. of Board Meetings Attended
Sergio Mauricio **Menendez** Medina (Chairman)	2 April 2020/24 June 2020	6	4
Pedro **Roxas** (Lead Independent Director)	3 June 2016 /7 June 2017/ 6 June 2018/ 9 June 2019/ 24 June 2020	8	8
Alfredo S. **Panlilio** (Independent Director)	3 June 2016 /7 June 2017/ 6 June 2018/ 6 June 2019/24 June 2020	8	7
Eleanor M. **Hilado** (Independent Director)	6 June 2019/24 June 2020	8	8
Ignacio Alejandro **Mijares** Elizondo	4 July 2017/6 June 2018 / 6 June 2019/ 24 June 2020	8	8
Alejandro **Garcia** Cogollos	25 April 2018/ 6 June 2019/ 24 June 2020	8	8
Antonio Ivan **Sanchez** Ugarte	6 December 2017 (effective on 1 January 2018)/ 6 June 2018/6 June 2019/ 24 June 2020	8	8
Maria **Garcia** Villan	2 December 2020	N/A	N/A

Members of the Audit Committee (only incumbent board members as at end December 2020)	No. of Audit Committee Meetings Held during the Member's tenure in 2019	No. of Committee Meetings Attended
Pedro **Roxas** (Chairman)	6	6
Alfredo S. **Panlilio**	6	5
Eleanor M. **Hilado**	6	6
Maria **Garcia** Villan	N/A	N/A

Members of the Nomination Committee (only incumbent board members as at end December 2020)	No. of Nomination Committee Meetings Held during the Member's tenure in 2020	No. of Committee Meetings Attended
Alfredo S. Panlilio (Chairman)	3	3
Pedro Roxas	3	3
Eleanor M. Hilado	3	3
Alejandro **Garcia** Cogollos[16]	2	2
Antonio Ivan **Sanchez** Ugarte[17]	1	1

PART V - EXHIBITS AND SCHEDULES

ITEM 16. EXHIBITS AND REPORTS ON SEC FORM 17-C

(a) Exhibits

A - Audited Consolidated Financial Statements of the Company (with consolidated statements of financial position as at December 31, 2020 and 2019, and consolidated comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2020, 2019 and 2018) and Schedules

B -Audited Separate Financial Statements of CHP (with separate statements of financial position as at December 31, 2020 and 2019, and separate statements of comprehensive income (loss), separate statements of changes in equity and separate statements of cash flows for the years ended December 31, 2020 and 2019).

C - SEC Form 17-Q for Quarter Ended March 31, 2020 (1st Quarter 2020)

D - SEC Form 17-Q for Quarter Ended June 30, 2020 (2nd Quarter 2020)

E - SEC Form 17-Q for Quarter Ended September 30, 2020 (3rd Quarter 2020)

(b) Reports on SEC Form 17-C

List of Disclosures under SEC Form 17-C for the period from 1 January 2020 to 31 December 2020:

SUBJECT MATTER	DATE
Use of SRO Proceeds with Letter to PSE (14th Report)	December 29, 2020
Use of SRO Proceeds with Letter to PSE (13th Report)[18]	December 23, 2020
Use of SRO Proceeds with Letter to PSE (12th Report)	December 15, 2020
Use of SRO Proceeds with Letter to PSE (11th Report)	December 14, 2020
SEC Approval of the Amended By-Laws pursuant to SEC Certificate of Filing of Amended By-Laws dated 13 October 2020	December 4, 2020 *(date of receipt of SEC Certificate)*
Election of Maria Garcia Villan as new member of the Board of Directors and Audit Committee	December 2, 2020
Investors' Briefing Materials for 3rd Quarter 2020	October 29, 2020
Resignation of a member of the Board of Directors	October 26, 2020
Use of SRO Proceeds with Letter to PSE (10th Report)[19]	October 22, 2020
Notice of Investors' Briefing for 3rd Quarter 2020	October 22, 2020

[16] In 2020, Alejandro Garcia Cogollos was a member of the Nomination Committee for the period beginning 2020 until the Annual Stockholders' Meeting which was held on June 24, 2020.

[17] Antonio Ivan Sanchez Ugarte was appointed as a member of the Nomination Committee during the Organizational Meeting of the Board of Directors which was held on June 24, 2020.

[18] Amended by SEC Form 17-C dated 14 January 2021

[19] Amended by SEC Form 17-C dated 14 January 2021

Use of SRO Proceeds – Third Quarterly Progress Report	October 14, 2020
Use of SRO Proceeds with Letter to PSE (9th Report)	September 30, 2020
Use of SRO Proceeds with Letter to PSE (8th Report)	September 30, 2020
Use of SRO Proceeds with Letter to PSE (7th Report)	August 28, 2020
Investors' Briefing Materials for 2nd Quarter 2020	July 28, 2020
Notice of Investors' Briefing for 2nd Quarter 2020	July 22, 2020
Use of SRO Proceeds – Second Quarterly Progress Report	July 15, 2020
Amendment to the Facility Agreement between CHP and BDO Unibank, Inc.	June 30, 2020
Results of the Organizational Meeting of the Board of Directors	June 24, 2020
Results of the Annual Meeting of Stockholders	June 24, 2020
Use of SRO Proceeds with Letter to PSE (6th Report)	June 19, 2020
Use of SRO Proceeds with Letter to PSE (5th Report)	May 29, 2020
Amended Notice to the 2020 Annual Meeting of Stockholders	May 22, 2020
Resumption of Operations at SOLID Cement Plant	May 20, 2020
Notice to the 2020 Annual Meeting of Stockholders	May 12, 2020
Investors' Briefing Materials for 1st Quarter 2020	May 4, 2020
Notice of Investors' Briefing for 1st Quarter 2020	April 25, 2020
Use of SRO Proceeds – First Quarterly Progress Report	April 15, 2020
Resignation of an officer	April 15, 2020
Extension of time to file Annual Report/Form 17-A for 2019	April 8, 2020
Board Authorization for the postponement of Annual Meeting of Stockholders	April 8, 2020
Use of SRO Proceeds (4th Report)	April 3, 2020
Election of Sergio Mauricio Menendez Medina as new Chairman/ member of the Board of Directors	April 2, 2020
Details on the Annual Meeting of Stockholders to be held on 24 June 2020 and Amendment of the Amended By-Laws	April 2, 2020
Use of SRO Proceeds (3rd Report)	March 31, 2020
Resignation of the Chairman of the Board of Directors	March 25, 2020
Update on SOLID Cement Plant	March 19, 2020
Use of SRO Proceeds (2nd Report)	March 18, 2020
Assessment of risks associated with COVID-19 pandemic	March 16, 2020
Use of SRO Proceeds (1st Report)	March 5, 2020
Revolving Master Loan Facility Agreements with Subsidiaries	March 3, 2020
Press Release on the SRO Listing Date	March 2, 2020
SEC Approval of the Increase in Authorized Capital Stock and Amended Articles of Incorporation	February 27, 2020
Investors' Briefing Materials for 4th Quarter 2019	February 13, 2020
Appointment of Vice President	February 10, 2020
Notice of Investors' Briefing for 4th Quarter 2019	February 6, 2020
Press Release on CHP's Stock Rights Offering	January 29, 2020
Update on CHP's Stock Rights Offering	January 29, 2020
Pricing of CHP's Stock Rights Offering	January 6, 2020

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code, this Annual Report (SEC Form 17-A) for 2020 is signed on behalf of CEMEX HOLDINGS PHILIPPINES, INC. by the undersigned, thereunto duly authorized, in the City of Makati on APR 21 2021.

CEMEX HOLDINGS PHILIPPINES, INC.

By:

IGNACIO ALEJANDRO MIJARES ELIZONDO
President and Chief Executive Officer

STEVE KUANSHENG WU
Treasurer and Chief Financial Officer

JANNETTE VIRATA SEVILLA
Corporate Secretary

SUBSCRIBED AND SWORN to before me on APR 21 2021 in Makati City, Metro Manila, affiant(s) exhibiting to me the following documents:

NAMES	IDENTIFICATION DOCS	PLACE/DATE OF ISSUE
Ignacio Alejandro Mijares Elizondo	Mexican Passport No. G23177265	Mexico/18 November 2016
Steve Kuansheng Wu	Republic of China Passport No. 360012125	Taipei City /8 February 2021
Jannette Virata Sevilla	Philippine Passport No. P4664442B	Manila, Philippines/ 3 February 2020

Doc. No. 141;
Page No. 30;
Book No. 97;
Series of 2021.

ATTY. GEORGE DAVID D. SITON
NOTARY PUBLIC FOR MAKATI CITY
APPT. NO. M-382 UNTIL DEC. 31, 2021
ROLL NO. 68402/ MCLE COMPLIANCE NO. VI-0021936/3-29-2019
IBP O.R No. 2275859-LIFETIME MEMBER MAY. 8, 2017
PTR No. 8533088- JAN 04, 2021- MAKATI CITY
EXECUTIVE BLDG. CENTER MAKATI AVE., COR., JUPITER ST., MAKATI CITY

CEMEX HOLDINGS PHILIPPINES, INC.
SUPPLEMENT TO SEC FORM 17-A (ANNUAL REPORT) FOR 2020

The term "Parent Company" used in this Form 17-A (Annual Report) refers to CEMEX HOLDINGS PHILIPPINES, INC. without its subsidiaries. The term "Company" refers to CEMEX HOLDINGS PHILIPPINES, INC. together with its consolidated subsidiaries.

Dividends and Dividend Policy

The Parent Company's Board of Directors is authorized to declare dividends only from its unrestricted retained earnings, and the Board of Directors may not declare dividends which will impair its capital. Dividends may be payable in either cash, shares or property, or a combination thereof, as the Board of Directors determines. The approval of stockholders representing at least 2/3 of the total issued and outstanding shares of stock of the Parent Company is required for the payment of stock dividends. As a holding company, the Parent Company's ability to declare and pay dividends to its shareholders will depend on whether it has received sufficient dividends from its subsidiaries that can be distributed to the shareholders by way of dividend. As such, the Parent Company's Board of Directors, may, at any time, evaluate whether it has sufficient cash available for distribution of cash dividends.

Dividends may be declared whenever there are unrestricted retained earnings available subject to a number of factors including restrictions that may be imposed by current and prospective financial covenants, overall level of indebtedness, projected levels of operating results of the Parent Company's subsidiaries, working capital needs and long-term capital expenditures of these subsidiaries, and regulatory requirements on dividend payments, among others. In view of the Company's substantial long-term capital expenditure needs, which include the project cost for pursuing the expansion project of SOLID Cement Corporation's plant located in Antipolo City consisting of the installation of a 1.5 million metric tons per year integrated cement production line, and level of indebtedness of the Company, no dividends have been declared by the Board of Directors in 2020 and previous years.

Total Compensation of the Members of the Board of Directors for 2020

To supplement the information provided in Item 10(1) of PART III (CONTROL AND COMPENSATION INFORMATION), the total director's compensation received by each of the members of the Board of Directors for fiscal year 2020 is as follows:

Name of Board Member	Total Director's Compensation (honorarium/per diem)
1. Pedro **Roxas** *(independent director)*	₱ 630,000.00
2. Alfredo S. **Panlilio** *(independent director)*	₱ 630,000.00
3. Eleanor M. **Hilado** (independent director)	₱ 630,000.00
4. Sergio Mauricio **Menéndez** Medina	0
5. Ignacio Alejandro **Mijares** Elizondo	0
6. Alejandro **Garcia** Cogollos	0
7. Antonio Ivan **Sanchez** Ugarte	0
8. Maria **Garcia** Villan	0
9. Joaquin Miguel **Estrada** Suarez (former Board Chairman whose resignation took effect on March 27, 2020)	0
10. Larry Jose **Zea** Betancourt (former Board member whose resignation took effect on October 26, 2020)	0
GRAND TOTAL	₱ 1,890,000.00

CEMEX HOLDINGS PHILIPPINES, INC. (CHP) SUSTAINABILITY REPORT 2020

COMPANY DETAILS	
Name of Organization	**CEMEX HOLDINGS PHILIPPINES, INC. (CHP)**
Location of Headquarters	34th Floor Petron Mega Plaza Building 358 Sen. Gil J. Puyat Avenue, Makati City
Location of Operations	**CEMEX HOLDINGS PHILIPPINES, INC.**[1] 34th Floor Petron Mega Plaza Building 358 Sen. Gil J. Puyat Avenue, Makati City **SOLID CEMENT CORPORATION (SOLID)** Sitio Tagbac, Barangay San Jose, Antipolo City, Rizal **APO CEMENT CORPORATION (APO)** Barangay Tina-an, Naga City, Cebu
Report Boundary: Legal entities (e.g. subsidiaries) included in this report	CEMEX HOLDINGS PHILIPPINES, INC. SOLID CEMENT CORPORATION (SUBSIDIARY) APO CEMENT CORPORATION (SUBSIDIARY)
Business Model, including Primary Activities, Brands, Products, and Services	CHP with its two principal operating subsidiaries, i.e., APO CEMENT CORPORATION (“APO Cement”) and SOLID CEMENT CORPORATION (“Solid Cement”), are involved in the production, marketing, distribution and sale of cement and other cement products in the Philippines with well-established brands, such as "APO", "Island", and "Rizal", each of which has a multi-decade history in the Philippines. In the production of cement products, the following are key activities in the supply chain, including pre-manufacturing phase: (a) raw materials extraction (b) manufacturing and packaging (c) sales and marketing. Raw materials extraction and transportation is carried out by suppliers that are owned and controlled by third-party entities or entities that are not a member of the CHP Group of companies.
Reporting Period	January 1, 2020 – December 31, 2020
Highest Ranking Person responsible for this report	PIERRE CO Investor Relations Director

[1]The term - “CHP” – refers to CEMEX HOLDINGS PHILIPPINES, INC. "Company" refers to CEMEX HOLDINGS PHILIPPINES, INC. (CHP) together with its two principal operating subsidiaries, i.e., APO Cement and Solid Cement. (With a note that “Except as the context otherwise may require, references in this report to “we,” “us” or “our” refer to the Company.”) “CEMEX” refers to CEMEX, S.A.B. de C.V.

MATERIALITY PROCESS

We went through a series of steps to determine which Sustainability topics are most material to our stakeholders and have the highest potential impact for our Company. We referred to the material topics of CEMEX as our take-off point. CHP is an indirect subsidiary of CEMEX. We validated and contextualized this by identifying key activities and impacts in our value chain in the Philippines including the operations of our suppliers that are critical to our value creation. We also referred to the stakeholder feedback obtained from our formal and informal channels to gauge our stakeholder's expectations on sustainability. The following specific steps were undertaken:

1. Understanding the Sustainability Context

We looked at the communities where we operate as well as the local and national sustainable development challenges that are impacted either positively or negatively by what we do as a Company. We have identified the most relevant issues such as climate change, water scarcity, energy security, materials scarcity, physical hazards to communities from our operations, biodiversity, social inequality, the need for infrastructure, as well as government and regulatory-related uncertainties. With these in mind, we identified which specific activities in our operations affect these topics, and how.

2. Identifying Material Environmental, Social, and Economic Impacts across Supply Chain

For each key activity in the supply chain impactful or relevant to our business and operations, we identified relevant impacts to the economy, environment, and society. We also highlighted key impacts relevant to the sustainable development issues we identified earlier. The key steps in the supply chain we have considered are as follows:

a. **Quarrying of Raw Material.** Limestone and clay are extracted in a controlled manner designed to minimize the effect to the environment. Blasting is done with the use of the full initiation system, seeking to minimize air blasts and vibrations. In some quarries with medium type of raw materials that do not require blasting, heavy equipment like excavators, back hoes and loaders are used for mining operation.
Note: This activity is carried out by a third-party supplier/s.

b. **Transporting the Raw Material.** The quarried materials are transported to the crushing plant by dump trucks and fed to the crusher hopper.
Note: This activity is carried out by a third-party supplier/s.

c. **Crushing.** The quarried materials are fed to the crusher hopper to further reduce its size by crushing to approximately 80 mm diameter size and transported via belt conveyor to the limestone storage.

d. **Pre-homogenization.** The raw material from the limestone storage are scraped and conveyed to different bins for pre-homogenization. This is the proportional mix of the different types of materials like limestones, clay and any other required material for the raw mix.

e. **Raw Material Grinding.** This takes places in vertical raw mills, which grinds the material through the pressure exerted by four rollers, which roll over a turning milling table. Fine raw meal is produced in this process.

f. **Raw Meal Homogenization.** This process takes place in silos equipped with an aeration system to maintain a homogenous mix of fine raw material to be fed to the kiln.

g. **Calcination.** Calcination is the core portion of the process, in which huge rotary kilns come into play. Inside, at 1400 degrees Celsius, the raw material is transformed into clinker: small, dark gray nodules that are 3-4 centimeters in diameter.

h. **Cement Milling.** The clinker is ground by different-size steel balls while it works its way through the horizontal mill's chambers, with gypsum being added to extend cement setting times. Vertical roller mill is also utilized, wherein clinker is ground through the pressure exerted by four rollers, which roll over a turning milling table.

i. **Cement Packaging and Delivery.** The cement that are stored in a cement silo are extracted through both mechanical and pneumatic extraction systems to the packhouse rotopackers where it will be packed in 40 kg sacks. For cement in tonner bags packaging and bulk loading, these are extracted directly from the cement silo. In either case, it can be transported via trucks or vessels thru the port facilities.

Any topic related to our key capitals, i.e. the input materials, water, human capital, that are critical to our viability and operability are considered material topics. We also included the impacts of our third-party suppliers that affect the sustainability challenges we earlier identified. We mapped our products and how they contribute to infrastructure development across sectors, such as mobility, energy, agriculture, and built environment.

3. Taking Stakeholders' Perspectives

We relied on existing stakeholder feedback that has been collected over the years through our formal channels. The feedback was collected by key actors responsible for engaging our key stakeholders, such as investors, customers, regulators, community members, as well as our employees. We identified which topics are frequently being raised by the stakeholders and included these in our list of material topics. Stakeholder information are provided in Annex A.

4. Defining Performance Metrics

For each material topic, we identified metrics that most effectively capture our sustainability performance. We referred to the Philippines Securities and Exchange Commission (SEC) reporting guidelines, as well as the Global Reporting Initiative (GRI) standards, which provides universally used metrics for sustainability performance disclosures.

5. Defining Management Approaches

For each material topic, we characterized the risks and opportunities and defined how these are managed. We looked internally at what we have been doing over the years and identified gaps where management approaches have not been clearly defined and documented. In the future, we expect to create a tracking system to better manage these topics and evaluate whether the management approaches that we have put in place have indeed contributed to improve our performance on such topics.

ECONOMIC

ECONOMIC PERFORMANCE AND PROCUREMENT PRACTICES

Direct Economic Value Generated and Distributed

Table 1

DISCLOSURE	AMOUNT (in thousands)	CURRENCY
Direct Economic Value Generated (Revenue and Other Income)	19,781,140	PhP
Direct Economic Value Distributed:		
a. Operating Costs and Other Expenses	14,251,475	PhP
b. Employee Wages and Benefits	1,195,929	PhP
c. Interest Payments to Loan Providers	993,756	PhP
d. Taxes to Government	494,064	PhP
e. Investments to Community (e.g. Donations, CSR)	4,847	PhP

Total Economic Value Distributed = 16.9 B PhP or 86% of Revenue

Proportion of Spending on Local Suppliers

Table 2

DISCLOSURE	QUANTITY	UNITS
Percentage of Procurement Budget used for Significant Locations of Operations that is Spent on Local Suppliers	72%	%

ECONOMIC PERFORMANCE AND PROCUREMENT PRACTICES
Impacts and Risks: Where it occurs, Company's Involvement, Stakeholders Affected

Impacts. Our contribution to local and national economy depends on two factors - our ability to create value and our policies and practices that affect how we benefit our stakeholders.

Our value creation is key to our ability to generate economic value for society. The revenue that we gain each year represents how our customers value our products, services, and innovative solutions. Our continuous product innovation to meet customer expectations and grow our market influences our ability to create value. In 2020, we created more than 19 B PhP of economic value. 16.9 B PhP or 86% of our revenue flows back to different stakeholders creating ripples of economic opportunities, supporting thousands of jobs and other enterprises.

We recognize that the distribution of economic opportunities to our key stakeholders, such as employees and suppliers, impacts their own productivity, viability, and growth. In 2020, around 72% of our revenue (14.3 B PhP) flowed to our suppliers of goods and services, some SMEs, whose economic activities also support their own employees and suppliers. Also, around 72% of payment to suppliers went to businesses who operate in the Philippines. Furthermore, around 6% of our revenue flowed to our employees.

The taxes we pay to government can contribute to their ability to provide social services to its citizens. In 2020, we paid around 494.1 M PhP in taxes to the government. We also aim to impact the community around us by providing economic opportunities through activities such as local employment, local sourcing, and corporate social responsibility projects. Lastly, our ability to meet our investor's expectations and financial services providers may affect our ability to source capital to support our growth. Hence, we seek to ensure that our spending decision-making is guided by the highest standards of fairness and equitability.

Risks. Our ability to create value is influenced by various risks. We take an effort to systematically characterize these risks, understand its implications to our business, and look that they are adequately managed. These risks include:

Table 3

KEY BUSINESS RISKS	DESCRIPTION (Likelihood and Impact)
High Dependence of Business to Philippine Economic Performance	The Company's growth prospects are largely dependent upon the economic growth in the Philippines. The Company's growth will depend partially on whether the Philippine economy can maintain a consistent growth rate, as well as our ability to capitalize on such growth. The Philippines has experienced periods of slow or negative growth, high inflation, significant depreciation of the peso and the imposition of exchange controls. There can also be no assurance that an economic slowdown in the Philippines will not recur. Any deterioration of the economic or political environment in the Philippines could adversely affect demand for the Company's products, business, financial condition, and results of operations.
Pandemics, epidemics or outbreaks of infectious diseases, including the COVID-19 Pandemic	On March 11, 2020, the World Health Organization declared as a pandemic the outbreak of COVID-19 ("COVID-19 Pandemic"), due to its rapid spread throughout the world. In addition to risks to the health and safety of the Company's employees, customers, contractors and suppliers, the impact of pandemics, epidemics or outbreaks of infectious diseases, including the COVID-19 Pandemic, may adversely affect, among other matters, supply chains, international and domestic activity, liquidity availability, investor confidence and consumer spending, as well as availability of, and demand for, our products and services. Governments may also implement measures aimed at containing and mitigating the effects of the disease. The effects of the COVID-19 Pandemic on the Company's financial condition and results of operations will depend on future developments of the coronavirus situation in the country, which are highly uncertain.
A Reduction or Delay in Public or Private Construction Projects	The Company's principal business is reliant on levels of public and private construction activity in the Philippines. Significant interruptions or delays in, or the termination of, public or private construction projects may adversely affect the Company's business, financial condition, and results of operations. There can be no assurance that the Philippine government will continue to promote public infrastructure spending.
High Debt-to-Operating EBITDA Ratio	The Company's indebtedness could have significant adverse consequences, including impairing its ability to obtain additional financing for working capital, capital expenditures, or acquisitions. When the indebtedness is high, the Company may be at a disadvantage and may have reduced flexibility in planning for, or responding to, changing conditions in the industry, including increased competition. The Company may also be more vulnerable to general economic downturns and adverse developments in its business.
Price Fluctuations from Oversupply of Cement	Pricing is generally set through competitive negotiation with dealers and is a function of the demand for, and supply of, cement in the relevant market. Demand for cement varies most significantly with construction activity, while

	supply is determined by domestic production levels and imports. Since 2016, imported cement has substantially increased in the Philippines, which has adversely impacted pricing.
Operability of the Two Cement Plants	The Company is dependent on the continuing operation of the Company's two cement plants. These plants are subject to risks linked to industrial production, including, but not limited to, equipment breakdowns, labor stoppages, natural disasters, directives from Government agencies and power interruptions. Any prolonged or significant disruption to the cement plants, whether due to repair, maintenance or servicing, contingencies, mechanical equipment failure, human error or otherwise, will disrupt and adversely affect the Company's operations. Additionally, any major or sustained disruptions in the supply of utilities such as water or electricity, the supply of raw materials, fires, flooding, landslides or other natural calamities, communal unrest or acts of terrorism, may disrupt our operations, damage our cement plants, inventories and could adversely affect the Company's business, prospects, financial condition, and results of operations.
Highly Competitive Markets	The Company operates in highly competitive markets. Companies in these markets compete based on a variety of factors, often employing aggressive pricing strategies to gain or protect their share of the market. The Company primarily competes based on quality, market presence, distribution network, diversity of product offerings, sales strategy, brand image, and pricing. In addition to domestic competition, foreign-based producers are also considered as competitors due to the influx of imported cement in the country.
Fluctuation in Interest Rates	The Company is exposed to interest rate risk primarily in connection with certain long-term loans which are subject to variable interest rate.
Regulatory Risks	New regulatory developments may increase costs of doing business or restrict operations. The principal areas in which the Company is subject to regulation are product quality standards, environmental compliance, the Company's methods of distribution, labor, taxation, antitrust, and health and safety. The Company may also be adversely affected by regulations or other third parties that provide the Company with products and services.

Apart from these business risks, we also recognize that inequitable economic value distribution could have implications on creating more inequality in society and reducing the ability of our stakeholders to meet their compromises to us. Inequality drives the poor performance of our suppliers and their employees, which could also affect our long-term viability. The succeeding items provide approaches to how we optimize our economic performance by ensuring an equitable flow of economic value to our stakeholders. The aforementioned risks, as well as the risk factors described under "Section 2 - General Business Description - Major Risks Affecting the Business" included in of our annual report for the year ended December 31, 2020 filed to the SEC (the "2020 Annual Report"), are not the only risks we face, and any of the risks described above and in the 2020 Annual Report could significantly and adversely affect our business, liquidity, results of operations or financial condition, as well as, in certain instances, our reputation.

Management Approach for Impacts and Risks

We have put in place a system aimed to ensure we keep our business risks sufficiently managed. It provides a structured approach designed to manage all important risks including environment, health and safety risks that could impact the Company's objectives. Figure 1 summarizes the key processes.

Figure 1. Risk Management Process

The Enterprise Risk Management (ERM) function provides support to the decision-making process, by anticipating and coordinating management of short-term, medium-term, and long-term risks and opportunities that could prevent our company from achieving its strategic objectives. We employ tools to gather information from a range of sources, analyze the data, identify, and assess potential risks, and respond to them. This process is aligned to the global CEMEX ERM approach as follows:

Risk Identification. ERM team uses several risk identification techniques that focus on both strategic and operational issues. A combined bottom-up and top-down approach is used to try to include risk perspectives from all levels of the company. Other processes within our company, such as internal audits, internal controls, compliance, and financial risk management, complement the surveillance function of ERM.

Risk Assessment. Risks are analyzed and assessed using quantitative and qualitative methods and then prioritized based on their estimated impact and probability of materialization.

Risk Mitigation. A mitigation strategy with specific action plans is defined for each risk and a risk owner who are the primarily responsible for risk treatment. Risk and opportunity plans are updated at least on a biannual basis, considering all types of risks, trends, and emerging concerns that could impact our company.

Risk Follow-up. Risk developments are continuously monitored and changes in their status are promptly provided to management.

We have several processes that test the robustness of our systems, evaluate compliance across all business units, and encourage continuous improvements. These processes include compliance training for employees, periodic reviews of our policies and procedures, and regular internal audits.

Our ERM process follows and replicates best world standard practices like ISO 31000 "Risk Management Guidelines," ISO 31010 "Risk Assessment Techniques," ISO 22301 "Business Continuity Management Systems" and the Business Continuity Institute "Good Practices Guidelines" among other certifications.

Role of the Board in ERM

Based on the Organization for Economic Cooperation and Development ("OECD") principles of corporate governance, the Board of Directors oversees and monitors CHP's business objectives and strategy. The Board of Directors convenes for meetings to discuss various significant matters affecting CHP, including regular quarterly meetings to discuss financial and operational results, risks, and review our business approach.

The Board of Directors reviews and oversees the implementation of (i) the annual budget and business plans including major capital expenditures, (ii) strategies designed to address risks and other challenges or opportunities impacting CHP, and (iii) other initiatives developed to promote plant, logistics and organizational efficiencies and improvements.

Table 4 provides a summary of Risk Assessment processes done to monitor and measure risks, as well as the corresponding control mechanisms.

Table 4

KEY BUSINESS RISKS	RISK ASSESSMENT (Monitoring and Measurement)	RISK MANAGEMENT AND CONTROLS (Structures, Procedures, Actions Taken)
High Dependence of Business to Philippines Economic Performance	• Scanning of local, regional, and international news and economic information • Monitoring of public and private construction information	• Maximize organic growth by delivering superior customer experience • Capitalize on CEMEX Go digital platform • Drive operational excellence • Monitoring and scenario planning to anticipate potential risks and opportunities
Pandemics, epidemics or outbreaks of infectious diseases, including the COVID-19 Pandemic	• Scanning of local, regional, and international news on health emergencies, pandemics, epidemics or outbreaks of infectious diseases, including the COVID-19 Pandemic • Monitoring of official statements and news releases made by World Health Organization, Centers for Disease Control and Prevention (USA) and the Department of Health (Philippines)	• Activation of Rapid Response Teams and implementation of Business Continuity Plans, in line with government guidelines, to minimize operational disruptions • Adherence to strict health and safety protocols to safeguard our employees, their families, our customers, suppliers, and communities • Enhanced customer experience through CEMEX Go online platform, the use of virtual and digital options, multiple communication channels, and distribution network • Prudent fiscal management • Implementation of cost saving initiatives and delay of capital expenditures • Providing support to communities
Reduction or Delay in Public or Private Construction Projects	• Scanning of local, regional, and international news and economic information • Monitoring of public and private construction information	• Deliver superior customer experience • Leverage sales through CEMEX Go digital platform • Customer segmentation and customized value propositions • Drive operational excellence

Highly Competitive Markets	• Scanning of local, regional, and international news and economic information • Monitoring of public and private construction information • Regular assessment of sales and operations strategy	• Deliver superior customer experience • Leverage sales through CEMEX Go digital platform • Customer segmentation and customized value propositions • Drive operational excellence
Price Fluctuations from Oversupply of Cement	• Scanning of regional cement supply and demand dynamics • Monitoring of public and private construction information • Regular assessment of sales and operations strategy	• Deliver superior customer experience • Leverage sales through CEMEX Go digital platform • Customer segmentation and customized value propositions • Drive operational excellence
Operability of the Solid and Apo Plants	• Annual external audit on the plant's Integrated Management System on Health and Safety (ISO 45001), Environment (ISO 14001), and Quality (ISO 9001) • Annual external audit and regular internal audit on the plant's Energy Management System (ISO 50001) • Annual third-party site on the plant's loss prevention systems and equipment maintenance • Annual site audit by CEMEX Central's Process Assessment Certification System (PACS) team to ensure standard operational practices are in place • Regular internal audit on the plant's Integrated Management System on Health and Safety (ISO 45001), Environment (ISO 14001), and Quality (ISO 9001) • Implementation of monthly system check on Health, Safety and Security performance of the plant • Monthly review and administration of key performance indicators and initiatives • Regular conduct of on-site Continuous Improvement meetings • Regular review, scheduling and execution of plant equipment preventive maintenance, and equipment Capital Expenditures	• Full adherence to high health and safety standard and ensuring nothing comes before the health and safety of our employees, contractors, and the community • Drive operational excellence • Secure supply of required materials through long-term renewable contracts and framework agreements • Monitor inventory and identify critical levels • Investment in equipment to monitor, control and abate emission levels in our kilns beyond compliance with local regulations • Consistently record and report environmental, health, and safety incidents at every level of our business to identify recurring root causes and to share corrective actions • Adherence to high social responsibility standards • Implementation of sustainable community engagement plans to build mutually beneficial long-term relations with nearby districts and key stakeholders • Have business continuity plans to avoid major disruptions to our business • Asset insurance and protection – our main operations and assets are insured against certain adverse events. However, in most cases, the insurance policy does not cover the total impact that an adverse event could have, which limits its effect.

High Debt-to-Operating EBITDA Ratio	• Continuous monitoring of company financial condition, ratios, and projections • Regular assessment of sales and operations strategy	• Focus on EBITDA growth • Maintain profitability through cost and operational efficiencies • Drive prudent financial strategy • Manage working capital efficiently
Fluctuation in Interest Rates	• Scanning of news and economic information • Continuous monitoring of company financial condition, ratios, and projections	• Focus on EBITDA growth • Maintain profitability through cost and operational efficiencies • Drive prudent financial strategy • Manage working capital efficiently
Regulatory Risks	• Monitoring of local, regional, national, and international news and regulations	• Compliance with laws and regulations • Commitment to conduct all business activities with high ethical standards • Enhancement of our Code of Ethics and Business Conduct, which addresses anti-bribery, related-person transactions, health and safety, environmental responsibility, confidentiality, conflicts of interest, financial controls, and preservation of assets • Continued enhancement of the Company's anti-corruption and bribery policies and trainings • Acknowledgement and understanding of our Code of Ethics and Business Conduct by employees • Secured ETHOSline to submit suggestions, inquiries, and report alleged ethics, compliance or governance violations • Continuous internal audits and internal controls in place to prevent misconduct by our employees and third parties • Incorporate compliance-related initiatives in the management of third parties

Approaches to Optimize our Economic Impacts

We continue to improve our policies and systems to ensure that our resources are correctly managed and controlled. Our policies and monitoring system on governance and anti-corruption help us to achieve this. The anti-corruption section on this document will provide more details.

We negotiate our contracts with our suppliers and service providers with integrity as one of our key values, aiming to select the most competitive alternative for our company and respect fair prices. This seeks that our suppliers do not compromise important aspects of their operations, which also affects their sustainability and ability to meet our quality standards.

Overall, we track the portion of our revenue that flows back to society to see how our business drives more economic activities across our value chain and in the geographies where we operate. In 2020, 86% of our revenues flowed back to the economy. Most of the value that we retained is reinvested to drive future growth.

Equitable Distribution and Inclusion. In our production facilities, we offer inclusive employment opportunities to local community members. Whenever possible, we source local goods and services from Micro, Small and Medium Enterprises (MSMEs), despite our industry being highly technical and specialized. Hence, part of the work that we do in our locations is to help build more capability for locals to be able to supply what we need in our operations.

Equitable Access to our Products. We continue to strengthen our distribution network around the country to be able to provide those in the far-flung areas access to our products and services. Part of our strategy is to supply directly to hardware stores to better manage the local supply of our products. We also design more competitive products to meet our customer needs at a price that is within their reach.

Fair Compensation to our Employees. We seek to ensure that our level of compensation enables our employees to enjoy quality of life and access basic services. Compared to minimum wage of respective provinces where we have major operations, our lowest paid employee's rate is 132% higher than the minimum wage. We benchmark with industry standards in the Philippines seeking that our compensation remains competitive and fair for our employees.

Meeting Our Financial Obligations to Government. Our Tax Department primary function is aimed to ensure compliance with Philippine tax laws and regulations. Headed by a CPA-Lawyer, the Tax Department also has four (4) certified public accountants who are knowledgeable with the requirements imposed by the Philippine tax authorities, which are the Bureau of Internal Revenue, Bureau of Customs and the various local government units. To help ensure tax compliance particularly in dealing with certain complex and highly technical tax rules, we are also supported by an external tax advisory firm. This combined external and internal tax-related knowledge and capability help ensure that the Company is paying the correct taxes to the government.

On instances when there is a need to discuss with tax authorities new or highly technical tax issues, we may engage qualified tax consultants who expressly abide by our Anti-Bribery policies and who themselves have established their own effective anti-bribery controls. We observe a process designed to ensure that there are no facilitation payments involved in the transactions with the government. Regardless of the engagement of external tax consultant, tax-related discussions with the tax authorities are made with the direct participation of the Head of the Tax Department or by its Tax Manager who is under the direct supervision of the Head of the Tax Department. Also, payments for consultancy fees are consistent with the reasonable time charges agreed with the tax consultants prior to the start of engagement. Finally, there is no success-fee based remuneration for consultants.

Meeting the Needs of our Communities. We conduct an annual stakeholder consultation among community leaders (Department of Environment and Natural Resources (DENR), Local Government Units (LGUs), Non-Governmental Organizations (NGOs), academe, church) to better understand their needs, and prioritize these recommendations based on our available resources. These projects are mostly infrastructure such as provision of water systems, road repairs, educational learning programs and provision of school supplies, as well as livelihood programs which create economic opportunities for the community.

Opportunities and Management Approach

While we have put in place measures to manage our risks and optimize the value that we create and distribute to our stakeholders, we see an opportunity to assess our suppliers and hold them to the same standards. As a management approach, we will review our supplier accreditation and assessment processes to see opportunities for encouraging them seeking that they distribute economic value to their stakeholders in an equitable way. Specifically, we will assess the effectiveness of our suppliers' anti-corruption measures and their policy and practice on employee compensation and benefits. We see significant benefits to this effort as 72% of our revenue flows to our supplier of goods and services.
ERM]

Climate-related risks and opportunities

The operability of our two plants is subject to climate change impacts, including, but not limited to, flooding, water shortage, and extreme weather events. These risks may disrupt our operations, damage our cement plants and inventories that could adversely affect the Company's business, prospects, financial condition, and results of operations. Additionally, any major or sustained disruptions in the supply of utilities such as water or electricity, or the supply of raw materials as a result of climate impacts would also have financial implications to our business.

These issues are discussed in both CHP's management and board level along with other risks. We continue to put emphasis into these risks to build better understanding of its business implications.

ANTI-CORRUPTION

Training on Anti-corruption Policies and Procedures

Table 5

DISCLOSURE	QUANTITY	UNITS
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of directors and management that have received anti-corruption training	100	%
Percentage of employees that have received anti-corruption training	58[1]	%

Incidents of Corruption

Table 6

DISCLOSURE	QUANTITY	UNITS
Number of incidents in which directors were removed or disciplined for corruption	0	Incidents
Number of incidents in which employees were dismissed or disciplined for corruption	0	Incidents
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	Incidents

In 2020, we did not have any incidence of corruption. This was determined by reviewing our records such as internal and/or external incident reports, administrative cases heard, and formally litigated cases of violations of applicable anti-corruption and anti-bribery laws involving the Company, its directors, officers, employees, authorized representatives, agents, and/or contractors.

ANTI-CORRUPTION
Impacts and Risks: Where it occurs, Company's Involvement, Stakeholders Affected

We recognize how corruption could disrupt the equitable flow of value to our key stakeholders, i.e. suppliers, employees, government, and providers of capital. Corruption could increase the cost of doing business which has gross implications to our competitiveness and long-term viability. The Company considers all business operations that interact with any third-party, including, but not limited to, the government, regulators, suppliers and/or customers, as areas that have corruption risks. Hence, all employees involved in such functions receive intensive training on anti-corruption and anti-bribery policies, including third parties who interact with the Company's employees.

[1] *In 2020, 440 out of 764 employees (58%) underwent training on anti-corruption. These employees were prioritized as their role involves interaction with third-parties or government entities.*

Management Approach for Impacts and Risks

Our Policy. Our anti-corruption policy is embedded in our Code of Ethics and Business Conduct. It expressly declared that the organization rejects all forms of corruption. It is designed to govern our relationships with all of [CHP's] stakeholders, and addresses anti-bribery, antitrust compliance, money laundering prevention, related-person transactions, workplace safety, health, environmental responsibility, confidentiality terms, conflicts of interest, financial controls and records, and preservation of assets.

The Company forbids all its directors, officers, employees, authorized representatives, agents, and/or contractors from promising or providing anything of value to third parties, including, but not limited to, government officials, regulators, suppliers, and/or customers to secure any undue advantage or unduly influence any decisions. It is also forbidden to accept or demand anything of value to influence decision-making on behalf of the Company. "Anything of value" is very broad and can include, but is not limited to, cash, cash equivalents (gift cards), gifts, favors, food, entertainment, and opportunities.

The Company, its directors, officers, employees, authorized representatives, agents, and/or contractors cannot offer anything in order to obtain permits or licenses, to keep or obtain any business, to get any sort of advantage, or to try and unduly influence decisions, particularly with government officials. In addition, the Company has a strict policy on not retaining a third-party representative, intermediary or agent that engages in corrupt activities on behalf of the Company. Before dealing with any third party, the Company must first analyze if it is reputable, confirm it has agreed to comply with the Company's Code of Ethics, and that it has signed the Company's Letter of Commitment for Anti-Bribery Compliance Laws.

In general, the following are the guidelines of the Company when it comes to corruption and bribery:

1. The Company, its directors, officers, employees, authorized representatives, agents, and/or contractors may only provide gifts and hospitalities according to the Company's policies.

2. Employees of the Company are required to obtain a written approval from their immediate supervisor, the Company's Legal Department, and the President of the Company before executing any payment or receiving expense reimbursement from any government official.

3. As a rule, the Company requires all contracts and agreements with any third party be reviewed by the Company's Legal Department.

4. The Company shall maintain accurate and truthful books, records, and accounts.

5. The Company verifies the identity and background of the beneficiary or recipient of any charity, donation or sponsorship, and obtains authorization according to applicable policies.

6. The Company does not pay for items that cannot be supported with a receipt and/or invoice.

7. The Company does not permit upfront cash payments or any other type of unusual pay arrangement.

Failure to comply with our Code will be considered misconduct and may subject the erring employee, officer or director to disciplinary action.

Detection and Action. The Code of Ethics and Business Conduct describes the process for investigating violation of the Code, including its implementing policies like the Anti-Bribery and Anti-Corruption Policies.

Administratively, if the person involved in a corruption incident is a director, officer, or employee (the "Respondent"), the Company will issue a Notice to Show Cause. Once the Respondent provides a written reply, the Company will evaluate the same. If the Company determines that further investigation is necessary, the Company will issue a second notice in the form of a Notice of Administrative Hearing. The Respondent is then given another opportunity to be heard in an administrative hearing. Should the Company determine that the Respondent is guilty of corrupt practices, the Company will issue a third notice informing the Respondent about the findings and the sanction to be imposed. The sanction may range from two (2) weeks suspension up to dismissal. For avoidance of doubt, the administrative process is separate and distinct from the possible remedies that the Company may take as provided for in applicable anti-corruption laws.

If the person involved is a third-party acting on behalf of the Company, the Company will conduct investigation and determine if actions must be taken. If the third-party is found to have committed corruption, the Company shall implement actions to possibly terminate its relations with the said third-party and resort to possible remedies provided for in applicable anti-corruption laws.

A full copy of the Code of Ethics and Business Conduct is publicly available at:
https://www.cemexholdingsphilippines.com/about-us/ethics-and-compliance

Opportunities and Management Approach

We continue to improve our systems to monitor and detect corruption incidences within the organization, as well as third-party entities acting on behalf of the Company. Beyond pre-screening and policy training, we expect to set-up more proactive ways to detect, report, and investigate corruption cases. We will continue to strengthen our whistle blowing policy platform through the ETHOSline where anyone can anonymously report any incidence of corruption. We will also continue our annual Anti-Corruption and Anti-Trust Seminars to continually put emphasis and importance of this matter.

If there are concerns or suspected ethics, governance or compliance violations, it's important that our employees, our stakeholders, and the general public have a trusted, secure place to which they can turn. Managed by an autonomous third party, our ETHOSline provides an online portal and phone line for sending comments, requesting advice, and submitting complaints on these topics. Accessible through our company website. This secure, confidential, and independent portal is available 24 hours a day, seven days a week. Open and free for all to use, our ETHOSline records more complaints every quarter, underscoring the growing confidence that people place in this secure, confidential reporting tool.

Ultimately, our main goal is to get to the bottom of every report; all cases are looked at. We carry out a review; then if needed, an investigation to handle it according to our ETHOS Manual; and if applicable, apply consequences if our Code of Ethics is violated.

ENVIRONMENT

CHP SUPPLY CHAIN INPUTS AND IMPACTS

The full supply chain impacting or relevant to the business and operations of the Company is provided in Table 7 to show the different resources the Company requires and the impacts it creates in each step. CHP's owned and controlled operations do not include quarrying and transportation of raw materials which are carried out by CHP's third-party suppliers.

Table 7

INPUT RESOURCES	PROCESSES	ENVIRONMENTAL IMPACT
Materials • Limestone • Clay • Pozzolan Energy • Liquid Fuel	1. Quarrying of Raw Materials *Note: This process is carried out by a third-party supplier.*	• Biodiversity • Fugitive Dust Emissions • Noise • Vibration
	2. Transporting the Raw Materials *Note: This process is carried out by a third-party supplier.*	• Fugitive Dust Emissions from Hauling • Emissions from Truck Exhaust
Materials • Limestone • Clay • Pozzolan • Alternative Raw Material Energy • Electricity	3. Crushing	• Dust Emissions • Noise
Materials • Mixed Grade Limestone • Pyrite /Iron Concentrate Energy • Electricity	4. Pre-homogenization	
Materials • Mixed Grade Limestone • Pyrite /Iron Concentrate • Alternative Raw Material • Water (cooling) Energy • Electricity	5. Raw Material Grinding	
Materials • Fine Raw Meal Energy • Electricity	6. Raw meal Homogenization	• Dust Emission
Materials • Kiln Feed • Water (cooling and dust management) Energy • Primary Fuels	7. Calcination	• CO2 Emissions • Major Air Emissions (mainly SO_x, NO_x and dust) • Noise

• Alternative Fuels • Electricity		
Material • Clinker • Gypsum • Alternative Raw Material • Water (cooling and dust management) Energy • Electricity	8. Cement Milling	• Dust Emissions • Noise
Materials • Cement • Cement Bag Energy • Liquid Fuel • Electricity	9. Cement Packaging 10. Cement Delivery	• Dust Emissions • Cement Sweeping • Hardened Cement

The following sections provide CHP’s 2020 performance on managing these material topics.

RESOURCE MANAGEMENT – ENERGY

Energy Consumption Within the Organization

Table 8

DISCLOSURE	USAGE QUANTITY FOR THE YEAR			Where it is used in the process
	Quantity[2]	Units	Quantity in GJ	
Energy Consumption (Bunker Fuel)	3,392	K li	134,874	Cement Production, Power Generation
Energy Consumption (Diesel)	2,967	K li	114,389	Power Generation
Energy Consumption (Special Fuel Oil)	8,650	K li	335,360	Cement Production
Energy Consumption (Primary Fuels)	384,578	t	10,459,659	Cement Production
Energy Consumption (Alternative Fuels)	26,525	t	722,393	Cement Production
Energy Consumption (Electricity)	434,713[3]	MWh	1,564,966	Cement Production

Reduction of Energy Consumption

In 2020, we have implemented several initiatives in our two cement plants to improve our energy efficiency, which resulted to the following reduction in energy consumption.

The following provides details of these initiatives:

1. **Monitoring for Optimization and Addressing Energy Deviation.** Energy performance is monitored daily for both electricity consumption and fuel mix. Any energy deviation is analyzed for its root cause and immediately acted upon. Part of monitoring is to identify operation settings that yielded best energy performance for specific product formulation. These operational settings are then applied to succeeding production batches.

2. **Replacement of Liner and Diaphragms in Finish Mill.** The liner and diaphragms are parts of a finish mill that come in contact with moving parts of the ball mill. Through time they get worn out which affects their functions resulting to inefficient grinding process. In December 2020, we replaced one of the finish mills in APO Cement Plant ("APO Plant") to improve capacity and efficiency. This also results to energy efficiency through better grinding performance and reduced recirculation of materials. The new design of the liners allows a better impact of the grinding balls on the materials and improve the sorting of the grinding balls inside the grinding chamber, which improve the grinding efficiency of the mill. The new design of the diaphragms allows a better sorting of the materials between the two

[2] *This consumption covers operations owned and controlled by CHP and does not include supply chain consumption.*
[3] *Out of the 434,713 MWh electricity consumption, 6.1% or 26,507 MWh is generated in our facility by recovering waste heat in our operations. This 6 MW Waste Heat Recovery (WHR) facility is owned and operated by a third party who sells the power to CHP.*

grinding chambers which reduced the recirculation of materials not at the right size which need to be sent back the mill, and a better flow of air and materials inside the grinding chamber, lowering the pressure drop and the consumption of the fans.

Table 9 provides details of savings in energy and in cost generated from energy efficiency initiatives highlighted in this report. It also provides resulting avoidance in greenhouse gas emissions ("GHG Emissions").

Table 9

ENERGY REDUCTION INITIATIVES	SAVINGS	SAVINGS (in Million PhP)	EQUIVALENT GHG REDUCTION (in tCO2e)
Monitoring to address Energy Deviation (Fuel)	38,618 GJ	6.5	6,573
Monitoring to address Energy Deviation (Electricity)	1,426 MWh	9.0	1,016
TOTAL		**15.5**	**7,589**

ENERGY CONSUMPTION AND EFFICIENCY

Impacts and Risks: Where it occurs, Company's Involvement, Stakeholders Affected

We recognize that cement production is an energy intensive process requiring the use of various types of fuels and a considerable amount of electricity. Therefore, we continue to invest in best available technology to improve our energy efficiency and control systems that keeps our air emissions to a minimum even lower than regulatory limits.

Management Approach for Impacts and Risks

We monitor our energy performance and operation parameters daily which are compiled into a weekly report. Monitoring allows better analysis on root causes of energy deviations for operation and maintenance teams. This also provides key data needed to calibrate the operations settings for better performance in every product formulation and production cycle.

Monthly meetings are held to discuss more complex energy deviation and define action plans to address them. Experts from different aspects of the operation brainstorm to determine the root cause of these deviations and come-up with appropriate solutions. Partners such as suppliers and global CEMEX experts are also consulted to provide best practices and ensure our production systems are at par with global standards. Capital expenditure investments are also determined based on the cost-benefit analysis being done by the teams on various system improvement projects identified from this process. We track our progress carefully to determine the impacts of our improvement projects. This process is guided by the ISO 50001:2018 Energy Management System standards. Our compliance to the standards is being audited by a credible third-party audit firm.

Opportunities and Management Approach

We continue to aim to improve the frequency and extent of data we will collect through this monitoring process. We are studying the option of continuous monitoring systems for much faster analysis and response in an event of an energy deviation. This system will also provide immediate feedback on operational settings that yields the best energy efficiency level in any production cycle. We are also working on embedding energy consciousness into the mindset and culture of our teams.

RESOURCE MANAGEMENT – MATERIALS

Materials Used by the Organization

Table 10

DISCLOSURE	QUANTITY	UNITS
Materials used by weight or volume		
• Renewable	0	t
• Non-renewable		
Main Raw Materials	6,063,034	t
Additives	227,908	t
Recycled/Alternative Raw Materials[4]	522,546	t

MATERIALS

Impacts and Risks: Where it occurs, Company's Involvement, Stakeholders Affected and Management Approach

Availability of raw materials is critical to our sustainability and operations. Any shortage of materials will limit our ability to meet our production targets and our ability to compete in the market. We constantly assess the material reserves of limestone, silica and pozzolanic materials in areas within the control of our principal raw material suppliers and we continue to explore other sourcing strategies seeking to ensure availability of raw materials for our operations.

While quarrying of raw materials is being done by our suppliers, we continue to track the impacts and risks at the quarrying operations as these could affect the sustainability of supply of the raw materials that we need.

At the quarry sites, we see three major risks affecting their operations:

1. Presence of informal settlers. Their presence in the permitted quarry sites creates a problem as they prevent the suppliers' entry into the sites which disrupts the quarry operations and suppliers' ability to extract minerals. In order to manage this, our suppliers work with the Local Government Units (LGUs) to discourage settlers from erecting structures and help control their expansion.

2. Residential development near the permitted mining areas. The mining sites require buffer areas to ensure that the impacts of their operations do not affect any human settlements. Having developments within the buffer area exposes these settlements to potential impact. Effort is extended to coordinate with the local government to help create better zoning plans seeking to ensure no future developments will be within the buffer zone. Buffer zones are planted with trees aside from its natural vegetation.

3. Natural disasters and hazards such as landslides, earthquakes, fires, floods, typhoons, and other similar events. We recognize and anticipate risks relevant to these hazards that could disrupt operations and cause damage to the facilities. Detailed procedures on how to deal with these hazards have been put in place by our suppliers in order to mitigate their impacts. Company-wide drills are conducted to ensure employees know what to do in case any of these hazards occur.

[4] *Recycled/Alternative Raw Materials accounts for about 2% of the total materials.*

We recognize that the extraction of raw materials has inherent impacts to the environment and surrounding communities. We have been working with our suppliers to put in place measures to ensure responsible quarry operations on their part. Our major suppliers, i.e. Island Quarry and Aggregates Corporation and APO Land & Quarry Corporation are certified for their Integrated Management System (IMS) and we monitor that their compliance with applicable regulatory requirements are met. Quarry operations are also being monitored quarterly by a Multi-Partite Monitoring Team (MMT) composed of DENR, PENRO, CENRO, LGU, NGO's, other relevant government agencies and company representatives to ensure implementation of environmental programs.

As these suppliers move land, soil structures are disrupted, liberating silt that could potentially disrupt bodies of water downstream. To manage this, they have put in place siltation ponds which is regularly maintained aiming to ensure silt is sufficiently contained and will not be discharged into the bodies of water. On dry days, regular water sprinkling is also being done in the mine sites to manage dust.

Beyond the quarry sites of our third-party suppliers, we find ways to manage the impacts relevant to our use of materials. We seek to ensure that materials are used efficiently. For example, we innovate on product formulations to use less clinker per bag of cement we sell.

Some of the innovation we do to reduce clinker factor includes:

1. Use of CEMEX-patented admixture to substitute 6% of clinker without compromising strength and quality (Solid Cement plant).

2. Compressive strength optimization. This is done through optimizing the:

    a. Fineness of blended cement. Compressive strength is maximized at a certain level of cement particle fineness. Higher cement fineness translates to a more reactive cement, which in turn increases binding strength.

    b. Pozzolan type used with good performance in Pozzolan Activity Index (PAI). PAI is a scale used to gauge the performance of pozzolanic materials as far as its reactivity to cement formulation. Higher Pozzolanic activity results to better cement quality and strength.

    c. Clinker convertibility through use of Mineralizer. Mineralizers lowers the temperature needed to produce clinker from raw mix, makes clinker more reactive, resulting to improved compressive strength and clinker convertibility. Lower temperature reduces fuel consumption and improves refractory life.

    d. Admixture Development. This includes innovation in current admixture to increase clinker substitution by enhancing Cement properties such as setting times, air entrainment, and compressive strength. With higher compressive strength, clinker factor can be reduced through clinker substitution.

Opportunities and Management Approach

Moving forward, we continue to coordinate with third-party suppliers looking to ensure sustainability of materials and work with more clients to provide them the products and services that meet their requirements at an optimal clinker factor. We will also continue to promote measures designed to ensure the mitigation of our impacts.

We constantly work with our third-party suppliers to ensure the sustainability of the materials we use for our plants, mitigating risk and impact along the way. We strive to meet customer expectations, as well as market demands, by providing quality products at optimal clinker factor levels.

ECOSYSTEMS AND BIODIVERSITY

Table 11

DISCLOSURE	QUANTITY	UNITS
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas Site 1: Naga, Cebu. This site has a river downstream that feeds into the sea. Site 2: Antipolo, Rizal. Downstream from the mining site is a river.	 214 47	 Hectares Hectares
Habitats restored Limestone and Pozzolan Quarry Site	33.87	Hectares
International Union for Conservation of Nature (IUCN) Red List species and national conservation list species with habitats in areas affected by operations	None	

Note: Quarry sites are owned and/or controlled by third-party suppliers. They are only presented here to show our approach in managing our impact to biodiversity.

ECOSYSTEM AND BIODIVERSITY
Impacts and Risks: Where it occurs, Company's Involvement, Stakeholders Affected

The quarry sites where we source our raw materials are not within or adjacent to protected areas and areas of high biodiversity value. However, we recognize that two of these quarry sites are close to rivers downstream that feed into the sea. Hence, we coordinate with our third-party suppliers to take all precautions designed to ensure that there be no harm in the biodiversity in these aquatic ecosystems. As discussed in earlier sections, siltation ponds are in place to contain silt and prevent them from entering the water bodies.

Note: Quarry sites are owned or controlled by our third-party suppliers. They are only presented here to show our approach in managing our impact to biodiversity.

Management Approach for Impacts and Risks

We promote measures seeking that our suppliers allocate resources to restore and rehabilitate mined-out areas. For instance, our suppliers have implemented our standards of rehabilitating the disturbed areas incorporating Biodiversity Action Plans in the progressive and final rehabilitation programs and projects. A total of 18,573 trees were planted in the year 2020 in different areas that were restored. Before biological rehabilitation, the sites were physically rehabilitated first including 1) stabilization of safety berm and bench slope, 2) installation of silt ponds and silt traps, and 3) installation of comprehensive drainage system at site. We continue to monitor the progress of various projects until biodiversity is restored. We coordinate with our third-party suppliers to make sure that the trees planted are suited to attract and host indigenous flora and fauna in the area.

Note: Quarry sites are owned or controlled by our third-party suppliers. They are only presented here to show our approach in managing our impact to biodiversity.

Opportunities and Management Approach

We continue to explore ways we can contribute to restoration of biodiversity within or adjacent to our spheres of operation. Every two years we will conduct a biodiversity assessment to measure our progress in bringing back biodiversity in the rehabilitation sites.

Note: Quarry sites are owned or controlled by our third-party suppliers. They are only presented here to show our approach in managing our impact to biodiversity.

RESOURCE MANAGEMENT – WATER

Water Consumption Within the Organization

Table 12

DISCLOSURE	QUANTITY	UNITS
Water Withdrawal	1,389,362	Cubic meters
Water Consumption	1,373,903	Cubic meters
Water Recycled and Reused	18,459	Cubic meters

Effluents

Table 13

DISCLOSURE	QUANTITY	UNITS
Total Volume of Water Discharges	14,094	Cubic meters
Percent of Wastewater Recycled[5]	2.89	%

WATER CONSUMPTION AND EFFLUENTS
Impacts and Risks: Where it occurs, Company's Involvement, Stakeholders Affected, and Management Approach

Water is critical primarily in temperature regulation in the various stages of cement production. Water is injected into the coal mill, raw mill, and finish mill to lower the outlet temperature and attain mills stability. Water is also used in the cooling tower and the close circuit water cooling of the bearings of the kilns.

Water is also important in the Waste Heat Recovery Facility (WHR Facility) in our Solid Plant. It is used in the recovery of excess heat from the cement kiln to convert the same to electricity with the use of a turbine generator. Water is used for steam generation in the boiler and in the cooling tower of the WHR Facility**.** Water is also used in offices, employees housing or staff houses, fire hydrants, housekeeping, and other ancillary facilities necessary to keep the operations of the Solid Plant running.

Our Solid Plant obtains its water from the water utility serving the location, who also sources surface water from Angat Dam. Our Apo Cement Plant (Apo Plant) sources water from five deep wells through a permit granted by the National Water Resources Board (NWRB).

When Manila Water's supply for our industrial use could not meet our requirements, we are compelled to extract water from the Tagbac river. We recognize this could potentially affect nearby communities such as those in Sitio Tagbac. In our Apo Plant in Cebu, the five deep wells stay within its maximum extraction volume. To meet our communities' needs, we sponsored projects to provide them deep wells as part of our Social Development and Management Programs. For the past 20 years, we have maintained 8.36 hectares of forest around the deep wells to ensure optimal water recharge and water quality.

To reduce our water requirement, we have set-up a closed-circuit water system which entails investing in two 150,000-gallon water tanks. Used water flows into a recovery pond, then it is siphoned again into the water tanks to be used in the cement cooling system. In APO plant, we can recycle about 1.4 percent of the water we use.

[5] *Number is based on Apo Cement plant only as it is the only plant with a water recycling facility.*

We use reverse osmosis to purify water needed for our industrial use. This process generates wastewater. Instead of discharging this, we use the same in the spray process in our kilns to cool the clinker before grinding.

Recently, we have invested in recycling of water discharged from the WHR Facility in our Solid Plant. Discharged water rate is quite significant at 6 cubic meter per hour. This water is now being reused in cement mill operations

Our effluents account for around 1% of our total water withdrawal. Since our process does not yield water pollutants like Biochemical Oxygen Demand (BOD), we do not have a problem meeting the regulatory requirements for effluent discharges. Even so, our effluents performance is part of the parameters being monitored by the Multi-partite Monitoring Team (MMT) who monitors our overall environmental performance.

Opportunities and Management Approach

Moving forward, we intend to invest in our Apo Cement Plant's rainwater catchment basin which can store a significant amount of water to augment our water needs and reduce our dependence from our deep wells. The study for the proposed pilot project of around 10,944 square meter area was already done in 2020. Reduction of deep well operations saves both electricity and ground water withdrawal.

CLIMATE ACTION

Table 14

DISCLOSURE	QUANTITY	UNITS
Direct (Scope 1) GHG Emissions	2,752,218	tCO2e
Energy indirect (Scope 2) GHG Emissions[6]	383,251	tCO2e

On Ozone Depleting Substances. We do not use any refrigerant with Ozone Depleting Potential.

Table 15

DISCLOSURE	USAGE QUANTITY FOR THE YEAR			GHG (tCO2e)
	Quantity	Units	Emission factor	
Energy Consumption (Bunker Fuel)	3,392	K li	77.4 kg CO2/GJ	10,362
Energy Consumption (Diesel)	2,967	K li	74.1 kg CO2/GJ	8,476
Energy Consumption (Special Fuel Oil)	8,650	K li	77.4 kg CO2/GJ	25,957
Energy Consumption (Primary Fuels)	384,578	t	95.5 kg CO2/GJ	999,274
Energy Consumption (Alternative Fuels)	26,525	t	48.8[7] kg CO2/GJ	35,253
Energy Consumption (Electricity)	434,713	MWh	Apo: 0.95 tCO2e/MWh Solid: 0.95 tCO2e/MWh	383,251[8]
HFCs Leaked (measured as tap-up volume in AC/chiller systems).	520	kg		941.2

GHG EMISSIONS

Impacts and Risks: Where it occurs, Company's Involvement, Stakeholders Affected

Consistent with the priorities of CEMEX, we believe 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 UN Sustainable Development Goals on Climate Action. Advancing on climate solutions requires a collaborative cross-industry action and cooperation with governments, non-profit organizations and multilateral institutions.

Climate change has been a priority for CEMEX for many years and we have been working to maximize the technical levers currently available in the cement production process: investing in energy efficiency, use of alternative fuels, expanding our use of clean energy and reducing clinker factor.

Cement is the basic ingredient of concrete, the end product that 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.

[6] *This is based on external power consumption of Apo Cement plant and Solid Cement plant.*
[7] *The figure excludes the CO2 from biomass as this is considered as carbon neutral by the definitions of the CO2 Protocol. CO2 from biomass is reported as "memo item" and therefore do not contribute to the total CO2 emissions of the plants.*
[8] *CO2 emissions stated only includes Scope 2, that is, the CO2 of the external power consumption.*

As a result, we believe concrete has a critical role to play in the transition to a Low-Carbon Economy.

The presence of a robust and sustainable cement and concrete industry is closely linked to the economic development of local regions and countries. The Company believes that the availability of the building materials we offer are the foundations of sustainable economic development: creating affordable homes, supporting the local construction industry, fortifying infrastructure, and providing building solutions for critical societal services like healthcare, education, mobility, energy, and industrial development.

Management Approach for Impacts and Risks

We believe that the transition to a low-carbon economy requires a combination of different pathways. In 2018, CEMEX developed a CO2 reduction roadmap to assess the carbon mitigation potential for each plant while considering local challenges, regulations, materials supply, technical limitations, and market dynamics, among other factors. This roadmap considers seven levers to deliver impact at scale, as follows:

1. Develop new types of clinker and novel types of cement
2. Extensive use of traditional and innovative clinker substitutes
3. Optimize our energy efficiency
4. Increase use of alternative fuels
5. Maximize use of clean energy
6. Develop disruptive technologies like carbon capture, utilization, and storage (CCUS) and other innovative carbon technologies
7. Expand and protect natural carbon sinks

In the Philippines, we have adopted five out of seven approaches:

1. **Increase use of alternative fuels (AF).** CHP optimizes its fuel mix with available alternative fuels such as waste rubber tires, waste plastics, rice husk, among others. The use of AF displaces some coal needed to fire its kilns. In 2020, about 17% of the fuel used in Solid Cement Plant kilns is sourced from AF, while in APO, AF used accounts for 2%. On the average, AF use is at 6%. This reduces both cost of fuel as well as the GHG emissions, from the displacement of coal. In 2020, about 34,097 tCO2e have been avoided as a result of AF. This also helped manage 26,525 t of municipal wastes which otherwise would end up in landfills.

2. **Development of new types of clinker and novel types of cement.** The use of mineralizer reduces the temperature needed to produce clinker as well as improve the reactivity of clinker. This lowers the fuel required to heat a batch of product which results to energy savings. In addition, mineralizers also increase clinker reactivity which allows us to reduce our clinker factor and able to produce more cement with lower energy and carbon intensity. Through these we were able to save a total of 7,095 GJ of energy and avoided 3,038 tCO2e.

3. **Extensive use of traditional and innovative clinker substitutes.** We continue to use admixtures to reduce the amount of clinker we use per metric ton of cement we produce. Lowering clinker factor will also reduce the energy and carbon footprint of producing a metric ton of cement. In 2020, clinker factor reduction efforts had resulted in energy savings of 91,804 GJ and 26,017 tCO2e avoidance.

4. **Development of new types of clinker and novel types of cement.** We developed specialty cements suited for certain applications such as APO Type 1P Cement and Masonry Cement. Because of the nature of the application, we increased the clinker substitution by 25-30%. This leads to a significant reduction in energy and carbon emissions needed to produce a metric ton of this type of cement. In 2020, we have produced 1,728,026 t of these cement types which has an equivalent GHG avoidance of 17,717 tCO2e.

5. **Maximize use of clean energy.** Solid Plant sources part of its electricity needs from a waste-heat-to-energy facility owned and operated by SINOMA Energy Conservation Ltd (SINOMA). SINOMA's facility captures waste heat generated by the plant's clinker production system and converts it into electricity. This waste-heat-to-energy facility has a rated capacity of 6 megawatts. It can provide Solid Plant with up to approximately 25% of its total current power requirements. The Company has entered into a similar arrangement with SINOMA to implement a second waste-heat-to-energy facility in APO Cement Plant.

Table 16 provides a summary of CO2 emissions avoidance from the initiatives above and those discussed under energy section:

Table 16

ENERGY REDUCTION INITIATIVES	SAVINGS	SAVINGS (in Million PhP)	EQUIVALENT CARBON REDUCTION (in tCO2e)
Monitoring to Address Energy Deviation (Fuel)	38,618 GJ	6.5	6,573
Monitoring to Address Energy Deviation (Electricity)	1,426 MWh	9.0	1,016
Increase use of Alternative Fuels (AF)	n/a	75.3	34,097
Development of new types of clinker and novel types of cement	4,647 GJ (Apo) 2,448 GJ (Solid)	1.28 (Apo) 0.01 (Solid)	1,153 (Apo) 1,885 (Solid)
Extensive use of traditional and innovative clinker substitutes	73,661 GJ (Apo) 18,143 GJ (Solid)	28.37 (Apo) 0.10 (Solid)	18,279 (Apo) 7,738 (Solid)
Development of new types of clinker and novel types of cement	18,143 GJ (Apo)	22.78 (Apo)	17,717 (Apo)

Opportunities and Management Approach

One of the challenges we face to increase the production of lower-carbon cement is the acceptability of such product by the market. We will continue to work with our customers to offer them better and lower-carbon cement that will meet their requirements at a much lower environmental impact. We aim to produce and sell more than 60% in lower-carbon cement in 2020. We will also continue to increase our use of alternative fuels that are sourced mostly from biomass to displace more coal in our fuel mix.

AIR EMISSIONS

Table 17

DISCLOSURE	QUANTITY (Concentration)	UNITS	ABSOLUTE QUANTITY	UNITS
NO_x	453	mg/Nm^3	855	t
SO_x	5	mg/ Nm^3	155	t
Persistent organic pollutants (POPs) – Dioxins and Furans	0.0023	ng/TEQ/ Nm^3	-	t
Volatile organic compounds (VOCs)	30	mg/ Nm^3	4	t
Hazardous air pollutants (HAPs) - Benzenes	0.1736	mg/ Nm^3	0.00	t
Particulate matter (PM)	34	mg/ Nm^3	42	t

Note: The values provided are the average of 3 cement kilns. POPs testing is done every 2 years.

AIR EMISSIONS
Impacts and Risks: Where it occurs, Company's Involvement, Stakeholders Affected

Air emissions such as NO_X, SO_X, and VOCs are inherent by-products of fuel burning to achieve temperatures necessary for chemical reactions to take place in the production of cement compounds. Fine dust or particulate matter is also emitted from our grinding and storage facilities as they tend to be extremely light. We recognize that air emissions are among our important environmental impacts as they have the potential to harm our people in the plant and those in surrounding communities. Hence, we take this condition very seriously, and we work to make sure our emissions are continuously monitored and controlled to ensure a level within or even below the regulatory limits.

Management Approach for Impacts and Risks

Both our plants are fitted with electrostatic precipitators (EPs) and bag house dust collectors to contain these air pollutants. We have also converted one EP into hybrid bag filters in APO Plant to further reduce emission levels as additional containment. Baghouses or Fabric Filters are air pollution control devices that work by removing particles from the gas stream of industrial processes by collecting them on the surface of filter bags, in which about USD 5.6 million was invested. We aim for our gas emissions to remain within the regulatory limits through a Continuous Emissions Monitoring System (CEMS) which monitors air pollutant parameters and sends real-time data to government regulatory offices.

There are few approaches that we regularly do to keep air pollutants within acceptable range. These include:

1. Optimal operations efficiency. Once attained, it aims for pollutants to stay at the lowest level of concentration.

2. Maintaining operational controls such as timely adjustment of operation parameters if readings are approaching the regulatory limits.

3. Routine Inspection at Cement Kiln and feed end to ensure no oxygen restriction in the system that cause inefficient combustion.

4. Keeping optimal raw meal and clinker burnability as well as stable coating profile to reduce Nitrogen Dioxide and Sulfur content.

5. Use of low-sulfur coal and ensure enough oxygen in the system for efficient combustion and lower SO_X emission.

6. Upgrade of Continuous Emission Monitoring System at both plants to conform with local regulations.

Regarding emission limits, the Company takes initiative beyond regulatory requirements, as CEMEX, as a global company, seeks to ensure that the limits are compliant with the most stringent existing regulations across its operations. The Company observes a protocol to shut-down operations and immediately implement corrective action in cases of exceedance.

Opportunities and Management Approach

We continue to strengthen our commitment to better environmental performance. Maintaining operational efficiency is key and continuous monitoring and immediate action are vital to ensure this impact is effectively managed. We also keep an eye for better technologies and systems that will further improve our ability to contain air pollutants.

WASTE MANAGEMENT

Solid Waste

Table 18

DISCLOSURE	QUANTITY	UNITS	% SHARE
Total solid waste generated	**233,037**	**kg**	**100%**
• Reusable / Recyclable	184,090	kg	90.66%
• Composted	35,804	kg	2.85%
• Co-processed	3,577	kg	1.76%
• Residuals/Landfilled	9,566	kg	4.71%

Hazardous Waste

Table 19

DISCLOSURE		QUANTITY (in kg)		
HW No.	**Hazardous Waste Generated in 2020**	**APO**	**SOLID**	**TOTAL**
I101	Used Oil	25,665	85,499	111,164
I101	Sludge (Oil/Water Mixture)	78,771	2,200	80,971
I102	Used Vegetable Oil	1,525	-	1,525
I104	Oil Contaminated Materials (Oily Rags, Oil Filter, Oil Separator, Spill Mat, Eco Drain)	738	1,400	2,138
D402	LED Fluorescent Bulbs / Tubes	90	-	90
D406	Used Lead Acid Batteries	9,138	0	9,138
D407	Fluorescent Bulbs / Tubes	43	28	71
F601	Solvent	-	1,137.50	1,137.50
G704	Free Lime Washings / Filter Paper from Free Lime	380	-	380
H802	Used Grease	6,564	1,000	7,564
J201	Contaminated Containers (Empty IBCs/ Empty Chemical Gallons / Paint Cans)	9,546	21,714	31,260
M501	Pathological Waste (Clinic Waste and Used Face Mask)	74	3,340	3,414
M506	Waste Electrical/Electronic Equipment	-	3,674	3,674
Total weight of Hazardous Waste Generated		**132,534**	**119,992.50**	**252,526.50**
Total weight of Hazardous Waste Transported[9]		**3,933**	**48,120**	**52,054**
Total weight of Hazardous Waste Co-processed		**113,580**	**0**	**113,580**
Total weight of Hazardous Waste on Storage		**15,021**	**71,872.50**	**86,893.50**

WASTE MANAGEMENT
Impacts and Risks: Where it occurs, Company's Involvement, Stakeholders Affected

[9] *Some of the hazardous wastes that have not yet been transported are stored in a storage facility in accordance to regulatory standards provided in DENR Administrative Order No. 2013-22. Inventory, storage, transport, and treatment followed the procedural manual of the DAO 2013-22.*

Solid Wastes. Most of our solid wastes are generated during annual shutdown and periodic maintenance activities. Solid wastes generated include scrap metals, wood, and packaging materials of large spare parts. Other wastes are generated from day-to-day activities of employees and contractors, such as in canteens, offices, and plant premises. These includes food wastes, packaging wastes, cutleries, food trays and boxes, and used paper. In our packhouses, cement bag wastes are also being generated, though we have made sure the waste volume stays within 0.2% of the total cement bags used.

Hazardous Wastes. Operating massive equipment in cement plants require large volumes of lubricants such as oils and grease, as well as electrical equipment and batteries. During maintenance schedules, these are replaced hence hazardous wastes are generated.

We are fully aware of the risks to the people and environment if these materials are poorly managed and end up in nature. Hence, we take all precautions to ensure that they are properly handled, stored, transported, and treated.

Management Approach for Impacts and Risks

In compliance with RA 9003, RA 6969, and subsequent LGU ordinances, our solid and hazardous wastes are disposed of through third-party DENR accredited haulers.

Solid Waste Management. We employ several approaches to effectively manage different types of wastes generated in our facilities, as follows:

Table 20

SOURCE	WASTE TYPES	MANAGEMENT APPROACH
Periodic Maintenance and Annual Shutdown	• Scrap Metals • Scrap Wood • Packaging Materials • Paper • Cardboards • Plastic Wrappers	• Paper, cardboards, and plastics are used as alternative fuel • The rest are being recovered by accredited scrap buyers for recycling and further use
Offices and Canteen	• Food Wastes • Packaging Wastes • Cutleries • Food Trays and Boxes • Used Paper • Other office-related wastes	• “Green Days” program was implemented among employees and contractors where they use their own personal food containers and drinking bottles and other reusable containers to reduce the use of disposables • Shifted to online and digital platforms to reduce use of paper in offices • Recyclables are sold to junk shops while residuals are sent to landfills
Packhouses	• Cement Bags	• Used as alternative fuels for our kilns

Transport and Treatment of Hazardous Wastes. We have a system which requires transporters and treatment facilities we engage to obtain a Transporters Registration and Treatment, Storage, and Disposal (TSD) permits by the Environmental Management Bureau (EMB) of DENR. Upon accreditation of Transporters and treaters, our teams conduct Environmental, Safety, Health Management System Audit which includes site inspections of their facilities.

Once a year, the Audit Team conducts random site inspection to check the treatment facilities to ensure our wastes are being treated. Our system requires that a Certificate of Treatment (COT) is submitted to Environmental Management Bureau while a copy is being furnished to us as proof that our wastes are treated and disposed within a prescribed duration, in accordance with DENR Administrative Order No.2013 -22.

Some hazardous wastes are permitted to be used as alternative fuel in our cement kilns. These are listed in the TSD permits issued by EMB to our cement plants. These includes, used oil, grease, oil sludge, contaminated materials, vegetable oil from canteen, filter papers from free lime and free lime washings. Generated wastes in our facilities under this category are co-processed in our kilns.

Opportunities and Management Approach

We see an opportunity for reduction and better management of our solid wastes particularly those produced in offices and in our canteens. We will continue to encourage our employees to use more reusable items and stay away from disposables. We will also study how to shift to recyclable packaging to reduce the residual component of our wastes that end up in landfills. Increasing use of recyclables will be coupled with ensuring that these recyclables are being collected and recovered by junk shops and recycling value chains.

ENVIRONMENTAL COMPLIANCE

Non-compliance with Environmental Laws and Regulations

Table 21

DISCLOSURE	QUANTITY	UNITS
Total Amount of Monetary Fines for Non-compliance with Environmental Laws and/or Regulations	0	PhP
Number of Non-Monetary Sanctions for Non-compliance with Environmental Laws and/or Regulations	0	Sanctions
Number of Cases Resolved through Dispute Resolution Mechanism	0	Cases

In 2020, no Notice of Violation (NOV) was received from regulating agencies. We also checked our matrix of compliance obligations and permit conditions which show that all compliance obligations have been met.

ENVIRONMENTAL COMPLIANCE
Impacts and Risks: Where it occurs, Company's Involvement, Stakeholders Affected, and Management Approach

Compliance is fundamental to our operations. We are fully aware of the financial implications to our company for failure to comply with these requirements. Non-compliance could also lead to significant harm to our employees, communities, and the environment. Hence, we have put in place a set of procedures covering different areas of our operations designed to ensure that our practices are in accordance with the applicable laws and regulations. These procedures are designed to ensure conformity to conditions contained in leases, pollution control permits and licenses, planning and development approvals and consents, agreements, official notices and orders, correspondence and other documents issued by regulatory authorities.

The company's Integrated Management System provides for a code of practice that makes compliance activities a regular aspect of the company's operations. The code of practice provides for:

1. A Matrix of Compliance Obligations. This covers all sections of the applicable laws and regulations of the company which is reviewed and updated every May and November of the year.

2. A Matrix of Permit Conditions. This covers all conditions provided in permits which are reviewed twice a year along with the matrix of compliance obligations.

3. Compliance Monitoring Report and Self-Monitoring Report. These are mandatory reports that covers compliance to conditions of the company's Environmental Compliance Certificate. Review is being done quarterly seeking to ensure compliance.

4. Incidence, Non-Conformity and Corrective Actions Procedure. During the compliance reviews, the reviewer will issue a Non-Conformity report if any incidence of non-compliance is found. The report contains a list of corrective actions, specific time frames, and responsible persons. Once corrected, the matrix related to the nonconformity will be updated.

5. Integrated Management Systems Internal Audit. The company has an internal audit team that monitors the compliance to legal and other requirements twice a year.

Compliance is an important function of the Quality, Environment, Energy, Health and Safety (QEEHS) team, which is composed of Pollution Control Officer, Safety Officer, Energy Manager, Quality Assurance Manager. The Legal Department also provides support in identifying and evaluating legal requirements including the interpretation of the applicable laws.

Opportunities and Management Approach

Moving forward, we continue to strengthen our compliance procedures, seeking that all new personnel receive appropriate training on the subject. We also continue to monitor new regulations that affect our operations. We also work towards making compliance an integral part of the company culture not just for the compliance teams but for everyone else in the Company.

SOCIAL

EMPLOYEE HIRING AND BENEFITS, DIVERSITY AND EQUAL OPPORTUNITY

Employee Data

Table 22

DISCLOSURE	QUANTITY	UNITS
Total Number of Employees	764	Employees
• Number of Female Employees (20%)	170	Employees
• Number of Male Employees (80%)	594	Employees
Attrition Rate[10]	5.37%	Rate
Ratio of Lowest Paid Employee Against Minimum Wage[11] • Antipolo • Cebu • Metro Manila	202% 145% 132%	Rate

Employee Benefits

Table 23

LIST OF BENEFITS	Y/N	AVAILMENT Female Employees	AVAILMENT Male Employees	REMARKS
Social Security System (SSS)	Y			All employees are covered as provided by law
Sickness Availment		0.0%	0.0%	This can be availed if leave credit has been exhausted. Only Apo employees can apply for this benefit. The rest are entitled to unlimited sick leave credit. Low availment shows that sick leave credits provided by company is sufficient to cover sick days.
Maternity Availment		5.9%	n/a	Female employees are covered by this benefit upon pregnancy regardless of type of delivery (miscarriage, normal or caesarian).
Calamity Loans Availment		3.5%	1.3%	Only employees whose barangay has been declared under calamity can apply for this type of loan. The number indicates that only few employees were affected by a calamity.
Loans Availment		16.5%	13.3%	
PhilHealth	Y	4.1%	3.9%	All employees are covered as provided by law. Only employees who undergo a

[10] *Attrition rate = no of turnover for the year / total headcount at the end of the year*
[11] *The lowest paid employees account for an exceedingly small fraction of the total employee population. Antipolo = 3/247; Cebu = 4/297; Metro Manila: 2/220*

				procedure or gets admitted can avail of this benefit. The number indicates only few employees and/or dependents underwent a procedure or were admitted in 2020.
Pag-IBIG Contribution	Y	100%	98.77%	Certain employees are exempted from paying Pag-IBIG Premium.
Loans Availment		5.9%	8.6%	
Parental Leaves	Y			All relevant employees are covered.
Solo Parent Leave		0.0%	0.0%	This is on top of vacation and sick leaves of relevant employees.
Maternity Leave		5.9%	n/a	Female employees can apply for this benefit upon pregnancy regardless of type of delivery (miscarriage, normal or caesarian).
Paternity Leave		n/a	2.7%	Male employees whose spouse has given birth can apply for this benefit.
Vacation Leaves	Y	72.4%	81.0%	Unutilized vacation leave credit end of the year can be carried over up to 1st quarter of the following year.
Sick Leaves Availment	Y	32.9%	24.9%	Cash conversion is provided for those who do not need to avail of sick leaves.
Medical Benefits (aside from PhilHealth)	Y			
HMO		41.2%	43.1%	All employees are enrolled upon hiring; their dependents are enrolled upon regularization.
Critical Illness		0.6%	0.0%	All employees and their dependents are enrolled upon regularization. The number indicates that only a small percentage contracted a critical illness.
Housing Assistance (aside from Pag-ibig)	Y	4.8%	28.2%	Housing is offered for Luzon and Visayas-Mindanao -based employees.
Retirement Benefit Availment (aside from SSS)	Y	0.0%	2.0%	This covers voluntary separation beginning 10 years of service, early retirement for employees who are at least 55 years old with 10 years of service and normal retirement for employees at least 60 years old. The number indicates that only a small percentage of the population has left the company under this scheme.
Further Education Support	N	n/a	n/a	
Company Stock Options Granted	N	n/a	n/a	
Telecommuting	Y	64.7%	18.7%	This is available to all Makati office-based employees (except for Sales).

Flexible-Working Hours[12]	Y	64.7%	18.7%	Makati-based employees has the option to choose their work schedule while Luzon and Visayas-Mindanao employees are on a compressed workweek.
Group Life, Accident and Disability Insurance Availment	Y	0.00%	0.2%	All employees are enrolled upon hiring. The number indicates minimal availment.
Transportation Benefit	Y	32.9%	26.3%	This is applicable to relevant employees.
Meal Allowance	Y	99.4%	95.6%	This is applicable to relevant employees.
Rice Allowance	Y	99.4%	95.6%	This is applicable to relevant employees.
Medicine Allowance	Y	99.4%	95.6%	This is applicable to relevant employees.
Uniform Allowance	Y	87.6%	88.9%	This is applicable to relevant employees.

Diversity and Equal Opportunity

Table 24

DISCLOSURE	QUANTITY	UNITS
% of Female Workers in the Workforce[13]	22	%
% of Male Workers in the Workforce	78	%
Employees from Indigenous Communities and/or Vulnerable Sectors	2	Employees

EMPLOYEE HIRING AND BENEFITS, DIVERSITY AND EQUAL OPPORTUNITY

Impacts and Risks: Where it occurs, Company's Involvement, Stakeholders Affected, and Management Approach

As an employer, we recognize our ability and influence to contribute to addressing inequality and discrimination in our society. These socioeconomic challenges could disrupt our business activities and create an environment that is less conducive for business to thrive. Hence, we remain committed to provide equal opportunities to workers regardless of their orientation, age, gender, ethnicity, and social standing. Our hiring policies are designed to ensure that we hire based on skills, capabilities, and compatibility to the requirements of the job and workplace conditions.

We also recognize that workforce diversity fosters broader perspectives and richer exchange of ideas, which are critical to our ability to meet our customer's diverse expectations. While overall female headcount is 22%, females make up 40% in our main offices and support areas.

We compensate our employees sufficiently aiming to ensure they meet at least their basic needs. Internally, we conduct a compensation analysis to compare rates per department and per level seeking that rates are fair and appropriate for everyone. Externally, we participate in Mercer's Total Remuneration survey annually to help set the benchmarks for compensation and to gauge how our compensation compares with the industry benchmarks.

Our lowest paid employees are receiving much higher rates versus the minimum wage at 202% in Antipolo, 145% in Cebu, and 132% in Metro Manila. We also compare our rates with the family living wage published

[12] *For the 2020 report, compressed workweek is no longer considered under flexible-working hours.*
[13] *This percent is based on total headcount covering plant-based employees and corporate office employees. For corporate office and support areas, females comprise 40%.*

by Ibon Foundation, Inc., a development institution that undertakes the study of socio-economic issues in the Philippines. In 2020, living wage for a family of five in NCR is Php 31,089 per month. Overall, the compensation of 601 of 764 employees or 79% is at par or above this family living wage.

We also seek that our benefit structure responds to the individual and collective needs of our employees by conducting periodic sessions with employee representative We recognize the importance of providing social safeguards in case of health emergencies as this affects the overall financial wellness and productivity of our employees. Hence, we aim to ensure that upon hiring, all employees are provided an HMO coverage and their dependents are also enrolled upon regularization. We also provide them opportunities to acquire their own home, which is fundamental to their family's security.

In 2020, we implemented employee surveys quarterly to assess our Employee Net Promoter Score (eNPS). Furthermore, we implemented the Workforce Experience survey, an annual survey across all countries where CEMEX operates. This Workforce Experience survey measures the eNPS, employee engagement level, career growth feedback, work environment, and employee empowerment.

We fully understand the importance of competitive compensation and benefits packages in improving employee experience, and in managing attrition and its relevant costs.

Opportunities and Management Approach

Moving forward, we aim to improve our approach in evaluating the effectiveness of our benefit structure. For 2020, we conducted a review of our current benefits and sought approval to implement improvements in our HMO coverage. There is continuing discussion on recommendations to improve specific benefit items for implementation in 2021.

EMPLOYEE TRAINING AND DEVELOPMENT

Table 25

DISCLOSURE	QUANTITY	UNITS
Total Training Hours Provided to Employees		
• Female Employees	8,434	Hours
• Male Employees	13,537	Hours
Average Training Hours Provided to Employees		
• Female Employees[14]	49	Hours/employee
• Male Employees	23	Hours/employee

EMPLOYEE TRAINING AND DEVELOPMENT

Impacts and Risks: Where it occurs, Company's Involvement, Stakeholders Affected, and Management Approach

Training and development are at the core of our employee value proposition. We put focus and effort on continuous learning and development opportunities for our people. In 2020, despite the challenges of business continuity and work arrangements because of the COVID-19 Pandemic, we continued to deliver training and development initiatives. Work arrangement challenges include a group of our employees working from home and no group gatherings allowed for employees working on-site. Training and development initiatives are delivered remotely, combined with our Human Resources' team of creative interventions and maximizing the use of technology.

Training and development are fundamental to our employee management. It seeks that our people are competent to perform their tasks and able to progress through their career paths. Trainings are also provided to strengthen our culture, values, and general organizational capabilities which are critical in our success. We understand the risks relevant to poorly trained employees, especially in operations like ours where small deviations to standard processes could have significant financial implications and potential loss of life and property. Hence, we seek to ensure that all employees receive the training that they need.

Training needs are assessed based on carefully laid out competency-based development plan for each employee. Employee development plans are built through a consultative process looking at strengths of individual employees, their career aspirations, and the areas where they can build additional competencies. The immediate supervisor evaluates the performance and current competencies of their staff and discuss the findings with them to co-develop the training plan for the year. The individualized approach to training plan development is designed to ensure that training is made available to everyone regardless of gender, age, orientation, and other diversity parameters.

Training plans are implemented in three ways: classroom training, learning from colleagues, and on-the-job training. Monitoring of progress is being done by HR and the immediate supervisor. Training programs available for employees include Safety, Health & Wellness, Company Values & Code of Ethics, a whole range of technical & functional topics, as well as soft skills such as leadership, customer focus, innovation, among

[14] *In 2020, due to the challenges of the COVID-19 Pandemic, the training hours logged for employees based at the corporate office were more than those for the cement plants, terminals and warehouses. The focus in the plants, terminals and warehouses was more on the practice of health protocols and safety of employees, as well as operational continuity. At the corporate office, total training hours for the year is 10,749 hours, while 11,222 hours was recorded for the plants, terminals and warehouses. There was an effort in 2020 to deliver gender-balanced training hours for employees but trainings in the plants skewed towards the attendance of more female employees. We will continue to make efforts to deliver more trainings and gender-balanced training hours for our employees in the plants, terminals and warehouses.*

others. In 2020, additional training topics were implemented to support our employees' needs to cope with the COVID-19 Pandemic and the changes in working arrangements. These topics included effectively working remotely, remote communication and collaboration, resiliency, physical, emotional and mental wellbeing.

Also, in 2020, there was an increase in training focused on addressing the COVID-19 Pandemic, labelled as "Behaviors that Save Lives". We regularly provided trainings to employees on health protocols (a set of health protocols were defined by CEMEX to address the COVID-19 Pandemic, in addition to protocols defined by the government). These training sessions were also extended to our contractors and employees' family members.

After every training, feedback is collected and analyzed to determine its effectiveness and define areas for improvement. Consultations are also conducted at least twice per year per department to gather the feedback of employees on training effectiveness and assess the learning progress of the employees.

Opportunities and Management Approach

We will continue to enhance our online training and development offers, mindful that the online platform will have to be used more often, not only because of continuing issues due to or consequences of the COVID-19 Pandemic, but also in order to better address our employees' needs for accessibility and flexibility in taking trainings.

We will also focus our efforts to promote experiential learning since recent studies indicate that this approach is more effective. On-the-job learning and learning from others should complement the instructor-led (classroom-type) learning. We also expect to continue to improve our performance on providing equal training opportunities for all employees.

LABOR-MANAGEMENT RELATIONS

Table 26

DISCLOSURE	QUANTITY	UNITS
% of Employees Covered with Collective Bargaining Agreements	28%	%
Number of Consultations Conducted with Employees Concerning Employee-related Policies	15	#

LABOR-MANAGEMENT RELATIONS
Impacts and Risks: Where it occurs, Company's Involvement, Stakeholders Affected, and Management Approach

A harmonious and stable relationship between labor and management is key to bringing everyone together towards a common goal. We adhere to fair negotiation practices and proper implementation of the collective bargaining agreement both by the unions and by the management. We aim to ensure that all matters around employment conditions, salary increase, benefits package enhancement, and signing bonuses among others are fair for both parties. This fosters trust and transparent communication which is fundamental to maintaining a harmonious Union-Management relationship.

We understand the risks of possible labor action from any unresolved disputes or delays in resolution of issues especially those arising from differences in interpretation or implementation of CBA provisions. These do not only affect the employees but may also affect the continuity of our operations. Hence, we conduct monthly Labor-Management Council (LMC) meetings with each of the unions. In these meetings, each party is given opportunity to present items they wish to discuss. LMC is attended by union officers, and our plant management team including the VP for Human Capital and Organization (HCO). Normally, discussions revolve around support needed for their work, safety concerns, engagement activities such as sports, CBA benefits, clarifications or policy improvements. Issues that are beyond the authority of the HCO Department are elevated to top management and their decision are discussed in the next LMC. Minor concerns at the plant level are acted upon quickly by the plant management.

Full collective bargaining agreements (CBA) negotiation happens every 5 years. Economic provisions are amended every 3rd year of the CBA.

Opportunities and Management Approach

Given occasional changes in leadership, our work to build trust and strengthen our partnership is a continuing process. We expect to continue to implement the approaches that work and find better approaches on areas that need improvement. We also continue to strengthen our culture and values to align all our stakeholders to a common goal. We will also find ways to better see each other's points of view and resolve problems in a collaborative approach.

WORKPLACE CONDITIONS

Occupational Health and Safety

Table 27

DISCLOSURE	QUANTITY	UNITS
Employee Safe Man-Hours	1.6 M	Man-hours
Number of Employee Work-related Injuries	1	#
Number of Employee Work-related Fatalities	0	#
Number of Employee Work-related Ill-health	0	#
Number of Safety Drills	16	#

OCCUPATIONAL HEALTH AND SAFETY
Impacts and Risks: Where it occurs, Company's Involvement, Stakeholders Affected, and Management Approach

Despite the challenges in 2020 due to the COVID-19 Pandemic, the Company remained focused on putting the health and safety of our people at the very top of our priorities. We believe that in everything we do, in every day that we operate, nothing is more important than ensuring that everyone goes home safe to their families at the end of the day. The Company also strives to ensure that its communities are protected from the inherent risks in our day-to-day operations. This is the main reason why we continue to promote health and safety as a way of life for our employees, contractors, and partners. This is the essence of our battle cry, Zero4Life.

Our CEMEX Health & Safety Management System (HSMS) provides the guiding principles and mechanisms for the effective implementation of safety programs in all our operations. HSMS and its 15 elements were created in consultation with various stakeholders of the CEMEX organization, to provide a practical, risk-based management system. It is used to support sites and business units across the CEMEX organization in order to implement, document, maintain and continuously improve healthy, safe, reliable and efficient operations.

COVID-19 Pandemic created a global threat in 2020, which brought to the forefront the need to ensure that we can continue providing support to the economic and infrastructure development of the country without compromising the health & safety of our employees and contractors. CEMEX created more than 50 pandemic management protocols, covering all aspects of our operations from cement manufacturing, to supply chain, to office-based processes and field sales specialists. We then moved a step further and extended our support to other stakeholders, like the family member of our employees, surrounding communities, and our clients by providing virtual/online awareness trainings, COVID-19 learning materials, PPEs, alcohol and sanitizers.

Below are the activities and trainings that we have implemented in 2020, including some of the initiatives related to COVID-19 Pandemic Management:

1. Virtual Visible-felt Leadership
2. Implementation of COVID-19 Pandemic Management Protocols
3. Established COVID-19 Coordinators/officers for every site
4. Health & Safety Awards and Recognition
5. Property Damage Reduction Plan
6. Stress Management and Mental Health Campaigns and Virtual Seminars
7. Health Checks
8. Employee and Contractor Monitoring for COVID-19
9. Near-miss and Hazard Alert Reporting
10. Virtual COVID-19 Awareness Seminar for Employees Family Members

11. Virtual COVID19 Awareness Seminar for Clients

Based on our evaluation, these activities have resulted to increased health and safety-based leadership and accountability, reduced the number of recordable incidents, and allowed us to operate safely despite the threat of the COVID-19 virus.

Opportunities and Management Approach

The company's initiatives focus on developing health & safety leadership for field supervisors/leaders, rewards & recognition program to encourage positive H&S behavior, improved risk assessment tools, continuing with hazard detection and closing of identified issues, and sustaining COVID-19 Pandemic management efforts. We will continue with and regularly review our H&S Performance to identify opportunities to improve to get us closer to our goal of Zero4Life.

LABOR LAWS AND HUMAN RIGHTS

Table 28

DISCLOSURE	QUANTITY	UNITS
Number of Legal Actions or Employee Grievances involving Forced or Child Labor	0	#

We have an ETHOSline which allows any employee to report a violation anonymously. The line is managed by a third-party vendor and reports are classified and escalated accordingly. All reports are acted upon by the assigned committee. Processes are in place to carry out investigations until a decision is made and implemented for disciplinary actions. Based on our records, we do not have any legal actions or employee grievances involving forced or child labor.

Policy on Forced Labor, Child Labor and Human Rights

Table 299

TOPIC	Y/N	IF YES, CITE REFERENCE IN THE COMPANY POLICY
Forced labor	Y	https://www.cemexholdingsphilippines.com/about-us/ethics-and-compliance
Child labor	Y	
Human rights	Y	

LABOR LAWS AND HUMAN RIGHTS

Impacts and Risks: Where it occurs, Company's Involvement, and Stakeholders Affected

Adhering to high ethical standards and complying to regulations in all our business undertakings help strengthen our culture and reputation. By aligning our business practices with a set of core principles, we promote a culture of ethics and compliance based on trust, which is fundamental to our company's ability to succeed.

A focus on ethics and business conduct can aid us in avoiding pitfalls. Misconduct has consequences for our company and third parties that can include serious fines, criminal penalties, and legal and disciplinary action.

Management Approach for Impacts and Risks

Respecting human rights is embedded in the way we do business. We support and respect the protection of international human rights principles, as expressed in the International Bill of Human Rights and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work.

As a company that believes in the power of acting with integrity, we continue to uphold and respect human rights. We do not tolerate any violation of human rights in our business, our supply chain, or partnerships. We also take seriously any allegations that human rights are not properly respected by us.

We are committed to upholding the fundamental human rights of our people by complying with child and forced labor prohibitions, and never discriminating against others based on their legally protected traits. We are also committed to follow all applicable wage and hour laws that govern our work. We make employment decisions based solely on merit, and not on any legally protected traits such as age, race, ethnicity, religion, disability, marital status or sexual orientation, among other factors.

We have put in place three approaches, designed to ensure compliance to these policies across our operations, that inform our stakeholders and guide them on what to do in cases of violation while at the same inspiring them to adhere to our values and principles.

We Adhere

We understand and always follow our Code, the company policies and applicable laws. While Our Code covers many subjects, it cannot address every issue that may arise or every ethical decision that should be made. For situations not specifically covered by this code, we follow other CEMEX policies or the law, and keep our values in mind when making decisions.

We provide our stakeholders copies of our Code and policies and conduct trainings to ensure they understand these topics and they make appropriate decisions. These resources are made available through our intranet and external official websites.

We Report

Our first line of support is our immediate supervisor. Supervisors keep an open-door policy and serve as resource persons to answer questions or provide support and guidance on when and how to report. In case employees do not feel comfortable discussing a concern with their supervisor, we encourage them to use the following channels for asking questions or reporting misbehaviors or suspicions, but always done so in good faith.

- **ETHOSline.** An automated channel managed by a third-party provider. This channel allows for anonymous reporting of ethics violations and/or complaints for all employees.

- **ETHICS Committees.** This country committee serves as the managing committee of all Ethics topics. They support communication efforts, and processes of case management.

- **Audit Committee.** As part of its responsibilities, CHPs Audit Committee assists the Board of Directors in the performance of its oversight responsibility for the company's system of internal control, its audit process, and the monitoring of compliance with applicable laws, rules and regulations.

- **Associated Departments (Legal, Human Resources, Process Assessment, and Internal Control).** These departments are also available to receive employee reports on code of ethics violations or complaints. These departments will submit the report to the correct responsible teams to facilitate the process of cases management and resolution.

When employees contact one of these channels, their report will be treated with confidentiality to the extent possible, and the company will properly and promptly address any questions or issues they raise. CEMEX and the Company has made it a strict policy to prohibit retaliation against anyone for reporting misconduct or unethical activity in good faith.

We Inspire

At the Company, our people are our greatest assets, and we aim to provide a great place to work. We expect employees to work together in an open and respectful manner, contributing to the creation of a safe and healthy working environment. We foster a culture that provides professional stimulation, recognizes personal talent and merit, values diversity, respects privacy, and helps everyone achieve a better balance between their professional and personal life.

We encourage an atmosphere of openness, courage, generosity, and respect, so that all employees feel free to come forward with their questions, ideas, and concerns. We believe this is a lasting way to encourage our personnel and third parties to comply with Our Code, our policies, and the law always.

Opportunities and Management Approach

Moving forward, we will continue to promote and increase employee awareness about our Code of Ethics and how they can report any suspected case, and continuously inspire compliance while seeking that violations are appropriately acted upon. We work towards encouraging more transparency and mutual respect inside and outside the workplace. We will also evaluate the effectiveness of our approaches, identify areas of improvement, and understand our stakeholders more to develop creative ways to inspire them to always abide by our policies.

SUPPLY CHAIN MANAGEMENT

Supplier Accreditation Policy can be found in Annex B.

Evaluation for Supplier Accreditation

Table 30

CONSIDERATION	Y/N	IF YES, CITE REFERENCE IN THE SUPPLIER POLICY[1]
Environmental Performance	Y	These topics are covered in the GENERAL TERMS AND CONDITIONS which is part of our agreement with our suppliers. The specific provisions are provided below.
Forced Labor	Y	
Child Labor	Y	
Human Rights	Y	
Bribery and Corruption	Y	

The General Terms and Conditions with our suppliers outlines the following provisions:

9. COMPLIANCE OF LAWS
In accepting this P.O., Supplier represents that it has complied and will continue at all time during the performance of this P.O. to comply with the provisions of all applicable laws, regulations, rules, legislation, guidelines and directives (including without limitation, the receipt of any relevant licenses, consents, approvals and permits) in respect of the conduct of its business.

18. ANTI-BRIBERY
Each party represents and warrants that, in connection with this Agreement, it has not (i) paid or received, nor promised or accepted a promise to receive, a bribe or any other type of improper payment; and (ii) made or promised any payment in violation of international anti-bribery laws (including without limitation the United States Foreign Corrupt Practices Act and any applicable implementing legislation of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions). Each party agrees that it will not, and shall procure that its affiliates and their respective employees will not, make, cause to be made, or promise or offer to make, in connection with this Agreement, any improper payment, loan, gift or transfer of anything of value, directly or indirectly: (i) to or for the use or benefit of any government official or government employee (including employees of government-owned or –controlled entities or corporations); (ii) to or for the use of any political party, official of a political party or candidate; (iii) to or for the use of any public international organization, or (iv) to an intermediary for payment to any of the foregoing, in order to obtain or retain business or to secure any advantage.

19. HUMAN RIGHTS
Each party represents and warrants that it abides and will continue to abide by all internationally recognized human rights (including without limitation the Universal Declaration of Human Rights and the International Labor Organization's Declaration on Fundamental Principles and Rights of Work) and ensures present and future non-complicity in any direct or indirect abuse of any and all human rights, regardless if they are carried out by a government or any other actor, whether the party knew or should have known of its contribution to such abuse. Each party will take the necessary action to assure direct and indirect compliance with the aforesaid.

20. LABOR
Each party represents and warrants that, in connection to this Agreement, it has not and will not directly or indirectly (i) make use of slave, forced or compulsory labor in any form, and/or (ii) engage children under the corresponding minimum age for employment, as defined in all international labor standards and applicable national legislation on child labor, whether the party knew or should have known of its contribution to such behaviors. Each party will take the necessary action to assure direct and indirect compliance with the aforesaid.

21. ENVIRONMENT
In the execution of all activities connected to this Agreement, each party represents and warrants to comply with all applicable laws relating to the environment, the disposal of materials, the discharge of chemicals, gases or other substances or materials into the environment, or the presence of such materials, chemicals, gases or other substances in

or on its facilities and/or its affiliates' facilities when having an actual or potential material effect on any activities related to this Agreement. The parties acknowledge and agree that they will not be in breach of the terms hereof when any such breach can be and is cured within 30 days from the date in which any such breach occurs.

22. HEALTH AND SAFETY
Supplier and all its subcontractors represent and warrant to comply with all applicable laws, CEMEX requirements, approved codes of practice and industry guidance relating to health and safety. A Health and Safety program is in place which sets out arrangements for; the identification, management and control of hazards and risks associated with the activities/services to be provided, training and certification of personnel, formal induction and permit processes before work commences, reporting of all incidents and near misses, periodic auditing for compliance to health and safety rules and the effectiveness of health and safety arrangements.

SUPPLY CHAIN MANAGEMENT

Impacts and Risks: Where it occurs, Company's Involvement, and Stakeholders Affected

More than 14 B PhP or 72% of our 19.78 B PhP revenue and other income generated in 2020 was paid to suppliers. Their role in our value creation and distribution is highly significant, which is why it is particularly important that they adhere to the same environmental, social, and governance standards and policies that we observe at CHP. Many of the risk that could compromise our assets and affect our ability to meet our stakeholder's expectations are within the direct control of our suppliers.

For these reasons, we continually work to engage and align our suppliers with our core values, including our enduring emphasis on health and safety, our unwavering pursuit of excellence, and our steadfast focus on integrity. We further integrate sustainability into our supplier engagement and procurement processes, while considering the predicament of local suppliers. Aligned with our company's principles, policies, and values, we are committed to ensuring our suppliers' compliance with the CEMEX Code of Ethics and Business Conduct and Suppliers Code of Conduct.

Management Approach for Impacts and Risks

To ensure that the suppliers we engage meet our minimum standards, specific procedures are in place, both at the accreditation process for new suppliers and during the monitoring processes for already accredited suppliers. See Annex B for details of accreditation process.

Table 31

RISKS/SUSTAINABILITY TOPICS	MANAGEMENT APPROACH UPON ACCREDITATION	MANAGEMENT APPROACH FOR ACCREDITED SUPPLIERS
Environmental Performance / Pollution Control	Major vendors are assessed for environmental performance once accredited.	A third-party assessor evaluates the Sustainability Programs including environmental performance once they have been accredited. A detailed report is provided to CHP and is reviewed and discussed with suppliers for potential areas for improvement.
Forced Labor	Legal documents, such as Business Permits and SEC and Articles of Incorporation, are required. These	Contractors are required to have a CEMEX Passport, which requires holders of this document to commit to comply
Child Labor		

Human Rights	documents require the company to comply with all existing laws.	with policies and provide evidence that they are of legal age, such as Birth Certificate.
Bribery and Corruption	Suppliers are required to sign a “Letter of Commitment” for Anti-Bribery.	We currently do not have a system to track these for already accredited suppliers. This is an area of opportunity on our part.
Compliance to Fiscal Policies and Payment of Right Taxes	Legal documents, such as Business Permits and SEC and Articles of Incorporation, are required. These documents require the company to comply with all existing Laws.	We currently do not have a system to track these for already accredited suppliers. This is an area of opportunity on our part.
Workplace Conditions	Contractors / Haulers workplace conditions are evaluated prior to accreditation for large and/or frequent transactions.	Regular visits from various teams to conduct primarily health and safety inspection.
Labor Standards, Health and Safety	Legal documents, such as Business Permits and SEC and Articles of Incorporation, are required. These documents require the company to comply with all existing Laws.	A third-party assessor evaluates the health and safety policies of the vendors and submits to CHP a detailed report of their findings.
Business Ethics and Governance	Legal documents, such as Business Permits and SEC and Articles of Incorporation, are required. These documents require the company to comply with all existing Laws.	We currently do not have current system to track these for already accredited suppliers. This is an area of opportunity on our part.

Opportunities and Management Approach

This process has enabled us to identify gaps and areas for improvement to seek that our suppliers meet the environmental, social, and governance standards that we adhere to. Moving forward, we expect to set-up more control measures on the following areas, particularly for those suppliers that are already accredited:

1. Environmental Impacts
    a. Resources used (i.e., materials and water) and resource efficiency of their operations
    b. Waste management towards zero waste to landfill

2. Bribery and corruption – trainings provided to their employees and cases filed against their company

3. Business Ethics and Governance – to demonstrate that they have put in place the same standards and monitoring system that we use at CHP

We also expect look into our suppliers’ ability to build capacity to prepare their own sustainability scorecards, which can be part of the requirements for the renewal of their accreditation.

RELATIONSHIP WITH THE COMMUNITY

Significant Impacts on Local Communities

OPERATIONS WITH SIGNIFICANT IMPACTS ON LOCAL COMMUNITIES: APO CEMENT PLANT
General Description of our Operations: APO Cement Corporation manufactures both Blended and Portland cement types and operates two (2) cement lines, a jetty and a power plant. It has an installed annual cement grinding capacity of 3.8 million tons and caters to our customers mainly in the Visayas and Mindanao regions through our extensive marine and land distribution network. The plant's operations contribute to the socio-economic development of the City of Naga through increased local revenue, employment of its residents and social development programs. APO offers programs on education, health and safety, livelihood and infrastructure which helps improve the general development and sustainability of the city and its people. The programs implemented in the community are mainly coursed through the Annual Social Development and Management Program (SDMP) of APO Cement Corporation. This SDMP provides budget and direction for the implementation of various projects to enable the communities to achieve sustainable development. **Location:** City of Naga, Cebu **Vulnerable groups:** There are vulnerable groups in the surrounding areas of our operations, namely residents of Barangays Tina-an, Inoburan, Langtad, Pangdan, Naalad Mainit South Poblacion and Uling. We offer them with employment opportunities such as those for the women and solo parents, while other vulnerable sectors such as children and the differently abled persons benefit from the programs of the company, among others include: 1. Human or community resource development and institutional building and enhancement. 2. Development of enterprise ability. 3. Educational capability of existing public schools within the host community. 4. Delivery of health services for the host and neighboring communities. **Impact on Indigenous peoples:** There are no indigenous people's communities or ancestral domains within and around our facilities. **Community Rights and Concerns of Communities:** The main concern of the surrounding communities is the occasional dust emission, particularly during equipment start-up. **Mitigating Measures:** Undesirable impacts, specifically on the dust issues, are being managed by continuous improvement of our operational processes. This includes the efforts of our operations team in monitoring processes and investing in equipment, seeking to ensure that these are in perfect working conditions. We provide street sweepers in various areas to help clear the area. We also engage our stakeholders by providing regular information and education campaigns for our barangay leaders so they better understand our operations and we can directly address their concerns. There is also a multi-sectoral monitoring team that regularly assesses company compliance with government regulations.

OPERATIONS WITH SIGNIFICANT IMPACTS ON LOCAL COMMUNITIES: SOLID CEMENT PLANT

Brief Description of our Operations:

Solid Cement Corporation has an installed annual cement grinding capacity of 1.9 million tons as of the end of 2020. With the Solid Cement Capacity Expansion Project, a new integrated cement production line is underway and is expected to provide approximately 1.5 million tons of additional annual capacity once completed.

Location: Sitio Tagbac, Barangay San Jose, Antipolo City, Rizal

Vulnerable Groups: There are vulnerable groups in Barangay San Jose, the biggest barangay in the country. We offer certain sectors with employment opportunities, while others benefit from our various programs on education and livelihood training.

Impact on Indigenous peoples: There are no indigenous people's communities or ancestral domains within and around our facilities.

Community Rights and Concerns of Communities: Community concerns usually include road safety which the company addresses through its road safety seminars and roadshows for both drivers and residents (which also includes students and the elderly).

Mitigating Measures: Solid Cement closely collaborates with the local government leaders to get feedback on community concerns with the goal of a systematic resolution. Additionally, a multi-sectoral monitoring team conducts regular visits and audits to ensure that Solid Cement complies with government policies. Any deviation from the standards is immediately addressed through investments on equipment and process optimization.

Disclosure on Free and Prior Informed Consent (FPIC) is not material given that there are no operations that are within or adjacent to ancestral domains of indigenous peoples.

SOCIAL IMPACT
Impacts and Risks: Where it occurs, Company's Involvement, Stakeholders Affected, and Management Approach

Social acceptance is our license to operate and is critical to our plants' continued operation. Any concern of the community that remains unaddressed has the potential to cause disruption in our operations. Hence, we have put in place systems to thoroughly track any valid concern from communities regarding our operations in the area. On top of our regular meetings with local government officials, our community relations officers are regularly in touch with leaders of the communities to better understand their needs and concerns. These concerns are consolidated and raised to the right functional heads in our operations for immediate action.

Understanding the needs of our community members helps us design better programs that will truly improve their quality of life. These programs are implemented under the "Build the Nation Together" umbrella program of CEMEX Philippines Foundation, a foundation in which APO Cement and Solid Cement are among its active members.

In partnership with several socio-civic organizations and the Philippine government, CEMEX Philippines Foundation, Inc. empowers communities and uplifts the lives of its beneficiaries through sustainable programs for social development and environmental protection. A summary of these projects is presented in Table 32, and details are provided in Annex C:

Table 32

PROGRAMS	OUTPUTS / OUTCOMES	NUMBER OF BENEFICIARIES
COVID-19 Community Response Efforts	Throughout the government-mandated quarantine, support was provided to impact communities and partner institutions through the provision of food, as well as medical and hygiene supplies.	10,000 families 3,000 front liners
Disaster Risk and Crisis Management Scholarship Program	In partnership with the Asian Institute of Management, this provides a scholarship grant for one student under the Disaster Risk and Crisis Management Program, with an aim to co-create solutions for sustainable and resilient communities, business practices and impacts.	1 scholar
Disaster Relief Response	Project Yakap: Provision of basic necessities for residents affected by the 2020 Taal Volcano eruption Support for the Province of Albay	Over 500 beneficiaries
Resilient Housing Project	Support for a sustainable and resilient housing project, the Rejoice Village, in partnership with Base Bahay Foundation, Inc.	30 families
Brigada Eskwela	Support for the distance learning needs of the underprivileged students enrolled under the Night High School Program of La Salle College Antipolo through the provision of mobile tablets.	84 scholars
Christmas Wish	Provision of grocery supplies for families in impact communities in the City of Naga, Cebu	150 families
CSR Partnerships	Support for resilient infrastructures through cement donations to various partner institutions	9 partner institutions

Opportunities and Management Approach

We remain open to supporting the needs of the communities around us. Given the COVID-19 Pandemic in 2020, we innovated our approach to community development by redesigning our strategies and reallocating resources to better respond to the unique challenges of our communities.

CUSTOMER EXPERIENCE

DISCLOSURE	SCORE	DID A THIRD PARTY CONDUCT THE CUSTOMER SATISFACTION STUDY (Y/N)?
Customer Satisfaction	66	Yes

The Net Promoter Score (NPS) survey was conducted among all active clients in our contact list. It is a standard methodology that measures how likely it is for a customer to recommend a company to others, which has a direct correlation with customer satisfaction and loyalty. The customer population is divided into two. The first half is surveyed first and third quarter of the year, while the other half is surveyed second and fourth quarter of the year. This is designed to ensure that we capture the overall pulse of our customers throughout the year. Our 2020 company NPS is 66, which exceeded our year target of 62.

CUSTOMER SATISFACTION
Impacts and Risks: Where it occurs, Company's Involvement, Stakeholders Affected, and Management Approach

We continue to develop enhancements to achieve our vision to become the most customer-oriented building materials solutions company in the market. We relentlessly persevere to inculcate and sustain our value of customer centricity across the organization and constantly ensure that we deliver Superior Customer Experience, anytime, anywhere.

From the results of our customer surveys, we identified improvement areas: 1) Speed of Pick up, 2) Receiving a Delivery, 3) Ordering Experience, 4) Credit and 5) Technical Support. We continue to innovate to advance our performance on these points.

Since we launched CEMEX Go in October 2018, the multi-device digital platform, which provides a seamless experience for order placement, live tracking of shipments, and managing invoices and payments for CEMEX's main products, has onboarded 94% of clients, with 994 active users.

Last September 2020, we managed to transition our customer Service Center, from a third-party contact center provider to in-house, hiring competent and productive service center agents to ensure efficient, quality and an end-to-end customer experience. This also provided employment opportunities during this pandemic.

In response to increased pick-up transactions, we have deployed the Electronic Authority to Withdraw (eATW) for pick-up customers. It is a digital solution that enables a safe, sustainable and convenient process, empowering customers to transact and monitor cement pick-ups anywhere, anytime, and from any device. It likewise eliminates physical interaction and contact during distribution of manual ATW forms between sales or couriers and our customers, thus reducing the risk of COVID-19 transmission.

In our Net Promoter Score (NPS) evaluation, we improved our customer experience by 10 points in 2020 compared to 2019. We attribute this increase to service improvements in response to customer feedback and close collaboration among functional teams, driven by a focus on our customers. We identified the company's areas of strength: 1) Product Quality, 2) Service and Support from Sales Team, 3) Bag Quality, 4) CEMEX Go and 5) Customer Service Center. We leverage and unceasingly develop these specialties.

Key to customer satisfaction is our complaints management. We maintain several channels for customer feedback and complaints through phone, digital and other platforms. All complaints are monitored by our customer service center. Once filed, the complaint is assigned to a department based on the type of complaint. The type of complaints and responsible department/s leads are pre-evaluated based on past experiences. For new types of complaints, the customer experience team determines the responsible department to be assigned to address the complaint. All complaint types must comply with its Service Level Agreements (SLA) that determines how long a complaint must be resolved. All progress of complaints is monitored on a weekly basis with updates sent to department heads on the progress and duration. This is also discussed in the weekly Executive Committee meetings every Monday.

Complaints are addressed directly to the clients and to the internal parties concerned. A root cause analysis is done, and programs and process improvements are implemented ASAP without disruption to other services provided. Full transparency is given to the clients on the progress.

Opportunities and Management Approach

We continue to conduct daily alignment with all departments that have high impact on our Customer Satisfaction, which include the Supply Chain, Procurement, Commercial, and Business Service Organization back-office teams. These departments continue to collaborate and innovate on ways to improve customer experience, particularly in the areas for improvement: 1) Speed of Pick up, 2) Receiving a Delivery, 3) Ordering Experience, 4) Credit and 5) Technical Support. With the COVID-19 Pandemic, we anticipate changes in the preferences of our customers. We expect to quickly study these changes, and promptly adapt to them. We will also leverage on our digital platforms such as CEMEX Go, Electronic Authority to Withdraw (eATW) for Pick up, and Online Payment with our partner banks and continue to innovate solutions for a contactless experience for our customers.

HEALTH AND SAFETY

Table 33

DISCLOSURE	QUANTITY	UNITS
Number of Substantiated Complaint on Products or Service - Health and Safety	11	#
Number of Complaints Addressed	11	#

HEALTH & SAFETY

Impacts and Risks: Where it occurs, Company's Involvement, and Stakeholders Affected

There is minimal risk in terms of health and safety in using cement and premix concrete. At the initial mixing of the product with aggregates, small particulate dust may be emitted but it immediately dissipates once water is added.

In 2020, we reclassified the recording of damage to property incidences with our clients from "Client Servicing" to "Health and Safety". 10 out of the 11 complaints recorded were related to damage to property incidences, while one complaint recorded was related to COVID-19 protocols. All complaints recorded in 2020 were related to the delivery of our products, and all complaints were subsequently addressed.

We continue to monitor customer feedback on any health issues of our products through different channels such as service center, sales managers, our landlines, and through digital platforms.

Management Approach for Impacts and Risks

CHP takes effort to promote the use of basic personal protective equipment (PPEs), such as dust mask, goggles and gloves to its product users. Compliance and importance of health and safety is emphasized and highly promoted in trainings related to products, technical or health and safety that are conducted to front liners.

New challenges in 2020 due to the COVID-19 Pandemic have required additional Health and Safety protocols when servicing customers during trial mixes, complaint resolution, and testing. In addition to the standard PPE's that we promote to our clients, the wearing of facemask and face shields with the proper physical distancing and maximum personnel per area is being followed by all CEMEX personnel and additional risk assessment is done if the area or clients project site does meet health and safety requirements. Proper explanation and discussions on health and safety protocols are done with clients prior to the start of any activity.

In 2020, limited movement was allowed in strict quarantine areas. Trainings to clients were done through online courses, starting with a presentation of CEMEX COVID-19 protocols. We have conducted 7 sessions (56 hours) for 40 customer personnel.

Opportunities and Management Approach

We expect to assess the level of compliance among our customers and their workers on the use of PPEs and determine opportunities to improve their uptake. We will consider and evaluate factors that prevents workers from using PPEs in their workplaces, determine root causes, and offer solutions to improve adoption of PPEs by the workers.

CUSTOMER MANAGEMENT – MARKETING AND LABELING

Table 34

DISCLOSURE	QUANTITY	UNITS
Number of Substantiated Compliant on Products or Service Marketing and Labelling	0	#
Number of Complaints Addressed	0	#

MARKETING & LABELING

Impacts and Risks: Where it occurs, Company's Involvement, Stakeholders Affected, and Management Approach

Using the wrong cement for a specific structure or type of structure can pose an extremely high risk to safety. It can lead to litigation which has potentially high financial impact to our business and our reputation. It may also result to potential loss of life of anyone exposed to structures built with the wrong cement type.

Hence, our system is built and designed to ensure correct labelling of our products. All cement bags we use strictly complies to the requirements of the Department of Trade and Industry (DTI) for Cement Bag Markings which includes the Type of Cement in the bag and where it can be used. Bag markings such as logos, pantones, trademarks, PS license numbers, product descriptions, manufacturing details, and product use-related marks are reviewed by Marketing, Legal, and Procurement teams to ensure they are complete and accurate. Bags deemed as non-compliant are rejected. We also print traceability codes in our cement bags. This is a 11-digit number to trace each bag to provide details, such as when cement was packed at the plant and which line. The 11 digit is printed on each bag as it runs on the conveyor belt prior to truck loading.

Looking into our customer feedback channels, we did not receive any complaints in 2020 relating to faulty or inaccurate labels or non-compliant labels based on standards set by DTI.

Opportunities and Management Approach

Moving forward, we will continue to monitor any future regulations on labelling to comply with required standards. We will also evaluate and consider new and better technology that will help improve tracking of labels of our different products.

All of CHP's facilities have started to comply with the new PNS 63:2019 requirements for bag markings on the stripe of the cement bags for proper identification. A much simpler color coding has been implemented to ensure proper identification by consumers. Type 1P bags, which used to be marked with 3 yellow stripes, has now been revised to a single wider yellow stripe for better visibility. With the introduction of new Blended Product Types in PNS 63:2019, a much simpler color coding is required for proper identification.

DATA SECURITY AND CUSTOMER PRIVACY

Customer Privacy

Table 35

DISCLOSURE	QUANTITY	UNITS
Number of Substantiated Complaints on Customer Privacy	0	#
Number of Complaints Addressed	0	#
Number of Customers, Users and Account Holders whose Information is Used for Secondary Purposes	0	#

Data Security

Table 36

DISCLOSURE	QUANTITY	UNITS
Number of Data Breaches, including Leaks, Thefts and Losses of Data	0	#

Customer Privacy and Data Security
Impacts and Risks: Where it occurs, Company's Involvement, and Stakeholders Affected

With the transition to a digital economy, risks relevant to privacy of personal information and data security has emerged to be among the most important risks. This is consistent with the data presented in the Global risk report, published in 2020 by the World Economic Forum.

At CEMEX, we increasingly rely on a variety of information technology and cloud services, on a fully digital customer integration platform, such as CEMEX Go, and on automated operating systems to manage and support our operations, as well as to offer our products to our customers. The proper functioning of this technology and these systems is critical to the efficient operation and management of our business, as well as for the sales generated by our business. Our systems and technologies may require modifications or upgrades as a result of technological changes, growth in our business, and to enhance our business security. These changes may be costly and disruptive to our operations and could impose substantial demands on our systems and increase system outage time. Our systems and technology, as well as those provided by our third-party service providers, such as International Business Machines Corporation ("IBM") and Microsoft, two of our main information technology and service providers, may be vulnerable to damage, disruption or intrusion caused by circumstances beyond our control, such as physical or electronic break-ins, catastrophic events, power outages, natural disasters, computer system or network failures, security breaches, computer viruses and cyber-attacks, including malicious codes, worms, ransomware, phishing, denial of service attacks and unauthorized access. For example, our digital solutions to improve sales, customer experience, enhance our operations and increase our business efficiencies could be impeded by such damages, disruptions or intrusions. To try to minimize such risks, we safeguard our systems and electronic information through a set of cyber-security controls, processes, and a proactive monitoring service to attend to potential breaches. In addition, we also have disaster recovery plans in case of incidents that could cause major disruptions to our business. However, these measures may not be sufficient, and our systems have in the past been subject to certain minor intrusions. Although CEMEX is certified under and compliant with International Organization for Standardization ("ISO") 27001:2013 standards for information security management systems to preserve the confidentiality, integrity and availability of data and also certified on the Payment Card Industry security standard which provides a trustful e-commerce mechanism for customers, we cannot assure that we will always be able to retain or renew this certification or that our systems will not be subject to certain intrusions.

In 2020, there was a global trend of an increment of security threats related to COVID-19 including phishing and malware/ransomware campaigns, exploits on video collaboration vulnerabilities, among others; Remote Work also added additional risks such as inadequate security configuration for domestic (home) network and non-corporate devices. CEMEX had implemented additional cybersecurity controls to reduce the risk and mitigate the impact.

In relation to our overall operations, particularly due to our digital transformation initiatives and the implementation of CEMEX Go, our audit committee is informed of the cyber-security threats we face and is involved in approving general steps to try to mitigate any such cyber-security threats. As of June 30, 2020, we have not detected, and our third-party service providers have not informed us of, any relevant event that has materially damaged, disrupted or resulted in an intrusion of our systems. Any significant information leakages or theft of information, or any unlawful processing of personal data, could affect our compliance with data privacy laws and make us subject to regulatory action, including substantial fines and private litigation with potentially large costs, and could damage our relationship with our employees, customers and suppliers, which could have a material adverse impact on our business, financial condition, liquidity, results of operations and prospects.

Furthermore, on June 25, 2020, our insurance program was renewed for 12 additional months. This program includes insurance coverage that, subject to its terms and conditions, is intended to address certain costs associated with cyber incidents, network failures and data privacy-related concerns. Nevertheless, this insurance coverage may not, depending on the specific facts and circumstances surrounding an incident, cover all losses or types of claims that may arise from an incident or the damage to our reputation or brands that may result from an incident. However, any significant disruption to our systems could have a material adverse effect on our business, financial condition, liquidity and results of operations, and could also harm our reputation.

So far, we have not had any incidence of breaches, thefts and losses of data, as well as customer complaints as a result of these.

Management Approach for Impacts and Risks

Data Privacy and Security at CHP Policies and Measures

1. Appointment of a Data Protection Officer (DPO) by the Board of Directors

   The DPO is the officer of the Company who is concurrently serving as the Legal Director of the Company.

2. Functions of DPO unit and how is accountability established

   Among the functions and responsibilities of the DPO are:

   a. Monitor the organization's compliance with the Data Privacy Act (DPA), its implementing rules and regulations, issuances by the National Privacy Commission (NPC) and other applicable laws and policies. For this purpose, he or she may:
      - collect information to identify the processing operations, activities, measures, projects, programs, or systems, and maintain a record thereof

- analyze and check the compliance of processing activities, including the issuance of security clearances to and compliance by third-party service providers
- ascertain renewal of accreditations or certifications necessary to maintain the required standards in personal data processing; and
- advice management as regards the necessity of executing a data sharing agreement with third parties, and seeking to ensure its compliance with the law

b. Monitor the conduct of internal audits and review adequate implementation of the Company's data privacy policies

c. Advise the Company regarding complaints and/or the exercise by Data Subjects of their rights (e.g., requests for information, clarifications, rectification or deletion of Personal Data)

d. Preparation and submission to the NPC of required reports on Personal data breach and Security incident management within the prescribed period.

e. Inform and cultivate awareness on privacy and data protection within the organization, including all relevant laws, rules and regulations and issuances of the NPC

f. Advocate for the development, review and/or revision of policies, guidelines, projects and/or programs relating to information privacy and data protection

g. Serve as the contact person of the Company vis-à-vis Data Subjects, the NPC and other authorities in all matters concerning data privacy or security issues or concerns

h. Cooperate, coordinate and seek advice of the NPC regarding matters concerning data privacy and security; and

i. Perform other duties and tasks that will further the interest of data privacy and security and uphold the rights of the Data Subjects.

3. Independence of DPO

The DPO shall act independently in the performance of his or her functions and shall enjoy sufficient degree of autonomy. For this purpose, he or she must not receive instructions from the Personal Information Controller or Personal Information Processor regarding the exercise of his or her tasks.

4. Protocols to prevent breach, during breach, after breach

A data breach response team comprising of representatives of key departments of the organization (including, but need not be limited to, human resources, legal, process and information technology departments) shall be responsible for coordinating immediate action in the event of a Personal data breach or Security incident. The team shall conduct an initial assessment of the incident or breach in order to ascertain the nature and extent thereof. It shall also execute measures to mitigate the adverse effects of the incident or breach.

At CHP, we have put in place the following measures to manage risks around Customer Privacy and Data Security.

1. Enforce Information Security Policy and culture

All IT devices specially user workstations have installed anti-virus programs and tools to protect from viruses, malwares and other malicious codes. Security devices, like Intrusion prevention systems, firewalls, web security gateway, etc. are in place to ensure information are protected and secure. End user have installed Multi Factor Authentication (MFA) for cloud services and Two factor authentication for computers also include drive encryption tools making it difficult for intruders to take control of devices.

2. Have cybersecurity controls and monitoring services in place

   We conduct regular check on the capability and preparedness of 3rd party IT partners like IBM and Microsoft ensuring that vulnerabilities are identified and addressed. Our systems and electronic information are protected through a set of cyber- security controls, processes and proactive monitoring service to attend to potential breaches.

3. Have disaster recovery plans and rapid response teams in place

   Disaster recovery plans are regularly reviewed and updated to reflect and adjust to ever changing situations. Regular drills are also performed on critical systems as part of compliance and to guarantee prompt recovery in case needed.

4. Insurance coverage [BSO]

   Furthermore, on June 25, 2020, our insurance program was renewed for 12 additional months. This program includes insurance coverage that, subject to its terms and conditions, is intended to address certain costs associated with cyber incidents, network failures and data privacy-related concerns. Nevertheless, this insurance coverage may not, depending on the specific facts and circumstances surrounding an incident, cover all losses or types of claims that may arise from an incident or the damage to our reputation or brands that may result from an incident. However, any significant disruption to our systems could have a material adverse effect on our business, financial condition, liquidity and results of operations, and could also harm our reputation.

   Among the measures taken by the Company which are designed to mitigate risks are the enforcement of the Information Security Policy and culture, the maintenance of cybersecurity controls and monitoring services and process for the mobilization of an internal rapid response team, and the enhancement of insurance coverage to include cyber liability insurance. Provided under the Company's cyber liability insurance policy is, depending on the circumstances, the deployment of an independent third-party service provider to assist the Company in case of a breach of data privacy or cybersecurity controls.

Opportunities and Management Approach

To strengthen our management system, we will continue to learn from the security lapses of other companies who experienced security breach. We will also conduct regular trainings, briefings, and information campaign among direct or indirect workers on the importance of keeping corporate information secure and protected. We will take needed steps to keep ourselves apprised on advancements in cybersecurity technologies and methods.

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Product: Gray Ordinary Portland
Brand: APO Portland Cement
Description: General-purpose Type I Portland cement made for high performance applications. It passes the specifications of Type II cement as moderately sulfate resistant and is suitable for applications near bodies of water. This meets PNS 07:2018 and ASTM C150:2018 standards.

Table 37

KEY FEATURES	SOCIETAL VALUE / CONTRIBUTION TO UN SDGS	SDG ADDRESSED
• Higher early days strength (3 and 7 days) vs Type IP or Blended Cements • Complies to two Portland Types I/II. • High Compatibility to most Chemical Admixture in the market. • Longer workability retention allowing for ease of transport, pumping and placement of Concrete	This product contributes to reduction in use of virgin materials, and increased use of recycled materials such as Fly-Ash, Slag, and Silica Fume. Reduction of use of clinker also reduces energy and GHG intensity per quantity of product used in the market. When used in concrete hollow blocks, more can be produced per bag, contributing to materials efficiency and cost savings for consumers. Infrastructure built with this cement that are exposed to aggressive chemical environments also last better, improving the life span of structures.	SDG 12 SDG 13

Product: Gray Ordinary Portland
Brand: Island Portland Cement
Description: General-purpose Portland cement made for high performance applications. Achieves higher compressive strength in less time compared to other Portland cement. This meets PNS 07:2018 ASTM C150:2018 standards.

Table 38

KEY FEATURES	SOCIETAL VALUE / CONTRIBUTION TO UN SDGS	SDG ADDRESSED
• Higher early days strength (3 and 7 days) vs Type IP or Blended Cements • High Compatibility to most Chemical Admixture in the market. • Highly Suitable for Pre-Cast Concrete structures	This product contributes to reduction in use of virgin materials, and increased use of recycled materials such as Fly-Ash, Slag, and Silica Fume. Reduction of use of clinker also reduces energy and GHG intensity per quantity of product used in the market. When used in concrete hollow blocks, more can be produced per bag, contributing to materials efficiency and cost savings for consumers.	SDG 12 SDG 13

Potential Negative Impact of Contribution
We noted no negative impact to any SDG resulting from the use of this product.

Product: Masonry Cement
Brands: Rizal Masonry Cement and APO Masonry Cement
Description: Type M masonry cements. It allows better moisture retention and adhesion strength. This meets PNS ASTM C91/C91M:2019 standards.

Table 39

KEY FEATURES	SOCIETAL VALUE / CONTRIBUTION TO UN SDGS	SDG ADDRESSED
• Better workability retention versus Type I OPC and Blended Cement. • Lower shrinkage rate versus Portland Cement and Blended Cements, reducing risks of delamination and cracking of Mortar/Plastering or Topping	This has lower product energy and carbon intensity by about one-third when compared to Portland cement due to lower clinker factor. Because of its properties, use of this product requires less cement per square meter coverage compared to Portland and Blended Cements, resulting to savings in material use.	SDG 12 SDG 13

Potential Negative Impact of Contribution
We noted no negative impact to any SDG resulting from the use of this product.

Product: Blended Cement
Brand: Rizal Portland Super:
Description: All-purpose Type 1P cement formulated with minerals that add beneficial properties, such as increased strength and durability over time. Used for general construction applications where structures are exposed to moderate sulfate environments. This meets PNS 63:2019 and ASTM C595:2018 standards.

Table 40

KEY FEATURES	SOCIETAL VALUE / CONTRIBUTION TO UN SDGS	SDG ADDRESSED

• Higher later days strengths
• Requires less water to hydrate all cement particles
  ○ Better workability vs Portland Cement.
  ○ More cohesive concrete mix.
  ○ Less Risk of Segregation
	This has lower clinker factor compared to Portland cements hence has lower energy and carbon intensity.
	
	This has longer-term durability versus Portland Cements as it yields a denser concrete.
		SDG 12
		SDG 13

Potential Negative Impact of Contribution
We noted no negative impact to any SDG resulting from the use of this product.

ANNEX A. STAKEHOLDER CONCERNS AND ACTIONS TAKEN

The following stakeholder concerns and management approaches are presented below as supplementary information to this report. These concerns served as important basis for defining the material sustainability topics that are being disclosed in this report.

EMPLOYEES

We engage with our employees through the following channels:

1. Internal surveys
2. Townhall Sessions
3. Labor-Management Council meetings
4. Health and Safety meetings
5. Continuous Improvement meetings

Table 41 shows their concerns and the corresponding actions we have taken to address them.

Table 41

COMMON FEEDBACK RAISED	ACTIONS TAKEN BY THE COMPANY	KEY OUTCOMES
Training Opportunities	Improved training courses and programs	Increase in training completions
Facilities Improvement	CAPEX projects and budgeted repairs	Investments on new plant equipment, plant facilities repairs
Benefits Improvement	Review of Retirement packages and benchmarking	On-going review

COMMUNITY

We engage with our community through the following channels:

1. Regular meetings of our community relations officers with barangay captains
2. Annual stakeholders meeting
3. Quarterly multi-partite monitoring meetings
4. Social media

Table 42 shows their concerns and the corresponding actions we have taken to address them.

Table 42

COMMON FEEDBACK RAISED	ACTIONS TAKEN BY THE COMPANY	KEY OUTCOMES
Request for assistance through livelihood programs	Donation of two (2) units of pump boats for Tina-an Fishermen's association	Increased income of the fishermen; assisted in monitoring our coastal areas as Brgy. Bantay Dagat Volunteers
Barangay road concern and dust emission along plant area	Improvement in operations and additional housekeeping measures along N. Bacalso Ave. as support to the infrastructure	Improvements in monitoring plant operations and its impact, with

	projects of the barangay (barangay road concreting)	strengthened coordination efforts with local government offices
Request for assistance due to pandemic (Cebu)	Donation of cash assistance to Naga Hospital, donation of basic needs (alcohol, mask, gloves, rice, canned goods etc). Donation of 6 units disinfecting tents to Naga LGU. Support in disinfecting efforts and to our frontliners	Helped control the spread of COVID-19 and strengthened the relationship with the local government and neighboring communities
Request for assistance due to pandemic (Rizal)	Distribution of relief items such as sacks of rice, vitamins, sanitizer (alcohol), face masks, and safety suits	Strengthened coordination of efforts against COVID-19 and improved relationship with the local government office and the communities.

CUSTOMERS

We obtain feedback from our customers through the following channels:

1. Net Promoter Score surveys (quarterly)
2. Service Centers
3. Customer Surveys (for new projects, new processes)
4. Sales Team Activities

Table 43 shows their concerns and the corresponding actions we have taken to address them.

Table 43

COMMON FEEDBACK RAISED	ACTIONS TAKEN BY THE COMPANY	KEY OUTCOMES
Rating on the question: *"How likely is that you would recommend <Brand Name> to a colleague or business partner"*	Close the Loop Process with Detractor Clients	Action plan from responsible unit on issues/concerns raised by said Detractors. Can be process improvement or a project/initiative
Comments on the question "What can we improve?"	Comments are addressed by concerned departments	Action plan from responsible unit on issues/concerns raised by said Detractors. Can be process improvement or a project/initiative
Rating from 1-10 on the different Customer Centric Action Drivers	Comments are addressed by concerned departments	Action plan from responsible unit on issues/concerns raised by said Detractors. Can be process improvement or a project/initiative
Various complaints (price, delivery, documentation, payment, etc)	Get details of complaint from client and send to the concerned Department for appropriate action.	RCA Report. Monitor complaint resolution identified. Call client if complaint has been sufficiently addressed.

Other "Customer Pains" - issues not addressed and still affecting customer's way of doing business with the Company. Look for best practices and process improvements	Comments are addressed by concerned departments	Action plan from responsible unit on issues/concerns raised by said Detractors. Can be process improvement or a project/initiative

INVESTORS

We obtain feedback from our investors through the following channels:

1. Meetings, correspondences, webcasts, and conference calls
2. Quarterly financial updates and guidance
3. Annual report, and mandatory filings
4. Sustainability Report
5. Ongoing website updates and press releases

Table 44 shows their concerns and the corresponding actions we have taken to address them.

Table 104

COMMON FEEDBACK RAISED	ACTIONS TAKEN BY THE COMPANY	KEY OUTCOMES
Inquiry on impact of COVID-19 Pandemic on the company's operations and financial condition, and mitigating actions taken Inquiry on measures to protect or support employees, customers, and other stakeholders, amidst the COVID-19 Pandemic	Communications through abovementioned channels	Understanding of the Company's priorities during the COVID-19 Pandemic, financial position, performance, business perspectives, and risks

REGULATORS

We obtain feedback from our regulators through the following channels:

1. Government websites and publications
2. Formal notices and letters via mail
3. Meetings, both face-to-face and via telephone calls
4. Public hearings

Table 45 shows their concerns and the corresponding actions we have taken to address them.

Table 115

COMMON FEEDBACK RAISED	ACTIONS TAKEN BY THE COMPANY	KEY OUTCOMES
Compliance with environmental laws and regulations on air emissions, clean water, and waste	Implementation of the Online Transmission of Data from Continuous Emission Monitoring System (CEMS) and Closed-Circuit Television (CCTV) to monitor compliance with emission standards	Compliance with air emission standards
	Work together with local and national government on clean-up and rehabilitation of rivers and watershed	Adopt-a-River Program, Clean-Up Drives and Tree-Planting Programs
	Endorse and implement waste management solutions	Tamang Segregasyon Para Sa Kalikasan (TSeK) program
	Co-processing method to recover or reuse waste materials to manufacture cement	Reduction of waste diverted from landfills and to the environment
Compliance with competition laws	Company-wide information and education campaign on antitrust policies and Philippine competition laws	Annual Antitrust Training
Participation in the government's infrastructure development program	Capacity expansion to increase production volume	Solid Expansion Project
Tax assessment results	Confirmation of information through meeting. Settlement in the form of payment or refund	Compliance and sustainability of permit

ANNEX B. PROCEDURE FOR ACCREDITATION OF SUPPLIERS AND CONTRACTORS

SOLID CEMENT CORPORATION Tagbac, Antipolo City	IMS PROCEDURES MANUAL			
	Doc. Title	PROCEDURE FOR ACCREDITATION OF SUPPLIERS & CONTRACTORS		
	Doc. No.	IMS-PM-PRC-001		
	Effectivity	September 15, 2020		
	Revision	4	Page	1 of 5
	Revision Date	December 1, 2020		

Page(s) revised	Details of Revision	
	From	To
Rev2 06-13-17		
Pg 2	1.1.8.1 DOLE Certificate of Registration	1.1.8.1 DOLE Certificate of Registration/***PCAB License (Philippine Contractor's Accreditation Board)***
Pg 3	3. Responsibility: EHS Assessment Team	3. Responsibility: ***CEHSM AUDIT TEAM***
Rev3 06-20-18		
Pg 1	Name of Approval from Procurement Manager – Leo Andrei Cruz	Ronald Ponce
Pg 2		Includes ***Letter of Commitment for Anti-Bribery Compliance Laws*** as additional requirement on accreditation
Pg 4	4. Responsibility : Accounts Payable Team	**4.** Responsibility: ***Asia-Vendor Master Team***
Rev4 09-07-20		
Pg 1 of 5	Changes on the Procurement Manager In-charge (prev. Ronald Ponce)	***Reynaldo Tolosa***
Pg 1 of 5	Changes on the Deputy Management Rep In-charge (prev. Shaira Joy Pingol)	***Alexis Seria***
Pg 3 of 5	**1. Update accreditation requirements**	
	1.1 Require all prospective suppliers of goods and services which have direct impact to the plant performance and quality of the final product to submit an accomplished "Supplier Application Form for Registration" Document No. F-PRC-001, ***Letter of Commitment for Anti-Bribery Compliance Laws, and CEMEX Credit Policy*** together with the following documents: 1.1.1 Latest audited financial statement. 1.1.2 Certificate of Distributorship of a particular brand. 1.1.3 VAT certificate/Tax Identification Number BIR Form 2303.	**A. For Local Suppliers** **1. Accomplished New Version Supplier Information Sheet (pdf format)** **2. BIR Form 2303 (Certificate of Registration) - tax registration** **3. DTI / S.E.C. Certificate and Articles of Incorporation showing the names of shareholders/members and legal representatives** **4. Sample Copy of Official Receipt/Invoice - tax registered invoice or billing statement** **5. Current Year Business Permit** **6. Valid ID's, & TIN ID / TIN # –of the legal representative** **7. Company ID of representative**

Distribution Index	Approval
Office of the Plant Director	*Prepared By* ***Alexis Seria*** Deputy Management Representative
EHS	
Mechanical	
Procurement	
KILN	
Finishmill	
Electrical & Instrumentation	
Human Resources	Reviewed By ***Alejandro John Eraldo/ Gerard Gem Gamelong*** IMS Management Representative
Packhouse	
Powerhouse	
Quality Assurance	
Motorpool	
	Approved By ***Reynaldo Tolosa*** Procurement Manager

F-SCC-246 Document Cover Page, Rev. 0 Effective: December 21, 2015

	1.1.4 Photocopy of Blank Official Receipt & Sales Invoice/ ***SOA*** 1.1.5 Updated Business Permit/ ***Mayor's Permit*** 1.1.6 For Single Proprietorship: 1.1.6.1 Certificate of Registration of business name with the Bureau of Domestic Trade. 1.1.7 For Partnership/Corporation: 1.1.7.1 Certificate of Registration with SEC. 1.1.7.2 Articles of Incorporation/Partnership. 1.1.8 For Contractors: 1.1.8.1 DOLE Certificate of Registration/PCAB License (Philippine Contractor's Accreditation Board) ***1.1.9 Proof of Address – Utility Bill (no more than three months old and show the current fiscal address of the supplier)***	**8. Proof of Billing of the company (like utility bills) must not be more than 3 months old.** **9. Signed Third Party Compliance Declaration** **10. Signed Data Information Consent Form** **11. Special Power of Attorney / Secretary Certificate authorizing the representative to act on behalf of the company** **B. For Foreign Suppliers** **1. Accomplished New Version Supplier Information Sheet** **2. Any business document (e.g. Articles of Incorporation, Business permit, etc.) that will support the establishment of the foreign company** **3. Signed Third Party Compliance Declaration** **4. Signed Data Information Consent Form** **5. Valid ID / official identification of the legal representative/individual** **6. Company ID of representative, if non individual** **7. Proof of address (like utility bills) must not be more than 3 months old.** **8. Special Power of Attorney authorizing the representative to act on behalf of the company** **9. Evidence of bank information/bank letter**
Pg 3 of 5	**1. Update accreditation requirements**	**Additional requirements for A. For Local Suppliers**
		12. Suppliers Health & Environmental Questionnaire (SOLID)
		13. Contractor's EHS Performance Questionnaire (IMS-PRC-019)
		14. Contractor General Information (IMS-PRC-020)

OBJECTIVE : To assure the Company of the performance and reliability of prospective supplier of parts, materials and services which have a direct impact to plant performance and product quality.

SCOPE : All prospective suppliers.

REQUIRED PPE : Hard Hat, Safety Shoes, Safety Gloves, Visibility Vest

DEFINITION OF TERMS :

1. Negotiator - Refers to buyer.
2. Goods and Services with Direct Impact to Plant Performance and Product Quality – Bulk Materials (raw materials, Kraft/WPP/Black Bottom empty bags major plant equipment (unit, parts, services) calibration equipment and instruments (unit, spares, services), heavy equipment (unit, spares, services), fabrication of replaceable parts of plant equipment, laboratory equipment and instruments (unit, spares, services), mill supplies and office equipment.
3. Supplier/Contractors – with recurrent transactions with have a direct impact to plant performance and quality of the final product.

Note: Prior to perform activity, accomplished Work Safe Pre-Job Assessment form. Refer to F-SCC-211

DETAILS:

NO.	ACTIVITY	RESPONSIBILITY
1.	Acquire necessary information from prospective suppliers 1.1.For Local Suppliers 1.1.1 Accomplished New Version Supplier Information Sheet (pdf format) 1.1.2 BIR Form 2303 (Certificate of Registration) - tax registration 1.1.3 DTI / S.E.C. Certificate and Articles of Incorporation showing the names of shareholders/members and legal representatives 1.1.4 Sample Copy of Official Receipt/Invoice - tax registered invoice or billing statement 1.1.5 Current Year Business Permit 1.1.6 Valid ID's, & TIN ID / TIN # –of the legal representative 1.1.7 Company ID of representative 1.1.8 Proof of Billing of the company (like utility bills) must not be more than 3 months old. 1.1.9 Signed Third Party Compliance Declaration 1.1.10 Signed Data Information Consent Form 1.1.11 Special Power of Attorney / Secretary Certificate authorizing the representative to act on behalf of the company **1.1.12 Suppliers Health & Environmental Questionnaire (SOLID)** **1.1.13 Contractor's EHS Performance Questionnaire (IMS-PRC-019)** **1.1.14 Contractor General Information (IMS-PRC-020)** 1.2. For Foreign Suppliers 1.2.1 Accomplished New Version Supplier Information Sheet 1.2.2 Any business document (e.g. Articles of Incorporation, Business permit, etc.) that will support the establishment of the foreign company 1.2.3 Signed Third Party Compliance Declaration 1.2.4 Signed Data Information Consent Form 1.2.5 Valid ID / official identification of the legal representative/individual 1.2.6 Company ID of representative, if non individual 1.2.7 Proof of address (like utility bills) must not be more than 3 months old. 1.2.8 Special Power of Attorney authorizing the representative to act on behalf of the company 1.2.9 Evidence of bank information/bank letter	Negotiator

Note: Prior to perform activity, accomplished Work Safe Pre-Job Assessment form. Refer to F-SCC-211

DETAILS:

NO.	ACTIVITY	RESPONSIBILITY
2.	Conduct inspection and evaluate prospective suppliers 2.1 Whenever practical or upon instruction of the Procurement Manager, Concerned negotiator and end-user will conduct an ocular inspection of the prospective supplier's business establishment (only supplier of goods and services with direct impact to Plant performance and product quality) through the following: 1.1.1 Take pictures of facilities, stocks, and office. Conduct personnel interviews. Review pertinent policies, and documents related to quality products and services supplied. After the actual visit, prepare report of the inspection and make recommendation, refer to Quality & Capability Evaluation Form Document No. F-PRC-008	Negotiator/End Users/ ***CEHSM AUDIT TEAM***
3.	Health and Safety Requirements for Suppliers of Services (Contractors) Service Suppliers must provide the following documents for EHS Assessment Audit 3.1 A copy of your Environmental and/or Health & Safety policies. 3.2 Statistics on safety performance (fatalities/work injuries/property damage/near-misses/etc) 3.3 A copy of your Organizational chart (Updated resume of Field Key Personnel, such as, Site Engineer, Safety Officer, Foreman, etc.) 3.4 Details of your insurance policies 3.5 A copy of your management system or plan that covers health & safety 3.6 Safety meeting minutes 3.7 Registers/records that you maintain of: 3.7.1. Equipment / tools 3.7.2. Employees / Working Personnel (names/age/length of service/qualifications, license expiry dates) 3.7.3. Employee training (required/received) 3.8 Equipment maintenance checklist (completed only) 3.9 Emergency Response Plan related to industrial incidents 3.10 Employee handbook or similar documents 3.11 Employee Training syllabus 3.12 A sample of Accident reports and the related investigation documents 3.13 Any reports of Audits similar to this by others that you wish to share with the Team 3.14 Other documentation related to EHS regulatory compliance New service suppliers will only be accredited upon adherence to above safety requirements and assessment by EHS team	CEHSM AUDIT TEAM
4.	Evaluate and determine if all requirements are met and endorse to Tax Team as supplier evaluator responsible 4.1 After passing all the tax requirements criteria for accreditation, Tax evaluator will advice in writing the Accounts Payable department, Asia-Vendor Master team and the Negotiator. 4.1.1. For Service Supplier/Contractor, endorsement from Safety department regarding submitted safety documents is necessary. 4.2. Negotiator will seek also the approval of accreditation from the Procurement Manager	Negotiator/Tax Department/***Asia-Vendor Master Team***

Note: Prior to perform activity, accomplished Work Safe Pre-Job Assessment form. Refer to F-SCC-211

DETAILS:

NO.	ACTIVITY	RESPONSIBILITY
	4.2.1 Negotiator will seek approval of accreditation from the Procurement Department Head if the payment terms is in 30/60 days 4.3. After passing all the criteria, the applicant will be accredited and may now be included in the SAP Vendor's Master List. 4.4. Suppliers will be informed in writing	

F-PRC-001 – Supplier Application Form for Registration
F-PRC-008 – Quality & Capability Evaluation Form

FORM

ANNEX C. COMMUNITY PROGRAMS OF CEMEX PHILIPPINES FOUNDATION

Build Education

Responding to the shift towards online learning due to the COVID-19 Pandemic, CEMEX Philippines Foundation provided tablet computers to benefit at least 84 scholars of La Salle College Antipolo in Rizal. The beneficiaries are from households that do not have the means to procure devices necessary for online learning modalities. They are enrolled in the school's Night High School program which provides quality education through scholarships for underprivileged children.

Build Volunteerism

CEMEX enjoys putting its collective efforts to get involved. H.E.R.O. (Help. Engage. Reach. Out.) is the banner program of all our employee volunteerism activities. In 2020, employee-volunteers from CEMEX Philippines participated in Project Yakap relief operations for residents affected by the Taal Volcano eruption. Likewise, we also engaged in coastal clean-ups and tree-planting in Cebu and Rizal.

Build Environment

We at CEMEX strive to maintain our strong multi-sectoral resolve to keep a cleaner land, ocean, and air. In 2020, we conducted several coastal clean-up and tree planting activities in our communities in Cebu and Rizal. With the themes, “Together We Can” and “Building Community Together”, the initiatives aimed at working towards promoting volunteerism and cooperation among communities to help clean up and restore the waterways and watershed in our impact communities.

Build Sustainable Partnerships

CEMEX recognizes the importance of fostering cooperation with government and non-government organizations in widening the impact of its programs. Our collaboration with different agencies such as the Department of Environment and Natural Resources (DENR), Department of Trade and Industry (DTI), Department of Public Works and Highways (DPWH), and Department of Education (DepEd) helps us in our grassroots implementation of our sustainability projects.

In 2020, CEMEX partnered with reputable institutions such as the Asian Institute of Management, La Salle College Antipolo, Base Bahay Foundation, City Governments of Antipolo, Naga (Cebu), and Marikina, and the Provincial Governments of Rizal and Cebu.

We supported Base Bahay’s construction of a sustainable and resilient housing project, the Rejoice Village, which will serve as home for vulnerable families and orphaned children. We also supported the distance learning needs of the underprivileged students enrolled under the Night High School Program of La Salle College Antipolo through the provision of mobile tablets. We mobilized our resources to assist the local governments in the fight against the COVID-19 Pandemic. We also assisted LGUs that were severely impacted by the typhoons that hit the country in the last quarter of 2020.

Build Communities

Building a better nation starts at promoting self-sustaining communities. Our efforts to help the communities in San Jose, Antipolo and Naga, Cebu have seen a promising move towards sustainability by enabling every individual to succeed. Like in previous years, in 2020 we have regularly reached out to our impact communities and provided relief assistance during the COVID-19 Pandemic through the provision of food, as well as medical and hygiene supplies. Two pump boats have also been donated to fishermen association in the City of Naga, Cebu for livelihood opportunities.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements which reflect our expectations. Certain words, including, but not limited to, "plan", "expect", "budget", "forecast", "foresee", "strategy", "project", "predict", "anticipate", "believe", "intend", "target", "continue" and similar expressions or statements that certain actions, events or results "may", "can", "assume", "could", "would", "might", "should" or "will" be taken, occur or be achieved, have been used to identify these forward-looking statements. Although the forward-looking statements contained in this report reflect our current beliefs based upon information currently available to management and what management believes to be reasonable assumptions, we cannot be certain that our actual results will be consistent with these forward-looking statements. Forward-looking statements necessarily involve significant known and unknown risks, assumptions and uncertainties that may cause our actual future growth, results of operations, performance, business prospects and opportunities to differ materially from those expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things, uncertainties relating to:

- the impact of pandemics, epidemics or outbreaks of infectious diseases and the response of governments and other third parties, including with respect to COVID-19, which have affected and may continue to adversely affect, among other matters, supply chains, international operations, availability of liquidity, investor confidence and consumer spending, as well as availability of, and demand for, our products and services;

- the cyclical activity of the construction sector and levels of public and private construction activity;

- changes in the economy that affect demand for consumer goods in the Philippines, consequently affecting demand for our products;

- competition;

- general political, social, economic and business conditions;

- terrorist and organized criminal activities as well as geopolitical events;

- the regulatory environment, including, but not limited to environmental, tax, anti-trust and acquisition-related rules and regulations;

- the determination on the imposition of safeguard measures on the importation of cement from various countries and other trade barriers, and changes in existing trade policies or changes to, or withdrawals from, free trade agreements, to which the Philippines is a party or may become a party to;

- our exposure to other sectors that impact our business, such as but not limited to the energy sector;

- the availability and cost of fuel, electricity and raw materials;

- distribution costs;

- weather conditions;

- loss of reputation of our brands;

- risks related to our relationship with CEMEX, including our ability to satisfy our obligations under our indebtedness owed to CEMEX and CEMEX's ability to satisfy its financial obligations;

- our ability to achieve cost-savings from our cost-reduction initiatives and implement our pricing plans for our products;

- our ability to implement successfully our planned expansion of our Solid Cement plant;

- the increasing reliance on information technology infrastructure for our sales, invoicing, procurement, financial statements and other processes that can adversely affect operations in the event that the infrastructure does not work as intended, experiences technical difficulties or is subject to cyber-attacks;

- natural disasters and other unforeseen events, such as the Landslide (as defined herein), and our ability to satisfy any liabilities or other obligations that may result therefrom; and

- our ability to satisfy our obligations related to our indebtedness owed to BDO.

EXHIBIT A

Audited 2020 Consolidated Financial Statements
(with consolidated statements of financial position as at December 31, 2020 and 2019, and consolidated comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2020, 2019 and 2018) and Schedules

CEMEX HOLDINGS PHILIPPINES, INC.
SEC FORM 17-A

COVER SHEET

For

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

CS201518815

COMPANY NAME

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

34th Floor, Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
	8849 - 3600	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
27 (as of 31 Dec 2020)	1st Wednesday of June	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Steve Kuansheng Wu	steve.wu@cemex.com	(02) 8849 3647	

CONTACT PERSON's ADDRESS

34th Floor, Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City

Note 1: *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

CEMEX PHILIPPINES

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Management of **CEMEX Holdings Philippines, Inc. and Subsidiaries** (the "Company") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at and for the years ended December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free form material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

R. G. Manabat & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature **SERGIO MAURICIO MENÉNDEZ MEDINA**
Chairman of the Board

Signature **IGNACIO ALEJANDRO MIJARES ELIZONDO**
President/Chief Executive Officer

Signature **STEVE KUANSHENG WU**
Treasurer/Chief Financial Officer

Signed this 05 day of April 2021

LEGITIMACIÓN. - Yo, **JOSÉ LUIS LÓPEZ DE GARAYO Y GALLARDO,** Notario del ilustre colegio de Madrid, con residencia en la capital, **DOY FE:**

Que, por cotejo con otras indubitadas, considero legítima la firma y rúbrica que antecede, de Don SERGIO MAURICIO MENÉNDEZ MEDINA, extendida en el presente documento redactado en inglés, idioma conocido por mí, el Notario. Queda extendido en un folio de papel común que numero, reintegro y sello con el de la Notaría.

En Madrid, a trece de abril de dos mil veintiuno.-

Libro 1, Asiento 165.

SELLO DE LEGITIMACIONES Y LEGALIZACIONES

NIHIL PRIUS FIDE

A012385041

JOSÉ LUIS LÓPEZ DE GARAYO Y GALLARDO NOTARIO DE MADRID

FE PÚBLICA NOTARIAL

CONSEJO GENERAL DEL NOTARIADO ESPAÑOL

NOTARIADO EUROPA

NIHIL PRIUS FIDE

0255589535

0,15 €

PAPEL EXCLUSIVO PARA DOCUMENTOS NOTARIALES

TIMBRE DEL ESTADO

FT6188773

0,15 €

)8/2020

=FOLIO HABILITADO PARA LEGALIZACIONES POR EL ILUSTRE COLEGIO NOTARIAL DE MADRID=

Este folio ha quedado unido con el sello de este Ilustre Colegio Notarial al Testimonio expedido por
D. José Luis López de Garayo y Gallardo
Notario de Madrid
el día 13/04/2021

APOSTILLE

(Convention de La Haye du 5 octobre 1961)

1. País: ESPAÑA
Country / Pays :

El presente documento público
This public document / Le présent acte public

2. ha sido firmado por D. José Luis López de Garayo y Gallardo
has been signed by
a été signé par

3. quien actúa en calidad de NOTARIO
acting in the capacity of
agissant en qualité de

4. y está revestido del sello / timbre de SU NOTARÍA
bears the seal / stamp of
est revêtu du sceau / timbre de

Certificado
Certified / Attesté

5. en MADRID
at / à

6. el día 15/04/2021
the / le

7. por el Decano del Colegio Notarial de Madrid
by / par

8. bajo el número N7201/2021/023607
No
sous no

9. Sello / timbre:
Seal / stamp:
Sceau / timbre:

FE PÚBLICA NOTARIAL
CONSEJO GENERAL NOTARIADO EUROPA NOTARIADO ESPAÑOL
0267992291

10. Firma:
Signature:
Signature :

Don Jaime Recarte Casanova
Firma delegada del Decano

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CEMEX PHILIPPINES

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Management of **CEMEX Holdings Philippines, Inc. and Subsidiaries** (the "Company") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at and for the years ended December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free form material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

R. G. Manabat & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature **SERGIO MAURICIO MENÉNDEZ MEDINA**
Chairman of the Board

Signature **IGNACIO ALEJANDRO MIJARES ELIZONDO**
President/Chief Executive Officer

Signature **STEVE KUANSHENG WU**
Treasurer/Chief Financial Officer

Signed this 05 day of April 2021

SUBSCRIBED AND SWORN TO before me this APR 19 2021 at Makati City, Philippines, affiants exhibited to me his/ her

ATTY. GEORGE DAVID D. SITON
NOTARY PUBLIC FOR MAKATI CITY
APPT. NO. -382- UNTIL DEC. 31, 2021
ROLL NO. 64024 MCLE COMPLIANCE NO. VI-0021936/3-29-2019
IBP O.R NO. 2275859-LIFETIME MEMBER MAY. 8, 2017
PTR NO. 8533058- JAN 04, 2021- MAKATI CITY
EXECUTIVE BLDG. CENTER MAKATI AVE., COR., JUPITER ST. MAKATI CITY

DOC. NO. 457
PAGE NO. 92
BOOK NO. 95
SERIES OF 2021

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 and 2019

With Independent Auditors' Report

R.G. Manabat & Co.
The KPMG Center, 9/F
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Philippines 1226
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors
CEMEX Holdings Philippines, Inc.
34/F Petron Mega Plaza Building
358 Sen. Gil J. Puyat Avenue
Brgy. Bel-Air, Makati City

Opinion

We have audited the consolidated financial statements of CEMEX Holdings Philippines, Inc. and Subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the years in the period ended December 31, 2020, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG

Emphasis of Matter

We draw attention to Note 32 of the consolidated financial statements, which describes the effects of the Coronavirus disease 2019 (COVID-19) pandemic on the Group's operations. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<u>Goodwill Impairment Assessment</u>
Refer to Note 19 to the consolidated financial statements for the disclosure regarding the Group's Goodwill.

The Group has goodwill amounting to P27.86 billion as at December 31, 2020 which arose from the Group's business acquisition transactions in 2016. Such goodwill has been allocated to the Group's cash-generating units (CGU), comprising APO Cement Corporation and Solid Cement Corporation. Management has undertaken an annual impairment review in respect of this goodwill in accordance with the requirements of PAS 36, *Impairment of Assets*, and concluded that there was no impairment as at December 31, 2020.

The Risk
In assessing impairment of goodwill, complex and subjective judgments in determining a number of key assumptions, such as growth rate, discount rate and other economic assumptions (i.e. inflation rate and gross domestic product growth), are made to determine its value-in-use. We focused on this area due to both the significance of the carrying amount of the goodwill and because management's assessment of the value-in-use of the Group's CGUs involves significant judgments about the future results of the business and the discount rates applied to future cash flow forecasts, considering the increase in estimation uncertainty due to the disruption caused by the COVID-19 pandemic.

Our Response
Our procedures included assessment of the consistency and appropriateness of the allocation of goodwill to CGUs identified by the Group. We evaluated management's future cash flow forecast and the process by which they were prepared and approved, including checking the mathematical accuracy of the underlying calculations. With the involvement of our valuation specialists, we assessed the methodology and key assumptions used by the Group in preparing the discounted cash flow for each CGU including how it incorporated the impact of COVID-19 in future operations. We evaluated the key assumptions applied by comparing them to historical results and external economic forecasts, with the consideration of the potential risk of management bias. We performed our own sensitivity analysis on the key assumptions, such as discount rates and growth rates, used to assess the extent of change that individually would be required for the goodwill to be impaired. We also evaluated the adequacy of the disclosures in respect of the impairment assessment in the consolidated financial statements.

Recoverability of Deferred Income Tax Assets
Refer to Note 25B to the consolidated financial statements for the Group's disclosure on Deferred Income Tax Assets as at December 31, 2020.

The Group has recognized net deferred income tax assets amounting to P1.09 billion as at December 31, 2020, of which P957.91 million is from its significant operating subsidiaries, APO Cement Corporation and Solid Cement Corporation. Deferred income tax assets from its significant operating subsidiaries include net operating loss carry-over (NOLCO), excess minimum corporate income tax (MCIT) over regular corporate income tax (MCIT) and other temporary differences. Deferred income tax assets amounting to P281.57 million were not recognized as at December 31, 2020 because it is not probable that the future taxable income will be available against which the Group can utilize the benefits therefrom.

The Risk
The recognition of deferred income tax assets in respect of the NOLCO, excess MCIT over RCIT and other temporary differences is based on the future taxable income, which is subject to estimation uncertainties on the projected revenue and expenses brought by the unpredictability of the degree of impact of COVID-19 pandemic in the future result of operations of APO Cement Corporation and Solid Cement Corporation.

Our Response
Our procedures included, among others, the evaluation of profitability forecast used by management for recoverability testing including its consistency with the forecasts used in the goodwill impairment assessment. We assessed whether the amount of the deferred income tax assets recognized appropriately takes into account the reversal of relevant taxable temporary differences and confirmed whether changes in the income tax law implemented by the government in response to COVID-19 in the reporting period were properly considered, including those from the Bayanihan to Recover as One Act. We also evaluated the adequacy of the disclosures in respect of the Group's recognized and unrecognized deferred income tax assets in the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Emerald Anne C. Bagnes.

R.G. MANABAT & CO.

EMERALD ANNE C. BAGNES
Partner
CPA License No. 0083761
SEC Accreditation No. 83761-SEC, Group A, valid for five (5) years
covering the audit of 2020 to 2024 financial statements
Tax Identification No. 102-082-332
BIR Accreditation No. 08-001987-012-2018
Issued November 29, 2018; valid until November 28, 2021
PTR No. MKT 8533889
Issued January 4, 2021 at Makati City

April 7, 2021
Makati City, Metro Manila

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

		December 31	
	Notes	2020	2019
ASSETS			
Current Assets			
Cash and cash equivalents	*11, 22*	**P6,139,411**	P1,399,180
Trade receivables - net	*6, 12, 22*	**700,162**	892,951
Due from related parties	*13, 22*	**3,795**	27,749
Insurance claims and premiums receivable	*15, 22*	**87,569**	445,535
Other current accounts receivable	*15, 22*	**43,717**	65,244
Inventories	*16*	**2,349,966**	3,013,444
Derivative asset	*22*	**24,039**	–
Prepayments and other current assets	*17*	**1,825,209**	1,672,392
Total Current Assets		**11,173,868**	7,516,495
Noncurrent Assets			
Investment in an associate and other investments	*14*	**14,097**	14,097
Advances to contractors	*18*	**1,142,685**	1,606,397
Other assets and noncurrent accounts receivable	*15, 22*	**782,399**	837,151
Property, machinery and equipment and assets for the right-of-use - net	*18*	**21,699,377**	19,937,723
Deferred income tax assets - net	*25*	**1,088,227**	1,034,620
Goodwill	*19*	**27,859,694**	27,859,694
Total Noncurrent Assets		**52,586,479**	51,289,682
		P63,760,347	P58,806,177
LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables	*22*	**P4,281,750**	P4,795,817
Due to related parties	*13, 22*	**1,512,086**	2,733,214
Unearned income, other accounts payable and accrued expenses	*20, 22*	**1,281,211**	1,657,724
Current portion of:			
Lease liabilities	*21, 22*	**628,298**	525,411
Long-term bank loan	*22, 24*	**140,123**	140,123
Contract liabilities	*6*	**305,131**	267,787
Income tax payable		**21,295**	16,736
Total Current Liabilities		**8,169,894**	10,136,812

Forward

	Note	December 31 2020	2019
Noncurrent Liabilities			
Long-term bank loan - net of current portion	*22, 24*	**P10,566,642**	P11,180,802
Long-term payable to a related party	*13, 22*	**–**	5,368,838
Lease liabilities - net of current portion	*21, 22*	**1,437,814**	1,637,840
Retirement benefits liability	*23*	**653,946**	794,201
Deferred income tax liabilities - net	*25*	**853**	1,587
Other noncurrent liabilities		**20,610**	20,610
Total Noncurrent Liabilities		**12,679,865**	19,003,878
Total Liabilities		**20,849,759**	29,140,690
Equity			
Common stock	*26A*	**P13,489,227**	P5,195,395
Additional paid-in capital	*26A*	**26,217,799**	21,959,159
Other equity reserves	*26B*	**(42,613)**	249,852
Retained earnings	*26E*	**3,246,025**	2,260,911
Equity Attributable to Equity Holders of the Parent Company		**42,910,438**	29,665,317
Non-controlling interest (NCI)	*26C*	**150**	170
Total Equity		**42,910,588**	29,665,487
		P63,760,347	P58,806,177

The accompanying notes are part of these consolidated financial statements.

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands, except per share data)

		Years Ended December 31		
	Notes	**2020**	2019	2018
REVENUES	*6*	**P19,706,682**	P23,595,877	P23,417,697
COST OF SALES	*7*	**(11,614,953)**	(13,913,316)	(14,227,211)
GROSS PROFIT		**8,091,729**	9,682,561	9,190,486
OPERATING EXPENSES				
Distribution expenses	*8*	**(3,502,053)**	(4,229,410)	(4,670,626)
Administrative and selling expenses	*7*	**(2,782,058)**	(3,111,531)	(2,999,236)
TOTAL OPERATING EXPENSES		**(6,284,111)**	(7,340,941)	(7,669,862)
OPERATING INCOME BEFORE OTHER INCOME (EXPENSES) - Net		**1,807,618**	2,341,620	1,520,624
Other income (expenses) - net	*9*	**(30,310)**	8,544	(42,653)
OPERATING INCOME AFTER OTHER INCOME (EXPENSES) - Net		**1,777,308**	2,350,164	1,477,971
Financial expenses	*13, 18, 21, 24*	**(506,376)**	(1,252,483)	(1,081,418)
Foreign exchange gain (loss) - net		**170,224**	453,125	(381,443)
Other financial expenses - net	*10*	**(120,044)**	(52,056)	(32,093)
PROFIT (LOSS) BEFORE INCOME TAX		**1,321,112**	1,498,750	(16,983)
INCOME TAX EXPENSE	*25*	**(336,018)**	(219,174)	(953,704)
PROFIT (LOSS)		**985,094**	1,279,576	(970,687)
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Gain (loss) on remeasurement on retirement benefit liability	*23*	**90,274**	(165,755)	196,092
Tax effect	*25*	**(27,082)**	49,726	(58,782)
		63,192	(116,029)	137,310
Items that will be reclassified subsequently to profit or loss				
Currency translation gain (loss) of foreign subsidiaries		**(381,924)**	(242,977)	238,945
Cash flow hedges - effective portion of changes in fair value	*22*	**24,179**	–	(6,458)
Cash flow hedges - reclassified to profit or loss	*22*	**–**	6,458	–
		(357,745)	(236,519)	232,487
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)		**(294,553)**	(352,548)	369,797
TOTAL COMPREHENSIVE INCOME (LOSS)		**P690,541**	P927,028	(P600,890)

Forward

	Note	**2020**	2019	2018
				Years Ended December 31
PROFIT (LOSS) ATTRIBUTABLE TO:				
Equity holders of the Parent Company		**P985,114**	P1,279,599	(P970,659)
NCI		**(20)**	(23)	(28)
		P985,094	P1,279,576	(P970,687)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Equity holders of the Parent Company		**P690,561**	P927,051	(P600,862)
NCI		**(20)**	(23)	(28)
		P690,541	P927,028	(P600,890)
Basic/Diluted Earnings (Loss) Per Share	27	**P0.08**	P0.22	(P0.17)

The accompanying notes are part of these consolidated financial statements.

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

(Amounts in Thousands)

		Attributable to Equity Holders of the Parent Company						
	Notes	Common Stock (see Note 26)	Additional Paid-in Capital	Other Equity Reserves	Retained Earnings	Total	NCI	Total Equity
As at January 1, 2018		P5,195,395	P21,959,159	P199,929	P1,951,819	P29,306,302	P221	P29,306,523
Transactions with owners of the Company Share-based compensation	*26D*	–	–	20,333	–	20,333	–	20,333
Total comprehensive loss:								
Loss for the year		–	–	–	(970,659)	(970,659)	(28)	(970,687)
Other comprehensive income for the year		–	–	369,797	–	369,797	–	369,797
Other adjustment		–	–	(152)	152	–	–	–
As at December 31, 2018		5,195,395	21,959,159	589,907	981,312	28,725,773	193	28,725,966
Transactions with owners of the Company Share-based compensation	*26D*	–	–	12,493	–	12,493	–	12,493
Total comprehensive income:								
Profit for the year		–	–	–	1,279,599	1,279,599	(23)	1,279,576
Other comprehensive loss for the year		–	–	(352,548)	–	(352,548)	–	(352,548)
As at December 31, 2019		5,195,395	21,959,159	249,852	2,260,911	29,665,317	170	29,665,487
Transactions with owners of the Company								
Issuance of common stock	*26A*	8,293,832	4,478,668	–	–	12,772,500	–	12,772,500
Share issuance cost	*26A*	–	(220,028)	–	–	(220,028)		(220,028)
Share-based compensation	*26D*	–	–	2,088	–	2,088	–	2,088
Total comprehensive income:								
Profit for the year		–	–	–	985,114	985,114	(20)	985,094
Other comprehensive loss for the year		–	–	(294,553)	–	(294,553)	–	(294,553)
As at December 31, 2020		**P13,489,227**	**P26,217,799**	**(P42,613)**	**P3,246,025**	**P42,910,438**	**P150**	**P42,910,588**

The accompanying notes are part of these consolidated financial statements.

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

		Years Ended December 31		
	Note	**2020**	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit (loss)		**P985,094**	P1,279,576	(P970,687)
Adjustments for:				
Depreciation and amortization of property, machinery and equipment and assets for the right-of-use	*5*	**2,364,089**	1,885,513	1,855,675
Income tax expense	*25*	**336,018**	219,174	953,704
Retirement benefit expense	*23*	**101,473**	103,722	113,996
Impairment loss on trade receivables, inventory write-down and provisions during the year	*16, 22*	**22,056**	31,084	30,539
Stock-based compensation expense		**2,088**	12,493	20,333
Financial expenses, other financial expenses (income) and unrealized foreign exchange result		**(527,506)**	794,704	1,226,006
Gain on remeasurement of lease liability and asset for the right-of-use from lease termination and gain from rent concessions	*9, 10, 18*	**(4,748)**	(7,032)	–
Loss (gain) on disposal of assets		**(182)**	19,713	(18,254)
Impairment loss on property, machinery and equipment		**–**	–	3,670
Operating profit before working capital changes		**3,278,382**	4,338,947	3,214,982
Changes in working capital:				
Decrease (increase) in:				
Trade receivables		**186,583**	(184,379)	99,415
Due from related parties		**23,483**	8,937	(3,940)
Insurance claims and premiums receivable		**357,966**	487,660	(949,983)
Other current accounts receivable		**26,180**	8,775	33,003
Inventories		**593,096**	524,645	(267,275)
Derivative asset		**–**	12,875	–
Prepayments and other current assets		**(394,147)**	(171,014)	(432,593)
Increase (decrease) in:				
Trade payables		**(252,934)**	(772,944)	2,432,061
Due to related parties		**560,069**	695,431	(464,182)
Unearned income, other accounts payable and accrued expenses		**(384,408)**	(215,110)	130,873
Contract liabilities		**37,343**	(107,437)	(51,775)

Forward

	Notes	Years Ended December 31 2020	2019	2018
Cash generated from operations		**P4,031,613**	P4,626,386	P3,740,586
Interest received		**54,025**	40,621	24,145
Interest paid	*13, 21, 24*	**(858,086)**	(1,124,978)	(965,279)
Income taxes paid		**(268,450)**	(352,070)	(500,196)
Benefits paid to employees	*23*	**(50,054)**	(73,964)	(45,720)
Pension plan contribution	*23*	**(101,400)**	(105,000)	–
Retirement payment received from transferred benefit liability		**–**	–	88,525
Net cash provided by operating activities		**2,807,648**	3,010,995	2,342,061
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Property, machinery and equipment	*18*	**(2,962,449)**	(3,121,889)	(1,254,527)
Other investments		**–**	–	(790)
Decrease (increase) in other assets and noncurrent accounts receivable		**54,820**	(18,905)	(101,547)
Advances to contractors	*18*	**–**	–	(2,069,601)
Proceeds from sale of:				
Property, machinery and equipment		**1,167**	10,413	–
Investment in shares of stock	*14*	**–**	–	17,832
Assets held for sale		**–**	–	73,083
Net cash used in investing activities		**(2,906,462)**	(3,130,381)	(3,335,550)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Issuance of capital stock	*26A*	**12,772,500**	–	–
Long-term loan from related parties, net of issuance cost	*13*	**1,269,568**	2,611,429	2,279,121
Payments of:				
Long-term payable to a related party	*13*	**(7,742,450)**	–	–
Lease liabilities - net of interest	*21*	**(625,421)**	(473,046)	(417,097)
Bank loan	*24*	**(640,124)**	(2,340,123)	(140,123)
Share issuance cost		**(155,981)**	(68,339)	–
Net cash provided by (used in) financing activities		**4,878,092**	(270,079)	1,721,901
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**4,779,278**	(389,465)	728,412
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(39,047)**	(25,020)	26,986
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**1,399,180**	1,813,665	1,058,267
CASH AND CASH EQUIVALENTS AT END OF YEAR	*11*	**P6,139,411**	P1,399,180	P1,813,665

The accompanying notes are part of these consolidated financial statements.

NOTE 1 - DESCRIPTION OF BUSINESS

CEMEX Holdings Philippines, Inc. (the "Parent Company"), a subsidiary of CEMEX Asian South East Corporation (CASEC), was incorporated as a stock corporation on September 17, 2015 under Philippine laws, primarily to invest in or purchase real or personal property; and to acquire and own, hold, use, sell, assign, transfer, mortgage all kinds of properties, such as shares of stock, bonds, debentures, notes, or other securities and obligations; provided that the Parent Company shall not engage either in the stock brokerage business or in the dealership of securities, and in the business of an open-end investment company as defined in Republic Act 2629, Investment Company Act.

CASEC was incorporated as a stock corporation on August 25, 2015 under Philippine laws.

On a consolidated group basis, the Parent Company is an indirect subsidiary of CEMEX, S.A.B. de C.V. (CEMEX), a company incorporated in Mexico with address of its principal executive office at Avenida Ricardo Margain Zozaya #325, Colonia Valle del Campestre, Garza Garcia, Nuevo León, Mexico.

The term "Parent Company" used in these accompanying notes to the consolidated financial statements refers to CEMEX Holdings Philippines, Inc. without its subsidiaries. The term "Company" refers to CEMEX Holdings Philippines, Inc., together with its consolidated subsidiaries.

On January 1, 2016, the Parent Company became the holding company of the consolidated entities, majority of whom are doing business in the Philippines. The Parent Company's two principal manufacturing subsidiaries, i.e., APO Cement Corporation (APO) and Solid Cement Corporation (Solid), are involved in the production, marketing, distribution and sale of cement and other cement products. APO and Solid are both stock corporations organized under the laws of the Philippines. The Parent Company holds APO directly and indirectly, through Edgewater Ventures Corporation and Triple Dime Holdings, Inc., whereas the Parent Company holds Solid and Solid's subsidiaries directly and indirectly, through Bedrock Holdings, Inc. and Sandstone Strategic Holdings, Inc. (see Note 30).

The Company also includes CEMEX Asia Research AG (CAR), a wholly-owned subsidiary incorporated in December 2015 under the laws of Switzerland. Pursuant to license agreements that CAR entered into with CEMEX Research Group AG (CRG) and CEMEX, respectively, CAR became a licensee for certain trademarks, including the CEMEX trademark, and other intangible assets forming part of the intellectual property portfolio owned and developed by CRG and CEMEX. CAR is engaged primarily in the development, maintenance and customization of these intangible assets for the Asia Region and it in turn provides non-exclusive licenses to Solid and APO to use the CEMEX trademark and other trademarks and intangible assets of CEMEX. CRG, an entity under common control of CEMEX, was organized under the laws of Switzerland. CRG develops and manages CEMEX's research and development initiatives.

In May 2016, the Parent Company incorporated a wholly-owned subsidiary named Falcon Re Ltd. (Falcon) under the Companies Act of Barbados. Falcon is registered to conduct general insurance business, all risk property insurance, political risks insurance and non-damage business interruption insurance, and received its license to operate as an insurance company in July 2016. Falcon acts as a re-insurer to the extent of 10% of the risks associated with the property insurance coverage and 100% of the risks associated with political violence and non-damage business interruption programs, professional liability program, and cyber risks for the operating subsidiaries of the Parent Company.

On June 30, 2016, the Philippine Securities and Exchange Commission (SEC) resolved to render effective the Registration Statement of the Parent Company and issued a Certificate of Permit to Offer Securities for Sale in favor of the Parent Company. On July 18, 2016, the Parent Company's initial public offering (IPO) of 2,337,927,954 common shares at P10.75 per share culminated with the listing and trading of shares of stocks under the Main Board of the Philippine Stock Exchange (PSE), resulting in an increase in capital stock of P2,337,928 and additional paid-in capital of P21,959,159, net of P835,639 transaction cost that is accounted for as a reduction in equity.

On April 2, 2019 and October 16, 2019, the Board of Directors (BOD) and stockholders of the Parent Company, respectively, approved the amendment of the Seventh Article of the Amended Articles of Incorporation of the Parent Company to reflect an increase in the Parent Company's authorized capital stock (ACS) from P5,195,395, consisting of 5,195,395,454 common shares with a par value of P1 per share, to P18,310,395, consisting of 18,310,395,454 common shares with a par value of P1 per share. In connection with the proposed capital increase, a stock rights offering (SRO) was pursued by the Parent Company. On December 11, 2019, the SEC issued a Notice of Confirmation of Exempt Transaction, confirming that the SRO is exempt from the registration requirements of the Securities Regulation Code of the Philippines, and the board of directors of the PSE approved the Parent Company's application for listing of the shares to be offered in the SRO, subject to the fulfillment of certain listing conditions, such as but not limited to the Parent Company having obtained the SEC's approval of the increase in its ACS.

On January 6, 2020, the Parent Company defined the final terms of the SRO which involved 8,293,831,169 common shares which was sourced from the increase in the Parent Company's ACS, with an offer price of P1.54 per share during an offer period from January 20 to 24, 2020. On February 27, 2020, the SEC approved the increase in ACS of the Parent Company from 5,195,395,454 at P1 par value to 18,310,395,454 at P1 par value. The SRO offer period was concluded resulting in the full subscription of 8,293,831,169 common shares. After the SRO and the approval from the SEC of the Parent Company's application for increase in ACS, the total number of issued and outstanding shares of the Parent Company is 13,489,226,623 common shares. On March 4, 2020, the 8,293,831,169 common shares comprising the rights shares were listed under the Main Board of the PSE.

Based on the lists of stockholders registered with the stock transfer agent of the Parent Company, the Parent Company had 27 and 26 stockholders as at December 31, 2020 and 2019, respectively, with each of PCD Nominee Corporation (Filipino) and PCD Nominee Corporation (Non-Filipino) recorded as a stockholder.

The Parent Company's principal office is at 34th Floor Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City, Philippines.

NOTE 2 - BASIS OF PREPARATION

A) STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs, which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations.

B) BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on the historical cost basis of accounting, except for retirement benefit liability which is measured at the present value of the defined benefit obligation less the fair value of plan assets and derivative financial asset and other investments that are measured at fair value.

C) DEFINITION OF TERMS

When reference is made to "P", it means Philippine Peso. Unless otherwise indicated, the Philippine Peso amounts in the consolidated financial statements and the accompanying notes are stated in thousands. When reference is made to "$" or dollar and "€" or euro, it means thousands of dollars of the United States of America (the "United States" or "U.S.") and euros of the European Union, respectively.

D) FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial statements of the Company are presented in Philippine Peso, the functional currency of the Parent Company and each of its subsidiaries, except for Falcon and CAR whose functional currencies are both in U.S. dollar. All values are rounded to the nearest thousand, except when otherwise stated.

E) STATEMENTS OF COMPREHENSIVE INCOME

The line item "Other income (expenses) - net" in the consolidated statements of comprehensive income consists primarily of income and expenses not directly related to the Company's main activity, or which are non-recurring in nature, such as gain on sale of scraps, gain on rent concession, non-recurring COVID-19 related expenses, gain or loss from disposal of property, machinery and equipment and golf club shares, transportation service income, and other losses related to the landslide, among others.

F) STATEMENTS OF CASH FLOWS

The consolidated statements of cash flows present cash inflows and outflows, excluding unrealized foreign exchange result and the following that did not represent sources or uses of cash:

a) The increases in other equity reserves associated with equity settled share-based compensation in 2020, 2019 and 2018 as part of the executive's long-term compensation programs amounting to P2,088, P12,493 and P20,333, respectively, as described in Note 26D.
b) The Company has incurred liability amounting to P728,515, P975,234 and P163,200, arising from the acquisition of various property, machinery and equipment in 2020, 2019 and 2018, respectively.
c) The Company has paid its liability to Island Quarry and Aggregates Corporation (IQAC) by assigning its loan receivable from CEMEX Philippines Foundation, Inc. amounting to P39,244 (see Note 13).

G) APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements were authorized for issue by the BOD on April 7, 2021.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

A) CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted have been applied consistently to all years presented in these consolidated financial statements, except for the following relevant amendments to standards which were adopted on January 1, 2020 and have been applied in preparing these consolidated financial statements. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Company's consolidated financial statements.

1. Adoption of Amendments to Standards

1.1 Amendments to References to Conceptual Framework in PFRS Standards sets out amendments to PFRS Standards, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes:

- a new chapter on measurement;
- guidance on reporting financial performance;
- improved definitions of an asset and a liability, and guidance supporting these definitions; and
- clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Some Standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee (IASC)'s Framework for the Preparation and Presentation of Financial Statements adopted by the IASB in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

1.2 Definition of Material (Amendments to PAS 1, Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors). The amendments refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of material and its application by:

- raising the threshold at which information becomes material by replacing the term 'could influence' with 'could reasonably be expected to influence';
- including the concept of 'obscuring information' alongside the concept of 'omitting' and 'misstating' information in the definition;
- clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;
- clarifying the explanatory paragraphs accompanying the definition; and
- aligning the wording of the definition of material across PFRS Standards and other publications.

The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements.

1.3 COVID-19 - Related Rent Concessions (Amendment to PFRS 16, Leases). The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The practical expedient apply if:

- the revised consideration is substantially the same or less than the original consideration;
- the reduction in lease payments relates to payments due on or before June 30, 2021; and
- no other substantive changes have been made to the terms of the lease.

Lessees applying the practical expedient are required to disclose that fact, whether they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and the amount recognized in profit or loss for the reporting period arising from application of the practical expedient. No practical expedient is provided for lessors.

The amendment is effective for annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted. The Company has early adopted this amendment beginning June 1, 2020. Total amount recognized in profit or loss for the reporting period to reflect changes in lease payments that arise from rent concessions to which the Company has applied the practical expedient is disclosed in Note 21 to the consolidated financial statements.

2. Standards Issued But Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2020. However, the Company has not early adopted the following new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's consolidated financial statements. The Company will adopt the following new and amendments to standards in their respective effective dates.

2.1 Property, Plant and Equipment - Proceeds before Intended Use (Amendments to PAS 16, Property, Plant and Equipment). The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, *Inventories*.

The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

For the sale of items that are not part of a company's ordinary activities, the amendments require the company to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

2.2 *Onerous Contracts - Cost of Fulfilling a Contract (Amendment to PAS 37, Provisions, Contingent Liabilities and Contingent Assets).* The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract – i.e. it comprise both incremental costs and an allocation of other direct costs.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. Earlier application is permitted.

2.3 *Annual Improvements to PFRS Standards 2018-2020.* This cycle of improvements contains amendments to the following relevant standards:

- *Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9, Financial Instruments).* The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
- *Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16).* The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

2.4 *Classification of Liabilities as Current or Non-current (Amendments to PAS 1).* To promote consistency in application and clarify the requirements on determining whether a liability is current or non-current, the amendments:

- removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;
- clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

2.5 *PFRS 17, Insurance Contracts,* replaces the interim standard, PFRS 4 Insurance Contracts. Reflecting the view that an insurance contract combines features of both a financial instrument and a service contract, and considering the fact that many insurance contracts generate cash flows with substantial variability over a long period, PFRS 17 introduces a new approach that:

- combines current measurement of the future cash flows with the recognition of profit over the period services are provided under the contract;
- presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and
- requires an entity to make an accounting policy choice portfolio-by-portfolio of whether to recognize all insurance finance income or expenses for the reporting period in profit or loss or to recognize some of that income or expenses in other comprehensive income.

Under PFRS 17, groups of insurance contracts are measured based on fulfilment cash flows, which represent the risk-adjusted present value of the entity's rights and obligations to the policy holders, and a contractual service margin, which represents the unearned profit the entity will recognize as it provides services over the coverage period. Subsequent to initial recognition, the liability of a group of insurance contracts represents the liability for remaining coverage and the liability for incurred claims, with the fulfilment cash flows remeasured at each reporting date to reflect current estimates.

Simplifications or modifications to the general measurement model apply to groups of insurance contracts measured using the 'premium allocation approach', investment contracts with discretionary participation features, and reinsurance contracts held.

PFRS 17 brings greater comparability and transparency about the profitability of new and in-force business and gives users of financial statements more insight into an insurer's financial health. Separate presentation of underwriting and financial results will give added transparency about the sources of profits and quality of earnings.

PFRS 17 is effective for annual periods beginning on or after January 1, 2025. Full retrospective application is required, unless it is impracticable, in which case the entity chooses to apply the modified retrospective approach or the fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it applies the fair value approach. Early application is permitted for entities that apply PFRS 9 on or before the date of initial application of PFRS 17.

Deferral of the local implementation of Amendments to PFRS 10, Consolidated Financial Statements, and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. The amendments address an inconsistency between the requirements in PFRS 10 and in PAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Originally, the amendments apply prospectively for annual periods beginning on or after January 1, 2016 with early adoption permitted. However, on January 13, 2016, the FRSC decided to postpone the effective date of these amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

B) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements includes those of the Parent Company and those of the subsidiaries in which the Parent Company exercises control (see Note 30), by means of which the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. Among other factors, control is evidenced when the Parent Company: a) holds directly or through subsidiaries, more than 50% of an entity's common stock; or b) has the power, directly or indirectly, to govern the administrative, financial and operating policies of an entity.

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Company's voting rights and potential voting rights.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Company obtains control and continue to be consolidated until the date that such control ceases.

The consolidated financial statements of the Company are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent. It is measured at its proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Parent Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Company.

If the Company loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interest;
- derecognizes the related other comprehensive income (OCI) recorded in equity and recycles the same to profit or loss or retained earnings;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained; and
- recognizes any surplus or deficit in profit or loss in the consolidated statements of comprehensive income.

The Company has P150 and P170 non-controlling interest as at December 31, 2020 and 2019, respectively (see Note 26C).

All intragroup transactions, balances and income and expenses are eliminated in consolidation. Each subsidiary is a legally responsible separate entity and maintains custody of its own financial resources.

C) USE OF JUDGMENTS, ESTIMATES AND CRITICAL ASSUMPTIONS

The preparation of consolidated financial statements in accordance with PFRSs requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the period. These assumptions are reviewed on an ongoing basis using available information. Actual results could differ from these estimates.

Judgments
In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, that have the most significant effect on the amounts recognized in the consolidated financial statements:

Determining Functional Currency

PAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires the management to use its judgment to determine an entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, each of the consolidated entities in the Company considers the following:

a) The currency that mainly influences sales prices for goods and services (this will often be the currency in which sales prices for its goods and services are denominated and settled);
b) The currency in which funds from financing activities are generated; and
c) The currency in which receipts from operating activities are usually retained.

In case of a subsidiary, the principal consideration of management is whether it is an extension of the Parent Company and performing the functions of the Parent Company - i.e., whether its role is simply to hold the investment in, or provide finance to, the foreign operation on behalf of the Parent Company or whether its functions are essentially an extension of a local operation (e.g., performing selling, payroll or similar activities for that operation) or indeed it is undertaking activities on its own account. In the former case, the functional currency of the entity is the same with that of the Parent Company; while in the latter case, the functional currency of the entity would be assessed separately.

Determining Whether the Company has Control over its Investee Companies

The Parent Company uses judgment in determining control over its investee companies. The Parent Company controls the entity when it is exposed, or has rights, to variable returns from its involvement with the investee; has the ability to affect those returns through its power over the investee; and there is a link between power and returns. Thus, the principle of control sets out the following three elements of control:

- power over the relevant activities of the investee;
- exposure, or rights, to variable returns from involvement with the investee; and
- the ability to use power over the investee to affect the amount of the investor's returns.

The Parent Company assessed that it has control over its investee companies disclosed in Note 30 and treats these investee companies as its subsidiaries.

Judgment on the Lease Term to be Considered in Computing for Lease Liabilities

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised. The Company has contracts that include extension option to lease parcels of land. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. The Company included the complete renewal period as part of the lease term for such leases of parcels of land as this is reasonably certain to be exercised considering the costs and business disruption required to replace the leased asset. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew.

Determining Whether the Company is Acting as a Principal or an Agent

Determining whether an entity is acting as a principal or as an agent depends on certain facts and circumstances and requires judgment by management. Features that, individually or in combination, indicate that an entity is acting as a principal include:

- the entity is primarily responsible for fulfilling the promise to provide the specified good or service;
- the entity has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer; and
- the entity has discretion in establishing the price for the specified good or service.

An entity is acting as a principal if it controls the promised goods or services before transferring them to the customer. The Company assessed that it is acting as principal on all of its revenue transactions.

Classifying Financial Instruments

The Company exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

In addition, classification of financial assets depends on the results of the solely payments of principal and interest test and the business model test. The Company determines the business model at the level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including the risks that affect the performance of the assets and how these are managed. The Company monitors financial assets measured at amortized cost or fair value through other comprehensive income (FVOCI) to understand the reason for any disposal prior to maturity and determine whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Financial assets are classified as financial assets at amortized cost or at fair value through profit or loss (FVTPL), debt investments at FVOCI and equity investment at FVOCI. Financial liabilities, on the other hand, are classified as either financial liabilities at FVTPL or other financial liabilities.

Assessing Whether the Insurance Contract with the Third Party Insurer and Reinsurance Contract of Falcon are Linked Transactions

The Company, through Solid and APO, insures certain risks with a third party insurer in which Falcon takes some of the risk back into the Company. It was assessed that the insurance transactions between the third party insurer and Solid and APO are interdependent with the reinsurance transaction to Falcon. Since Falcon does not have the regulatory approval required to issue direct insurance contract to Philippine entities, the third party insurer acts as a conduit for Falcon, the captive insurer. This makes the transactions, in substance, form a single arrangement that achieves an overall commercial effect of self-insurance. In addition, the reinsurance contract by Falcon were entered in contemplation of the insurance contracts entered by Solid and APO with the third party insurer. Thus, the insurance expense of Solid and APO and revenue from insurance contracts of Falcon were offset during consolidation.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty as at reporting date that have the most significant risk of resulting in a material adjustment to the carrying amounts of assets, liabilities and equity within the next financial year are as follows:

Impairment of Trade Receivables

In 2020 and 2019, the loss allowances for trade receivables are based on assumptions about risk of default and expected credit loss (ECL) rates. The Company uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. Details of key assumptions and inputs and other information about the Company's ECL are disclosed in Note 22. As at December 31, 2020 and 2019, the carrying amount of trade receivables amounted to P700,162 and P892,951, respectively (see Note 12).

Impairment of Goodwill

The Company performed its annual impairment test on its goodwill as at the reporting date. The recoverable amount of goodwill was determined based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The assumptions that were applied to the cash flow projections are disclosed in Note 19 to the consolidated financial statements. The following bases were used to develop the assumptions used in computing value-in-use, among others:

Growth rate estimates - growth rates were based on experiences and strategies developed for the main operating subsidiaries. The prospect for the industry was also considered in estimating the growth rates.

Discount rates - discount rates were estimated based on the industry weighted average cost of capital, which includes the cost of equity and debt after considering the gearing ratio.

Calculated value-in-use for goodwill impairment testing is most sensitive to changes in discount rate and terminal growth rate. The carrying amount of goodwill as at December 31, 2020 and 2019 amounted to P27,859,694 (see Note 19). No impairment on goodwill has been recognized in 2020 and 2019.

Estimating Realizability of Deferred Income Tax Assets

The Company reviews its deferred income tax assets at each reporting date and reduces the deferred income tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. The deferred income tax assets include an amount which relates to the carried forward tax losses, excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and other deductible temporary differences of the Parent Company and its local subsidiaries (see Note 25B). The Parent Company and its subsidiaries have incurred tax losses and excess MCIT over RCIT. The carried forward tax losses and excess MCIT over RCIT have an expiration of three years from the taxable year when such tax losses were incurred, except for losses incurred in 2020 and 2021 which have an expiration of five years from the year they were incurred (see Note 25A). However, the Company has concluded that they will only benefit from a portion of the said tax losses and excess MCIT over RCIT before they eventually expire. Deferred income tax assets were recognized only up to the extent of forecasted taxable income in subsequent periods. Each forecast was based on each of the Parent Company and the subsidiaries' past results and future expectations of revenue and expenses. As at December 31, 2020 and 2019, net deferred income tax assets amounted to P1,088,227 and P1,034,620, respectively (see Note 25B). The Company has unrecognized deferred income tax assets in respect of its net operating loss carryover (NOLCO), excess MCIT over RCIT and other deductible temporary differences amounting to P629,617 and P2,154,184 as at December 31, 2020 and 2019, respectively. For the years ended December 31, 2020, 2019 and 2018, the Company has income tax expense (benefit) amounting to and P157,146, (P256,792) and P606,953, respectively, resulting from the write-down of previously recognized deferred income tax assets and reversal of previously unrecognized deferred tax assets (see Note 25A). The outcomes within the next financial year with respect to the results of operations of the Parent Company and local subsidiaries that are different from the assumption could require a material adjustment to the carrying amount of the Company's deferred income tax assets.

Estimating Provision for Tax Liabilities

The Company sets up appropriate provision based on the probable outcome of legal proceedings, including national and local tax investigations, that have arisen in the ordinary course of business. As at December 31, 2020 and 2019, the balance of the provisions amounted to nil.

Assessing the Probability of an Outflow from Legal Proceedings

Pending legal cases are reviewed continuously to assess whether an outflow of resources has become probable. If the recognition criteria in the Company's policy (see Note 3M) are met, then the liability is recognized in the consolidated statements of financial position in the period in which the probability occurs. Further information about the Company's assessment on its legal proceedings are disclosed on Notes 29 and 31.

D) FOREIGN CURRENCY

Foreign Currency Transactions

Transactions in foreign currencies are translated into the respective functional currencies of each of the consolidated entities in the Company at the exchange rates at the dates of the transactions.

Monetary assets and liabilities that are denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss.

However, foreign currency differences arising from the transaction of the following items are recognized in OCI:

- FVOCI equity and debt investments; and
- qualifying cash flow hedges to the extent that the hedges are effective.

Foreign currency gains and losses are reported on a net basis. During the period, there was no hyperinflationary economy, which is generally considered to exist when the cumulative inflation rate over the last three years is approaching or exceeds 100%. In a hyperinflationary economy, the accounts of the entity's income statements should be restated to constant amounts as at the reporting date.

Foreign Operation

The assets and liabilities of foreign operation with functional currency other than the Philippine peso are translated into Philippine peso at the exchange rates at the reporting date. The income, expenses and cash flows of foreign operations are translated into Philippine peso at the monthly weighted average exchange rates for the period. Capital transactions of the foreign operations are translated to Philippine Peso at the exchange rates at the dates of the relevant transactions. Foreign currency differences are recognized in OCI and accumulated in "Other equity reserves" account in equity, except to the extent that the translation difference is allocated to the non-controlling interest.

When a foreign operation is disposed of in its entirety or partially such that control is lost, the cumulative amount of exchange difference relating to that foreign operation, recognized in OCI and accumulated in "Other equity reserves" account in the consolidated statements of financial position is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. If the Company disposes of part of its interest in a subsidiary but retains control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest.

E) FINANCIAL INSTRUMENTS

Recognition and Initial Measurement

Financial instruments within the scope of PFRS 9 are recognized in the consolidated statements of financial position when the Company becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using trade date accounting.

A financial asset (unless it is a receivable without a financing component) or financial liability is initially measured at fair value. Except for financial instruments classified or designated at FVTPL, the initial measurement of financial assets includes directly attributable transaction costs. A receivable without a significant financing component is initially measured at the transaction price.

Classification and Subsequent Measurement

The Company determines the classification of its financial assets on initial recognition. The Company classifies its financial assets into the following categories: financial assets at amortized cost, financial assets at FVTPL, debt investments at FVOCI and equity investments at FVOCI. The classification depends on the Company's business model for managing financial instruments and the contractual cash flow characteristics of the financial instruments. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

As at December 31, 2020 and 2019, the Company has no debt investments at FVOCI.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Impairment losses on trade receivables are recognized under selling expenses. Any gain or loss on derecognition is recognized in profit or loss. Financial assets at amortized cost are classified as current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

The Company's cash and cash equivalents, trade receivables, due from related parties, insurance claims and premiums receivable, other current accounts receivable and noncurrent accounts receivable are included in this category.

Cash equivalents are mainly represented by short-term investments of high liquidity, which are easily convertible into cash, and which are not subject to significant risks of changes in their values, including overnight investments, which yield fixed returns and have maturities of less than three months from the investment date. Cash and cash equivalents exclude those which are restricted from Company's use in operations. Interest income accruing from cash and cash equivalents are recognized as part of "Other financial expenses - net" account in the consolidated statements of comprehensive income.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss. Included in this category is the Company's other investments.

All financial assets not classified and measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets (see policy on cash flow hedges for derivatives designated as hedging instruments). On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business Model Assessment
The Company makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the standard policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets; and
- the frequency, volume and timing of sales of financial assets in prior period, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Assessment Whether Contractual Cash Flows are Solely Payments of Principal and Interest
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g., non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Classification and Subsequent Measurement - Financial Liabilities
Trade payables, due to related parties, other accounts payable and accrued expenses (excluding liabilities covered by other PFRSs, such as statutory liabilities), long-term payable to a related party and bank loan, are recognized initially at fair value, less directly attributable transaction cost and subsequently measured at their amortized cost. Interest accrued on financial instruments is recognized in the consolidated statements of financial position within "Unearned income, other accounts payable and accrued expenses" and "Due to related parties" against financial expenses. As at December 31, 2020 and 2019, the Company did not have financial liabilities classified as at FVTPL or associated to fair value hedge strategies with derivative financial instruments. Direct costs incurred in debt issuances or borrowings are deducted from the fair value of the financial liability at initial recognition and amortized as interest expense as part of the effective interest rate of each transaction over its maturity. The amortized debt issuance cost from third party borrowings is recognized under "Financial expenses" account in the consolidated statements of comprehensive income. Debt issuance cost from intra-group borrowings is charged under "Other financial expenses" account in the consolidated statements of comprehensive income. When a loan is repaid, the related unamortized debt issuance costs at the date of repayment are charged against profit or loss. Financial liabilities are classified as current liabilities if the liability is due to be paid within 12 months from the reporting date and the Company has no unconditional right to defer settlement of the liability for at least 12 months after the reporting date, otherwise, these are classified as noncurrent liabilities.

Derivative Financial Instruments and Hedge Accounting

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss. The Company designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in commodity prices. At inception of designated hedging relationships, the Company documents the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other. To qualify for hedge accounting, the hedging relationship must comply with the strict requirements such as the eligibility of both the hedging instrument and hedged item must have formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge, and the hedging relationship has to meet the following hedge accounting requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item. However, that designation shall not reflect an imbalance between the weightings of the hedged item and the hedging instrument that would create hedge ineffectiveness (irrespective of whether recognized or not) that could result in an accounting outcome that would be inconsistent with the purpose of hedge accounting.

Cash Flow Hedges
When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in OCI and accumulated in the hedging reserve within equity. The effective portion of changes in the fair value of the derivative that is recognized in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

The Company designates only the change in fair value of the intrinsic value of the purchased option contract as the hedging instrument in cash flow hedging relationships. The change in fair value of the time value ('forward points') of the purchased option contract is separately accounted for as a cost of hedging and recognized in costs of hedging reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item, such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognized.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

'Day 1' Profit

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions of the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' profit) in profit or loss. In cases where no observable data are used, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' profit amount.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Company has an enforceable legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements and the related assets and liabilities are presented gross in the consolidated statements of financial position.

Derecognition of Financial Instruments

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the financial asset have expired;
- the Company retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transferred its rights to receive cash flows from the financial asset and either: (a) has transferred substantially all the risks and rewards of the financial asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset.

When the Company has transferred its rights to receive cash flows from a financial asset or has entered into a 'pass-through' arrangement, and has neither transferred nor retained substantially all the risks and rewards of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Company could be required to repay.

A financial liability (including lease liability) is derecognized when the obligation under the liability is discharged or cancelled or has expired. The difference between the carrying amount of financial liability (or part of a financial liability) extinguished and the consideration paid is recognized in profit or loss. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the carrying amount of the original liability and the recognition of a new liability at fair value, and any resulting difference in the respective carrying amounts is recognized in profit or loss.

F) BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The Company discloses balances and transactions with related parties. These balances and transactions resulted primarily from: i) the sale and purchase of goods and equipment between related parties; ii) lease contracts; iii) the invoicing of administrative services, royalties and other services rendered between related parties; and iv) loans and advances between related parties, among others.

G) INVENTORIES

Inventories are valued using the lower of their acquisition cost and net realizable value (NRV). The cost of inventories is based on the moving average method and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition, including attributable non-production overheads. NRV of inventories, other than spare parts, is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The NRV of spare parts is the replacement cost. The Company analyzes its inventory balances to determine if, as a result of internal events, such as physical damage, or external events, such as technological changes or market conditions, certain portions of such balances have become obsolete or impaired.

When an impairment situation arises, the inventory balance is adjusted to its NRV, whereas, if an obsolescence situation occurs, the inventory obsolescence reserve is increased. In both cases, these adjustments are recognized against the results for the period. Advances to suppliers of inventory are presented as part of "Prepayments and other current assets" account in the consolidated statements of financial position.

When the inventories are sold, the carrying amounts of those inventories are recognized under "Cost of Sales" account in profit or loss in the period when the related revenue is recognized.

H) PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments

Prepayments are carried at cost. Prepaid taxes represent creditable withholding taxes which are deducted from income tax payable. Prepaid insurance is subsequently amortized over the terms of the contract to which the payment applies. Advances to suppliers of clinker and raw materials are subsequently recognized as inventories or expense when the goods are received or services are rendered. Advances to employees pertain to advance payments made by the Company for its revolving fund which is used to defray immediate Company expenses and is subsequently recognized as an expense when incurred.

I) INVESTMENT IN AN ASSOCIATE

An associate is an entity in which the Company has significant influence, but not control or joint control, over the financial and operating policies. Interest in an associate is accounted for using the equity method. It is initially recorded at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Company's share in the profit or loss and OCI of the associate, until the date on which the significant influence ceases.

J) PROPERTY, MACHINERY AND EQUIPMENT

An item of property, machinery and equipment is initially recognized at its cost, which consists of its purchase price and any directly attributable cost in bringing the asset to the location and condition of its intended use. Property, machinery and equipment are subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

The acquisition or construction cost includes all expenditures directly attributable to bringing the assets to a working condition for their intended use. Major components of an item of property, machinery and equipment with different useful lives are accounted for as separate items.

Depreciation of property, machinery and equipment is recognized as part of "Cost of Sales" and "Operating Expenses" accounts in the consolidated statements of comprehensive income and is calculated using the straight-line method over the estimated useful lives of the assets.

As at December 31, 2020 and 2019, the Company's maximum estimated useful lives by category of property, machinery and equipment are as follows:

Type of asset	Years
Buildings and improvements	3 - 50
Machinery and equipment:	
Plant Machinery and equipment	10 - 35
Ready-mix trucks and motor vehicles	5
Office equipment and other assets	3

The assets' residual values, useful lives and method of depreciation are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the items of property, machinery and equipment. Any change in the expected residual values, useful lives and method of depreciation are adjusted prospectively from the time the change was determined necessary.

The Company capitalizes, as part of the historical cost of property, machinery and equipment, interest expense arising from existing debt during the construction or installation period of significant property, machinery and equipment, considering the Company's corporate average interest rate and the average balance of investments in process for the period.

Construction in-progress represents property, machinery and equipment under construction and is recognized at cost. This includes cost of construction and other direct costs. Construction in-progress is not depreciated until such time that the relevant assets are completed and available for operational use but is tested for impairment.

Costs incurred in respect of operating property, machinery and equipment that result in future economic benefits, such as an extension in their useful lives, an increase in their production capacity or in safety, as well as those costs incurred to mitigate or prevent environmental damage, are capitalized as part of the carrying amount of the related assets. The capitalized costs are depreciated over the remaining useful lives of such property, machinery and equipment. Other costs, including periodic maintenance on property, machinery and equipment, are expensed as incurred. Advances to suppliers of property, machinery and equipment are presented as part of "Advances to contractors" account in the consolidated statements of financial position.

Major spare parts and stand-by equipment items that the Company expects to use over more than one period and can be used only in connection with an item of property, machinery and equipment are accounted for as property, machinery and equipment. Depreciation on these major spare parts and stand-by equipment commence once these have become available for use (i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Company).

An item of property, machinery and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the consolidated statements of comprehensive income in the period the item is derecognized.

K) GOODWILL

Goodwill acquired in a business combination from the acquisition date is allocated to each of the Company's cash-generating units (CGUs), or groups of CGUs that are expected to benefit from the synergies of the combination, irrespective of whether the assets or liabilities of the Company are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Company at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on the Company's operating segments as determined in accordance with PFRS 8, *Operating Segments.*

Following initial recognition, goodwill is measured at cost, less any accumulated impairment loss. Goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired (see Note 3L).

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

L) IMPAIRMENT

Non-derivative Financial Assets

The Company recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities and other receivables (i.e., insurance claims and premiums receivable) that are determined to have low credit risk at the reporting date; and
- other debt securities, other receivables and bank balances for which credit risk (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when: (1) the borrower is unlikely to pay its obligations to the Company in full, without recourse by the Company to actions such as realizing any collateral; or (2) the financial asset is more than 90 days past due.

The Company considers a debt security to have low credit risk when: i) the debt security has a low risk of default; ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired Financial Assets
At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or

- the disappearance of an active market for a security because of financial difficulties.

Presentation of Allowance for ECL in the Consolidated Statements of Financial Position
Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Write-off
The gross carrying amount of a financial asset is written-off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company categorizes a financial asset for write-off when the debtor fails to make contractual payments more than 365 days past due. Financial assets written-off are no longer subject to enforcement activities of the Company.

Property, Machinery and Equipment, Assets for the Right-of-Use and Investment in an Associate

Property, machinery and equipment, assets for the right-of-use and investment in an associate are tested for impairment upon the occurrence of factors, such as a significant adverse event, changes in the Company's operating environment, changes in projected use or in technology, as well as expectations of lower operating results for each CGU, in order to determine whether their carrying amounts may not be recovered, in which case an impairment loss is recognized in profit or loss for the period when such determination is made within "Other income (expenses) - net" account in the consolidated statements of comprehensive income.

The impairment loss of an asset results from the excess of the asset's carrying amount over its recoverable amount, corresponding to the higher between the fair value of the asset, less costs of disposal, and its value-in-use, the latter represented by the net present value of estimated cash flows related to the use or disposal of the asset.

Significant judgment by management is required to appropriately assess the fair values and value-in-use of these assets. The main assumptions utilized to develop these estimates are a discount rate that reflects the risk of the cash flows associated with the assets evaluated and the estimations of generation of future income. Those assumptions are evaluated for reasonableness by comparing such discount rates to market information available and by comparing to third-party expectations of industry growth, such as governmental agencies or industry chambers of commerce.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss in the consolidated statements of comprehensive income. After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Goodwill

Goodwill is tested for impairment when needed due to significant adverse changes or at least once a year by determining the recoverable amount of the group of CGUs to which goodwill was allocated, which consists of the higher between the CGU's fair value, and their value-in-use, represented by the discounted amount of estimated future cash flows to be generated by such CGUs to which those net assets relate. The Company determines discounted cash flows over a 5-year period. If the value-in-use of any CGU is lower than their respective carrying amount, the Company determines the fair value of its CGUs using a methodology widely accepted in the market to determine the value of entities, such as multiples of Operating Earnings Before Income Tax, Depreciation and Amortization (EBITDA) and by reference to other market transactions, among others. An impairment loss is recognized in profit or loss within "Other income (expenses) - net" account in the consolidated statements of comprehensive income, if the recoverable amount is lower than the carrying amount of the group of CGUs to which goodwill was allocated. Impairment charges recognized on goodwill are not reversed in subsequent periods.

The Company operates through its major operating subsidiaries, Solid and APO, which represents the Company's groups of CGUs to which goodwill has been allocated for purposes of testing goodwill for impairment and represents the lowest level at which goodwill is monitored for internal management purposes.

Impairment tests are significantly sensitive, among other factors, to the estimation of future prices of the Company's products, the development of operating expenses, economic trends in the relevant construction industry, the long-term growth expectations in the market, as well as to the discount rate and the growth rate in perpetuity applied. For purposes of estimating future prices, the Company uses, to the extent available, historical data plus the expected increase or decrease according to information issued by trusted external sources and/or governmental economic expectations. Operating expenses are estimated taking into account past experience. However, such operating expenses are also reviewed and adjusted considering inflation and other external information sources in respect to inputs that behave according to international prices, such as gas and oil that may have an impact on future costs.

The Company uses pre-tax discount rates which are applied to discount pre-tax cash flows. The amounts of estimated undiscounted cash flows are significantly sensitive to the growth rate in perpetuity applied. Likewise, the amounts of discounted estimated future cash flows are significantly sensitive to the discount rate applied. The higher the growth rate in perpetuity applied, the higher the amount obtained of undiscounted future cash flows by CGU. Conversely, the higher the discount rate applied, the lower the amount obtained of discounted estimated future cash flows by CGU.

M) PROVISIONS AND CONTINGENCIES

The Company recognizes provisions when it has a legal or constructive obligation resulting from past events, whose resolution would imply probable and reliably measurable cash outflows or delivery of other resources owned by the Company. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognized as an interest expense.

Restructuring

The Company recognizes provisions for restructuring costs only when the restructuring plans have been properly finalized and authorized by management, and have been communicated to the third parties involved and/or affected by the restructuring prior to the reporting date. These provisions may include costs not associated with the Company's ongoing activities.

Asset Retirement Obligations

Unavoidable obligations, legal or constructive, to restore operating sites upon retirement of long-lived assets at the end of their useful lives are measured at the net present value of estimated future cash flows to be incurred in the restoration process, and are initially recognized against the related assets' carrying amount. The increase in the assets' carrying amount is depreciated during its remaining useful life. The increase in the liability related to the passage of time is charged to profit or loss. Adjustments to the liability for changes in estimations are recognized against the related property, machinery and equipment and depreciation is modified prospectively. Once the related asset is fully depreciated over its useful life, all subsequent changes in the liability shall be recognized in profit or loss as they occur. These liabilities relate mainly to the future costs of demolition, cleaning and rehabilitation and vacating from, under certain conditions, production or operating sites, including maritime terminals.

Costs Related to Remediation of the Environment

Provisions associated with environmental damage represent the estimated future cost of remediation, which are recognized at their nominal value when the time schedule for the disbursement is not clear, or when the economic effect for the passage of time is not significant; otherwise, such provisions are recognized at their discounted values. Reimbursements from insurance companies are recognized as assets only when their recovery is virtually certain. In that case, such reimbursement assets are not offset against the provision for remediation costs.

Commitments and Contingencies

Obligations or losses related to contingencies are recognized as liabilities in the consolidated statements of financial position when present obligations exist resulting from past events that are expected to result in an outflow of resources and the amount can be measured reliably. Otherwise, a qualitative disclosure is included in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. The effects of long-term commitments established with third parties are recognized in the consolidated financial statements on an incurred or accrued basis, after taking into consideration the substance of the agreements. Relevant commitments are disclosed in the notes to the consolidated financial statements. The Company does not recognize contingent revenues, income or assets.

Reimbursements and Compensation

Reimbursements related to provision is recognized as a separate asset when recovery is virtually certain. The loss and the recovery are recognized at the same time. However, if the party that will make the reimbursement cannot be identified, then the reimbursement is not considered as virtually certain and is not recognized. If the only uncertainty regarding the recovery of an insured loss is the amount of the recovery, then the reimbursement amount will qualify to be recognized as an asset. Receivable from compensation for lost income is recognized when the Company has an unconditional right to receive the compensation. The Company's unconditional contractual right to receive compensation is established when: (1) the Company has an insurance contract under which it can make a claim for compensation; and (2) the loss event that creates a right for the Company to assert a claim at the reporting date has occurred and the claim is not disputed by the insurer. The compensation receivable should be measured based on the amount and timing of the expected cash flows discounted at a rate that reflects the credit risk of the insurer. Income arising from compensation is offset against the loss recognized from where such right to compensation arises.

N) FAIR VALUE MEASUREMENTS

The Company applies the guidance of PFRS 13, *Fair Value Measurement*, for its fair value measurements of financial assets and financial liabilities recognized or disclosed at fair value. Under PFRS 13, fair value represents an "Exit Price," which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, considering the counterparty's credit risk in the valuation. The concept of exit value is premised on the existence of a market and market participants for the specific asset or liability. When there is no market and/or market participants willing to make a market, PFRS 13 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement), secondly, to inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly (Level 2 measurement), and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurement). The Company recognizes transfers between levels of fair value hierarchy at the end of the reporting period during which the change has occurred.

O) EMPLOYEE BENEFITS

Defined Benefit Pension Plans

Pursuant to PAS 19, *Employee Benefits*, the Company recognizes the costs associated with employees' defined benefit pension plans as services are rendered, based on actuarial estimations of the benefits' present value with the advice of external actuaries. The actuarial assumptions consider the use of nominal rates.

The service cost, corresponding to the increase in the obligation for additional benefits earned by employees during the period, is recognized as part of "Cost of Sales" and "Operating Expenses" accounts in the consolidated statements of comprehensive income. The interest cost related to the increase in the liability by the passage of time is recognized in profit or loss within "Other financial expenses - net" account in the consolidated statements of comprehensive income.

The effects from modifications to the pension plans that affect the cost of past services are recognized as part of "Cost of Sales" and "Operating Expenses" accounts in the consolidated statements of comprehensive income during the period in which such modifications occur or when any related restructuring or termination benefits are recognized, if earlier. Likewise, the effects from curtailments and/or settlements of obligations occurred during the period, associated with events that significantly reduce the cost of future services and/or reduce significantly the population subject to pension benefits, respectively, are recognized as part of "Cost of Sales" and "Operating Expenses" accounts in the consolidated statements of comprehensive income.

Remeasurements such as the return on plan assets, excluding amounts included in net interest on the net defined benefit liability, and actuarial gains and losses, related to differences between the previous actuarial assumptions and actual occurrences, and changes in actuarial assumptions at the end of the period, are recognized in the period in which they are incurred as part of OCI for the period within equity. Termination benefits, not associated with a restructuring event, which mainly represent severance payments by law, are recognized in profit or loss for the period in which they are incurred.

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present, legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Transportation Allowance

The Company grants transportation allowance to "entitled executives" for the purpose of purchasing a motor vehicle and to cover other transportation-related expenses such as, but not limited to, maintenance cost, gasoline, registration expenses and insurance premiums on motor vehicle for a period of five (5) years from the date of grant. The amount paid to executives in respect of the Company's transportation allowances is recorded as an asset carried at cost (the current portion is part of "Prepayments and other current assets" account, while the noncurrent portion is part of "Other assets and noncurrent accounts receivable" account in the consolidated statements of financial position) and subsequently amortized as an expense over the term of the contract.

Termination Benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employment benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

P) BORROWING COSTS

Interest and other finance costs incurred on borrowings used to finance property development are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. The capitalization of borrowing costs: (a) commences when the activities to prepare the assets are in progress and expenditures and borrowing costs are incurred; (b) is suspended during extended periods in which active development, improvement and construction of the assets are interrupted; and (c) ceases when substantially all activities necessary to prepare the assets are completed. These costs are amortized using the straight-line method over the estimated useful life of the related property, machinery and equipment to which it is capitalized. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method. Other borrowing costs are generally expensed in the period in which these are incurred.

Q) TAXES

Income Taxes

Pursuant to PAS 12, *Income Taxes*, the effects reflected in profit or loss for income taxes include the amounts payable or recoverable in respect of taxable profit or loss during the period and the amounts of deferred income taxes pertaining to amounts payable or recoverable in future periods, determined according to the income tax law applicable to each entity. Consolidated deferred income taxes represent the addition of the amounts determined in each legal entity by applying the enacted statutory income tax rate to the total temporary differences resulting from comparing the book and taxable amounts of assets and liabilities, considering tax loss carryforwards as well as other recoverable taxes and tax credits, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred income taxes for the period represent the difference between balances of deferred income taxes at the beginning and at the end of the period. Deferred income tax assets and liabilities relating to different tax jurisdictions are not offset. Pursuant to PFRSs, all items charged or credited directly in equity or as part of OCI for the period are recognized net of their current and deferred income tax effects. The effect of a change in enacted statutory tax rates is recognized in the period in which the change is officially enacted.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from unused excess MCIT over RCIT and unused NOLCO, to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits from excess MCIT over RCIT and unused NOLCO can be utilized except:

- where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor future taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary differences can be utilized.

Future taxable profits are determined based on the reversal of relevant taxable temporary differences. Deferred income tax asset is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. If the amount of taxable temporary differences is insufficient to recognize a deferred income tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans of the Parent Company and of the individual subsidiaries in the Company. Deferred income tax assets are reviewed at each reporting date and reduced to the extent that it is not considered probable that the related tax benefit will be realized. In conducting such assessment, the Company analyzes the aggregate amount of self-determined tax loss carryforwards included in its income tax returns in each country where the Company believes, based on available evidence, that the tax authorities would not reject; and the likelihood of the recoverability of such tax loss carryforwards prior to their expiration through an analysis of estimated future taxable income. If the Company believes that it would not be able to use a tax loss carryforward before its expiration or any other deferred income tax asset, the Company will not recognize such deferred income tax assets. Both situations would result in additional income tax expense for the period in which such determination is made. In order to determine whether it is probable that deferred income tax assets will ultimately be realized, the Company takes into consideration all available positive and negative evidence, including factors such as market conditions, industry analysis, expansion plans, projected taxable income, carryforward periods, current tax structure, potential changes or adjustments in tax structure, tax planning strategies, future reversals of existing temporary differences, etc. Likewise, every reporting period, the Company analyzes its actual results versus the Company's estimates and adjusts its estimations as necessary. If actual results vary from the Company's estimates, the deferred income tax asset may be affected, and necessary adjustments will be made based on relevant information. Any adjustments recorded will affect the Company's profit or loss in such period.

Excess income tax payments are recognized as "Prepaid taxes" under "Prepayments and other current assets" account in the consolidated statements of financial position and are carried at cost.

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. The income tax effects from an uncertain tax position are recognized when it is not probable that the position will be accepted based on its technical merits and assuming that the tax authorities will examine the uncertain tax treatments and have full knowledge of all relevant information. They are measured by either determining the single most likely amount or the sum of the probability-weighted amounts in a range of possible outcomes depending on which method the Company expects to better predict the resolution of the uncertainty. It is measured using tax rates enacted or substantively enacted at the reporting date.

Value-added Tax (VAT)

Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as a part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

The net amount of sales tax recoverable from, or payable to, the tax authority is included as part of "Prepayments and other current assets" or "Unearned income, other accounts payable and accrued expenses" accounts, respectively, in the consolidated statements of financial position.

R) STOCKHOLDERS' EQUITY

Common Stock and Additional Paid-in Capital

Common stock is classified as equity. Common stock is recognized as issued when the stock is paid for or subscribed under a binding subscription agreement, net of any subscription receivable, and is measured at par value. The transaction costs incurred as a necessary part of completing an equity transaction are accounted for as a part of that transaction and are deducted from equity, net of related tax benefits. Costs that are related directly to a probable future equity transaction is recognized as "Deferred share issuance costs" under "Prepayments and other current assets" in the statements of financial position. The cost is transferred to equity when the equity transaction is recognized, or recognized in profit or loss if the issue is no longer expected to be completed. Considerations received in excess of the par value of shares issued are recognized in "Additional paid-in capital" account in the consolidated statements of financial position.

Other Equity Reserves

Represent the horizontal sum of each consolidated entity's cumulative effects of items and transactions that are, temporarily or permanently, recognized directly to equity, and includes the elements presented in the OCI for the period, which includes certain changes in stockholders' equity during a period not resulting from investments by owners and distributions to owners. As at December 31, 2020 and 2019, the "Other equity reserves" account in the consolidated statements of financial position represents the share-based compensation, remeasurements on retirement benefit liability, changes in fair value of the derivative instrument in an effective cash flow hedge and cumulative currency translation of foreign subsidiaries.

Retained Earnings

Retained Earnings represent the cumulative balance of periodic profit or loss, prior period adjustments and effect of changes in accounting policy.

S) EXECUTIVE STOCK-BASED COMPENSATION

Certain executives of the Company receive compensation under a long-term incentive program using CPOs or the Parent Company's shares. Pursuant to the guidance of PFRS 2, stock awards based on the ultimate parent company and Parent Company's shares granted to the Company's executives are treated as equity instruments, considering that services received from employees are settled by delivering such CEMEX's shares. The cost of equity instruments represents the estimated fair value at the date of grant and is recognized in profit or loss during the period in which the exercise rights of the employees become vested against other equity reserves.

T) REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company's consolidated revenue represents the value of products sold by the consolidated entities, net of VAT on sales, as a result of their ordinary activities, after the elimination of transactions between consolidated entities, and is measured at the consideration specified in a contract with a customer. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer.

Revenue from Sale of Cement and Cement Products
Customers obtain control of the cement or cement products when these goods are delivered to and have been accepted by customers at their premises. Hence, revenue is recognized at that point in time. Invoices are usually payable within 30 to 60 days. The transaction price is therefore not adjusted for the effects of a significant financing component. No discounts are provided for the sale of cement and cement products, but customers may earn loyalty points instead which they can redeem against future orders or other packages defined in the program.

Customer Loyalty Programme
The Company has three customer loyalty programmes whereby customers are awarded credits known as "Points" entitling customers to redeem against any future purchases of the Group's cement goods, electronic gadgets or tour package. The Company grants Points to a customer as part of the sales transaction and subject to condition set-out in the programme. These Points has an expiration of 12 months from the date of grant.

The Company allocates a portion of the consideration received to the Points. This allocation is based on the relative stand-alone selling prices, taking into account the expected forfeiture rate. The amount allocated to the Points is deferred, and is recognized as revenue when the Points are redeemed or the right to redeem the Points expires. The deferred revenue is recognized as "Contract liabilities" under current liabilities in the consolidated statements of financial position.

Revenue for Construction Contracts
The Company becomes entitled to invoice customers for construction contracts based on achieving a series of performance-related milestones. When a particular milestone is reached, the customer is sent a relevant statement of work and an invoice for the related milestone payment. Prior to invoicing, the Company recognizes a contract asset for the value of work performed. Any amount previously recognized as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognized to date under the cost-to-cost method then the Company recognizes a contract liability for the difference. There is no significant financing component in construction contracts with customers as the payments at each milestone is generally expected to approximate cash selling price of performance to date, and no significant time intervals are expected in between milestones. To determine whether the contract modification shall be treated as a separate contract or as part of the original contract, the Company also assesses whether the contract modification add distinct goods or services that are priced commensurate with their stand-alone selling prices. If not, the Company then assesses whether the remaining goods or services are distinct from those already transferred.

Revenue from Co-Processing of Alternative Fuel Resources
Revenue from co-processing agreements is recognized as the services are rendered over time based on the quantity of waste materials processed in the Company's cement kiln.

Contract Balances

Trade Receivables
Trade receivables are recognized when the goods are delivered and represent the Company's right to consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of Trade receivables in Notes 3E and 3L.

Contract Liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier).

U) INSURANCE CONTRACTS

An insurance contract is an agreement whereby one party, called the insurer, undertakes for a consideration paid by the other party, called the insured, promises to pay money, or its equivalent or to do some act valuable to the latter, upon happening of a loss, liability or disability arising from an unknown or contingent event.

Premiums from insurance contracts are recognized as revenue over the period of the contracts. The portion of the premiums written that relate to the unexpired periods of the policies at each reporting date is accounted for as "Unearned income" and is presented under current liabilities section of the consolidated statements of financial position. The net changes in this account between reporting dates are credited to or charged against profit or loss. Insurance revenue is presented as an offset to insurance expense in the consolidated statements of comprehensive income.

Benefits and Claims

Benefits and claims consist of all costs incurred during the year, which are recognized when the Company receives notification from policyholders. Estimates have to be made as at the reporting date both for the expected ultimate cost of claims reported and for the expected ultimate cost of the claims incurred but not yet reported (IBNR). The primary technique adopted by management in estimating the cost of notified and IBNR claims is that of using past claim settlement trends to project future claims settlement trends. At each reporting date, prior year claims estimates are reassessed for adequacy and changes made are charged to profit or loss against insurance liability. Claims provisions are not discounted for the time value of money.

V) COST OF SALES, ADMINISTRATIVE AND SELLING EXPENSES AND DISTRIBUTION EXPENSES

Cost of sales represents the production cost of goods sold. Such cost of sales includes power and fuel, raw materials and supplies, personnel expenses, depreciation and amortization of property, machinery and equipment and assets for the right-of-use involved in production, as well as freight expenses of raw material in plants. Cost of sales excludes expenses related to personnel, equipment and services involved in sale activities and storage of product at points of sales and costs related to warehousing of products at the selling points, which are included as part of administrative and selling expenses, as well as freight expenses of finished products between plants and points of sale and freight expenses between points of sales and the customers' facilities, which are included as part of the distribution expenses line item in the consolidated statements of comprehensive income. Administrative expenses are costs incurred in the direction and general administration of day-to-day operation of the Company. Administrative, selling and distribution expenses are recognized when incurred.

W) LEASES

The determination of whether an arrangement is, or contains a lease is, if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Such assessment is made at the inception of the contract.

As a Lessee
The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is measured subsequently at cost less any accumulated amortization and impairment losses, and adjusted for certain remeasurements of the lease liability. Right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, machinery and equipment. When a right-of-use asset meets the definition of investment property, it is presented in investment property.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate as the discount rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Company applies the practical expedient per PFRS 16 relating to rent concessions occurring as a direct consequence of COVID-19. The Company may elect not to assess whether a rent concession is a lease modification, and the resulting decrease in lease liability from such rent concessions is recognized in profit or loss. Such option is available if (a) the change in lease payments results in revised consideration of the lease that is substantially the same as, or less than, the consideration of the lease preceding the change; (b) any reduction in lease payments affects only payments originally due on or before June 30, 2021; and (c) there is no substantive change to other terms and conditions of the lease.

For lease contracts that contains a non-lease component, where such non-lease component has no variable considerations, such non-lease component is considered as part of the lease component as a single lease component.

Short-term Leases and Leases of Low-value Assets
The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets (if the underlying asset is office or computer equipment) and short-term leases (leases with a term of 12 months or less). The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Variable Lease Payments
Variable lease payments that varies each period and is linked to or based on a per unit fee over the use of an asset is excluded from initial recognition of the right-of-use assets and lease liability and is recognized in profit or loss in the period in which the performance or use occurs.

As a Lessor
At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease. The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of "Other income (expenses) - net" account.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

X) BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

Pursuant to PAS 33, *Earnings Per Share*, basic earnings (loss) per share is calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity (the numerator) by the weighted average number of shares outstanding (the denominator) during the period. Shares that would be issued depending only on the passage of time should be included in the determination of the basic weighted average number of shares outstanding. Diluted earnings (loss) per share should reflect in both, the numerator and denominator, the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued upon the satisfaction of specified conditions, to the extent that such assumption would lead to a reduction in basic earnings per share or an increase in basic loss per share, otherwise, the effects of potential shares are not considered because they generate anti-dilution. When there is a bonus element in a rights issue, retrospective adjustments to the denominators for both basic and diluted earnings (loss) per share for all periods before the rights issue are made. As prescribed in PAS 33, if a rights issue is offered to all existing shareholders, the number of ordinary shares to be used is the number of ordinary shares outstanding before the issue, multiplied by a bonus factor calculated by dividing the fair value per share immediately before the exercise of rights by the theoretical ex-rights fair value per share (see Note 27).

Y) EVENTS AFTER THE REPORTING DATE

Post year-end events, up to the date the consolidated financial statements are authorized for issue, that provide additional information about the Company's consolidated financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed on the notes to the consolidated financial statements when material.

NOTE 4 - SEGMENT INFORMATION

The Company applies PFRS 8 for the disclosure of its operating segments, which are defined as the components of an entity that engage in business activities from which they may earn revenues and incur expenses; whose operating results are regularly reviewed by the entity's top management to make decisions about resources to be allocated to the segments and assess their performance; and for which discrete financial information is available. The Company's results and performance is evaluated for decision-making purposes and allocation of resources is made on a per country basis. Hence, the Company represents a single geographical operating segment. The Company's main activity is oriented to the construction industry through the production, distribution, marketing and sale of cement, ready-mix concrete and other construction materials. For the years ended December 31, 2020, 2019 and 2018, the cement sector represented approximately 89.4%, 89.3%, and 86.2% respectively, of total net revenues before eliminations resulting from consolidation, and 128.1%, 134.1%, and 142.3%, respectively, of Operating EBITDA.

The main indicator used by the Company's management to evaluate performance is "Operating EBITDA", representing operating earnings before other income - net, interest, tax, depreciation and amortization, considering that such amount represents a relevant measure for the Company's management as an indicator of the ability to internally fund capital expenditures, as well as a widely accepted financial indicator to measure the Company's ability to service or incur debt. Operating EBITDA should not be considered as an indicator of the Company's financial performance, as an alternative to cash flow, as a measure of liquidity, or as being comparable to other similarly titled measures of other companies.

NOTE 5 - DEPRECIATION AND AMORTIZATION

Depreciation and amortization charges related to property, machinery and equipment and assets for the right-of-use for the years ended December 31, 2020, 2019 and 2018 are detailed as follows:

		2020	2019	2018
Depreciation and amortization related to assets used in the production process	P	**1,666,834**	1,403,532	1,442,776
Depreciation and amortization related to assets used in operating activities		**697,255**	481,981	412,899
	P	**2,364,089**	1,885,513	1,855,675

(Amounts in Thousands, Except Number of Shares and Per Share Data)

NOTE 6 - REVENUES

Disaggregation of Revenues from Contracts with Customers
Revenues for the years ended December 31, 2020, 2019, and 2018 are detailed by major product lines and timing of revenue recognition as follows:

	Timing of revenue recognition		2020	2019	2018
Revenue from sale of goods					
Cement	At a point in time	P	**19,668,716**	23,587,948	23,399,750
Admixtures and others	At a point in time		**10,403**	6,195	6,345
Ready-mix concrete	At a point in time		**–**	–	11,169
			19,679,119	23,594,143	23,417,264
Revenue from services					
Co-processing of alternative fuel resources	Over time		**27,563**	–	–
Construction services	Over time		**–**	1,734	433
			27,563	1,734	433
		P	**19,706,682**	23,595,877	23,417,697

Breakdown of cement sales per customer is as follows:

		2020	2019	2018
Retailers	P	**15,938,050**	18,647,019	18,746,316
Institutional		**3,642,082**	4,830,840	4,540,657
Others		**88,584**	110,089	112,777
Total	P	**19,668,716**	23,587,948	23,399,750

The Company does not depend on any single or few customers, and no single customer represented more than 10% of the Company's consolidated Revenue. Export sales are mainly from the sale of cement to the Pacific Islands amounting to P88,584, P88,613, and P95,576 for the years ended December 31, 2020, 2019, and 2018, respectively.

Contract Balances
The following table provides information about the opening and closing balances of trade receivables - net and contract liabilities from contracts with customers:

		2020	2019	2018
Trade receivables - net	P	**700,162**	892,951	708,906
Contract liabilities				
Advances from customers	P	**280,249**	223,035	309,012
Customer loyalty program		**24,882**	44,752	66,212
	P	**305,131**	267,787	375,224

The contract liabilities include unredeemed customer loyalty points and advances from customers. These will be recognized as revenue when the points are redeemed by customers or when the goods are delivered to the customer, which is expected to occur the following year. Contract liabilities as at December 31, 2019 and January 1, 2019 were recognized as revenue in 2020 and 2019, respectively. The amount recognized in contract liabilities as at December 31, 2020 is expected to be recognized as revenue within 12 months from the reporting date. There is no other unperformed obligation other than those already included in contract liabilities.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

NOTE 7 - COST AND EXPENSES

Cost of sales, administrative and selling expenses for the years ended December 31, 2020, 2019, and 2018 are detailed as follows:

		Cost of Sales	
	2020	2019	2018
Power, fuels, raw materials and production supplies....... P	**7,494,850**	8,803,388	9,699,937
Depreciation and amortization	**1,666,834**	1,403,532	1,442,776
Salaries and wages [1]	**534,617**	447,392	487,509
Repairs and maintenance	**505,372**	633,296	633,594
Cement purchases	**425,143**	1,529,704	807,799
Outside services	**416,397**	464,397	513,389
Rental	**278,727**	328,716	350,758
Others [2]	**293,013**	302,891	291,449
P	**11,614,953**	13,913,316	**14,227,211**

[1] Includes retirement benefit expense amounting to P42,832, P28,695, and P40,670 in 2020, 2019, and 2018, respectively (see Note 23).

[2] Others pertain to insurance expense, taxes and licenses, transportation and communication expenses and other costs that are individually immaterial.

		Administrative Expenses	
	2020	2019	2018
Salaries and wages [1] .... P	**595,935**	634,077	538,464
Administrative fees	**417,733**	493,427	424,957
Insurance	**203,376**	189,798	220,268
Depreciation and amortization	**38,505**	33,507	32,045
Utilities and supplies	**27,607**	33,456	36,662
Taxes and licenses	**11,878**	18,764	11,790
Travel expenses	**10,578**	39,418	70,123
Others	**27,788**	63,526	68,227
P	**1,333,400**	1,505,973	1,402,536

[1] Includes retirement benefit expense amounting to P19,877, P19,526, and P20,122 in 2020, 2019, and 2018, respectively (see Note 23).

		Selling Expenses	
	2020	2019	2018
License fees....... P	**747,027**	865,373	883,458
Administrative fees	**203,173**	250,742	231,902
Utilities and supplies	**153,360**	143,166	139,101
Salaries and wages	**131,537**	132,757	114,518
Depreciation and amortization	**122,370**	83,680	78,772
Taxes and licenses	**42,625**	39,336	35,535
Advertising and travel	**12,218**	54,720	50,792
Impairment losses on receivables	**6,206**	334	10,526
Insurance	**5,826**	5,997	6,574
Others [1]	**24,316**	29,453	45,522
P	**1,448,658**	1,605,558	1,596,700

[1] Includes fuel, representation and entertainment, and insurance.

NOTE 8 - DISTRIBUTION EXPENSES

Distribution expenses for the years ended December 31, 2020, 2019, and 2018 are detailed as follows:

		2020	2019	2018
Trucks, barge and charter hire	P	**2,310,478**	3,264,311	3,764,038
Depreciation and amortization		**536,380**	364,794	302,082
Handling expenses		**531,952**	510,364	518,573
Harbor services		**120,264**	72,530	76,737
Others		**2,979**	17,411	9,196
	P	**3,502,053**	4,229,410	4,670,626

(Amounts in Thousands, Except Number of Shares and Per Share Data)

NOTE 9 - OTHER INCOME (EXPENSES) - Net

Other income (expenses), net for the years ended December 31, 2020, 2019, and 2018 are detailed as follows:

		2020	2019	2018
Gain on sale of scraps	P	**10,539**	8,120	12,052
Gain on rent concession[3]		**4,539**	–	–
COVID-19 related expenses[4]		**(49,766)**	–	–
Gain (loss) on disposal of property, machinery and equipment		**(182)**	(19,713)	2,522
Transportation service income		–	11,920	–
Gain on sale of club membership shares[2]		–	–	15,732
Other losses related to the landslide[1]		–	–	(71,716)
Miscellaneous income (expenses) - net		**4,560**	8,217	(1,243)
	P	**(30,310)**	8,544	(42,653)

[1] Refer to Note 31 to the consolidated financial statements.
[2] In 2018, the Company sold its club membership shares measured at FVTPL for P17,832 with carrying amount of P2,100.
[3] Refer to Note 21 to the consolidated financial statements.
[4] COVID-19 related expenses include sanitation supplies, financial assistance and employee transportation cost.

NOTE 10 - OTHER FINANCIAL EXPENSES - Net

Other financial expenses, net for the years ended December 31, 2020, 2019, and 2018 are detailed as follows:

		2020	2019	2018
Financing cost [1]	P	**112,338**	29,685	–
Interest expense on retirement benefit plan (Note 23)		**38,764**	55,501	53,204
Bank charges and others		**23,332**	15,471	3,982
Interest income		**(54,181)**	(41,569)	(25,093)
Gain on remeasurement of lease liability and derecognition of asset for the right-of-use from lease termination[2]		**(209)**	(7,032)	–
	P	**120,044**	52,056	32,093

[1] The amount pertains to cost incurred from intra-group loans between the Parent Company and its subsidiaries.
[2] Refer to Note 18 to the consolidated financial statements.

NOTE 11 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at December 31, 2020 and 2019 consisted of:

		2020	2019
Cash in banks	P	**1,875,326**	1,184,026
Short-term investments		**4,264,085**	215,154
	P	**6,139,411**	1,399,180

Cash in banks earns interest at the prevailing bank deposit rates. Short-term investments are made for varying periods of up to three months, depending on the immediate cash requirements of the Company, and earn interest ranging from 0.01% to 1.63% and 1.6% to 2.4% in 2020 and 2019, respectively.

For the years ended December 31, 2020, 2019, and 2018, interest income earned on cash and cash equivalents amounted to P54,025, P40,606, P16,444, respectively.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

As at December 31, 2020 and 2019, short-term investments include deposits of the Company with local banks and a related party, which are considered highly liquid investments readily convertible to cash as follows:

		2020	2019
Local banks	P	**50,000**	150,000
Lomez International B.V. (Lomez) (Note 13)		**4,214,085**	65,154
	P	**4,264,085**	215,154

The short-term investments with Lomez bears interest at a rate equivalent to the higher of Western Asset Institutional Liquid Reserves Fund (WAILRF) rate minus 10 basis points and zero interest.

The Company's exposures to credit risk, foreign currency risk, and interest rate risk related to cash and cash equivalents are disclosed in Note 22 to the consolidated financial statements.

NOTE 12 - TRADE RECEIVABLES - Net

Trade receivables as at December 31, 2020 and 2019 consisted of:

		2020	2019
Trade receivables - gross	P	**726,890**	916,708
Allowance for impairment losses		**(26,728)**	(23,757)
	P	**700,162**	892,951

The Company's exposure to credit risk related to trade receivables and the movements in the allowance for impairment losses on trade receivables are disclosed in Note 22 to the consolidated financial statements.

NOTE 13 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Related party relationship exists when the other party (i) has control or joint control of the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. A related party relationship is deemed to exist when one party has the ability to control, directly or indirectly, through one or more intermediaries, the other party or exercise significant influence over the other party in making the financial and/or operating decisions. Another criteria recognizes a related party relationship, whether or not the ability to control exists, if any of the following conditions applies to an entity: (i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); (iii) both entities are joint ventures of the same third party; (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity; or (v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity (if the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity).

The Company has an approval requirement and limits on the amount and extent of related party transactions in compliance with the Revised Securities Regulation Code Rule 68 and the SEC Memorandum Circular 10-2019 - *Rules on Material Related Party Transactions for Publicly-Listed Companies.* Transactions entered into with a related party amounting to 10% or more of the total consolidated assets based on the latest audited consolidated financial statements are considered material. All individually material related party transactions shall be reviewed and evaluated by the Audit Committee and endorsed to the BOD for approval. The material related party transaction shall require the approval of at least two-thirds (2/3) votes of the members of the BOD, with at least the majority of the independent directors voting to approve the material related party transaction. For aggregate related party transactions within 12-month period with the same related party that breaches the materiality threshold, the same review and approval procedures mentioned above is required.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

As at December 31, 2020 and 2019, balances of related party short-term investments, receivables and payables which are generally expected to be settled in cash are detailed as follows:

		2020	2019
Short-term investments			
Other related party [20]			
Lomez (Note 11)	P	4,214,085	65,154
Due from related parties			
Ultimate Parent			
CEMEX [1]	P	-	803
Other related parties [20]			
CEMEX International Trading LLC [12]		1,443	–
Beijing CXP Import & Export Co. [4]		1,215	1,699
APO Land & Quarry Corporation (ALQC) [2]		1,051	13,048
CEMEX Operaciones México, S.A. de C.V. [5]		71	1,363
Island Quarry and Aggregates Corporation (IQAC) [3]		9	10,210
CASEC [6]		6	626
	P	3,795	27,749
Due to related parties			
Ultimate Parent			
CEMEX [1]	P	10,952	35,474
Other related parties [20]			
CEMEX Operaciones México, S.A. de C.V. [5]		661,804	463,948
CRG [7]		415,238	397,808
Transenergy Grinding, Inc. [9]		264,067	621,352
IQAC [3]		113,202	43,049
ALQC [2]		15,911	–
CEMEX Colombia S.A. Cons [11]		11,027	–
CEMEX Asia B.V. (CABV) [8]		6,429	1,079,560
Beijing CXP Import & Export Co. [4]		5,243	4,370
CASEC [6]		3,100	–
Neoris Czech Republic S.R.O. [13]		2,128	–
CEMEX Central, S.A. de C.V. [19]		1,748	–
CEMEX Internacional, S.A. de C.V. [15]		629	688
Sunbulk Shipping Limited [10]		349	47,903
Assiut Cement Company, S.A.E [17]		258	–
CEMEX International Trading LLC [12]		1	35,229
Torino Re. [14]		–	3,783
CEMEX Asia Pte., Ltd. - Philippine Headquarters (CAPL - PHQ) [16]		–	50
		1,512,086	2,733,214
Long-term payable to a related party			
Other related party [20]			
CABV [8]		–	5,368,838
	P	1,512,086	8,102,052
Lease liabilities on land [18]			
ALQC	P	784,507	785,865
IQAC		390,563	390,946
	P	1,175,070	1,176,811

[1] Effective December 1, 2019, CEMEX Mexico, S.A. de C.V has merged with CEMEX. On January 1, 2016, CAR entered into an agreement with CEMEX for the right to use of its "marks" and to further license the "marks" with other CEMEX group companies operating in the Asia territories.

The due from related party balance as at December 31, 2020, and 2019 pertains to the hedge settlement received by CEMEX on behalf of the Company which is due on demand and unimpaired, which amounted to the receivable of nil and P803, respectively.

The due to related party balance as at December 31, 2020 and 2019 pertains to:

a) the use of CEMEX "marks" which is payable in 30 days after receipt of invoice and is unsecured and noninterest bearing which amounted to P10,952 and P26,060, respectively; and
b) purchase of equipment amounting to nil and P9,414, respectively, which is unsecured, noninterest-bearing and payable on demand.

[2]The due from related party balance, which is unimpaired, unsecured, noninterest-bearing and due on demand as at December 31,2020 and 2019 includes:

a) The service agreements were entered by Solid and APO with ALQC wherein Solid and APO provides back-office and other support services to ALQC. Fees are calculated at cost incurred plus fixed mark-up. Outstanding receivable amounted to nil and P359, respectively;
b) receivable from US dollar conversion amounting to nil and P12,658 respectively; and
c) Others pertaining to reimbursements and/or advances amounting to P1,215 and P31, respectively.

The due to related party balance that is unsecured, noninterest-bearing and payable upon demand as at December 31, 2020 and 2019 pertains to the purchase of raw materials which amounting to P15,911 and nil, respectively

[3]The due from related party balance as at December 31, 2020 and 2019, which is unimpaired, unsecured, noninterest-bearing and due on demand pertains to the following:

a) reimbursable expenses amounting to P9 and P44, respectively; and
b) receivable from US dollar conversion amounting to nil and P10,166, respectively.

In 2020, the Company paid its liability to IQAC by assigning its loan receivable from CEMEX Philippines Foundation, Inc. amounting to P39,244.

The due to related party balance as at December 31, 2020 and 2019, respectively, includes the following:

a) unsecured payable arising from purchase of raw materials with a 30-day term and noninterest-bearing amounting to P113,202 and P26,471, respectively. Solid purchases the majority of its limestone, pozzolan and clay requirements from IQAC pursuant to a long-term supply agreement; and
b) collections from housing loan on behalf of IQAC amounting to nil and P16,578, respectively, which are unsecured, noninterest-bearing and payable on demand.

[4]The due from related party balance as at December 31, 2020 and 2019 pertains to advances which are unimpaired, unsecured, noninterest-bearing and due on demand amounting to P1,215 and P1,699, respectively.

The due to related party balance as at December 31, 2020 and 2019, pertains to the outstanding liability for the purchases of materials, supplies and spare parts, which is unsecured, noninterest-bearing and payable on demand.

[5]The due from related party balance as at December 31, 2020 and 2019, which is unimpaired, unsecured, noninterest-bearing and due on demand, pertains to reimbursement of fringe benefit tax on share-based compensation amounting to P71 and P1,363, respectively.

The due to related party balances as at December 31, 2020 and 2019, are as follow:

a) The business support services received by the Company which is unsecured, noninterest-bearing and payable on demand. In 2009, Solid and APO entered into separate service agreements with CAPL, whereby the latter through CAPL-PHQ shall provide to Solid and APO services relating to, among others, general administration and planning; business planning and coordination; marketing control and; sales promotion and business development. In the implementation of these service agreements, CAPL-PHQ also arranged for certain services to be performed by CEMEX Central, S.A. de C.V. ("CEMEX Central") and, accordingly, CAPL-PHQ collected from each of Solid and APO as reimbursement of the fees billed by CEMEX Central for services rendered. In 2017, the arrangement between CAPL-PHQ and CEMEX Central was changed resulting in Solid and APO entering into separate service agreements directly with CEMEX Central wherein the latter shall provide to the companies those particular services previously performed by CEMEX Central through the service agreements with CAPL-PHQ. CEMEX Operaciones, S.A. de C.V., a CEMEX subsidiary organized and existing under the laws of Mexico, was merged with CEMEX Central, whereby CEMEX Operaciones was the surviving entity pursuant to an agreement with respect to such merger dated August 1, 2019. The payable balance amounted to P656,715 and P463,948, respectively; and
b) unsecured payable arising from reimbursement of cost incurred for Solid's new line with a 30-day term and noninterest-bearing amounting to P5,089 and nil, respectively.

[6]The due from related party balance pertains to reimbursable expenses, which is unsecured, noninterest-bearing and due on demand. The due to related party balance pertains to non-trade advances, which is unsecured, noninterest-bearing and due on demand.

[7]The due to related party balance as at December 31, 2020 and 2019, which is unsecured, noninterest-bearing and payable on demand, includes:

a) the unpaid royalties/license fees amounted to P415,196 and P397,808, respectively; and
b) reimbursable fees which amounted to P42 and nil, respectively.

[8]The due to related party balance includes:

a) the balance of P6,429 as at December 31, 2020 pertains to reimbursable expenses related to Solid's new line expansion project, which is unsecured, noninterest-bearing and due on demand; and
b) the principal on said short-term loan amounting to P1,073,635, which bears 8.4% interest per annum, before tax, as at December 31, 2019, and the interest payable on such loan amounting to P5,925 as at December 31, 2019, respectively. The loan was fully paid by APO in 2020;

The long-term payable to a related party includes:

a) The long-term loan, which bears 8.2% interest per annum, pertains to the revolving facility agreement dated November 21, 2018 between Solid and CABV, allowing Solid to withdraw in one or several installments a sum of up to US$75,000, which was amended on February 2019, increasing the facility to US$100,000. On, November 28, 2019, further amendments were made to increase the facility to US$160,000. As at December 31, 2019, loan principal and unpaid interest amounted to P5,368,838. The interest rate of the long-term loan is being revalued semi-annually depending on the Company's consolidated leverage ratio. The foregoing loans are unsecured. The loan of Solid with CABV was fully paid in the first quarter of 2020.

[9]The due to related party balance as at December 31, 2020 and 2019, pertains to the purchase of coal with a term of 30 days, noninterest-bearing and unsecured.

[10]The due to related party balance as at December 31, 2020 and 2019, which is unimpaired, unsecured, noninterest-bearing and has 30-days term pertains to international freight services.

[11]The due to related party balance as at December 31, 2020 and 2019, which is unsecured, noninterest-bearing and due on demand pertains to services acquired related to the Solid's new line expansion project, amounting to P11,027 and nil, respectively.

[12]The due from related party balance, which is unimpaired, unsecured, noninterest-bearing as at December 31, 2020, and 2019 pertains to the purchase of materials and has 30-days term.

The due to related party balance as at December 31, 2020, and 2019, pertains to the purchase of raw materials with a 30-day term which is unsecured and noninterest-bearing.

[13]The due to related party balance as at December 31, 2020, and 2019, pertains to the purchase of paperless solutions which is unsecured, noninterest-bearing and due on demand, amounting to P2,128 and nil, respectively.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

[14]The due to related party balance as at December 31, 2020 and 2019, which is unsecured, noninterest-bearing and due on demand pertains to insurance premiums, amounting nil and P3,783, respectively.

[15]The due to related party balance as at December 31, 2020 and 2019 pertains to the purchase of other production supplies including additives, fuel and others with a 30-day term which is unsecured and noninterest-bearing, which amounted to P629 and P688, respectively.

[16]The due to related party balance as at December 31, 2020 and 2019, which is unsecured, noninterest-bearing and payable on demand, pertains to the overpayment on transferred pension liabilities amounting to nil and P50, respectively.

[17]The due to related party balance as at December 31, 2020 and 2019, which is unsecured, noninterest-bearing and with a 30-day term, pertains to the purchase of spare parts amounting to P258 and nil, respectively.

[18]The balances, which are recognized under "Lease liabilities" account, are unsecured, noninterest-bearing and payable on an annual basis. These land rentals have a 30-day term and are both noninterest-bearing and unsecured. The principal manufacturing installations of APO and Solid are located on land owned by IQAC or ALQC, under long-term lease agreements.

[19]The due to related party balance as at December 31, 2020 and 2019, pertains to reimbursable expenses which is unimpaired, unsecured, noninterest-bearing and due on demand. P1,748 and nil, respectively.

[20]Other related parties pertain to entities under common control of CEMEX, except for IQAC and ALQC.

The reconciliation of opening and closing balances of loans from a related party follows:

		2020	2019
Balance as at beginning of year	P	**6,448,398**	3,594,997
Proceeds from drawdowns (net of issuance cost)		**1,269,568**	2,611,429
Interest expense (including amortization of debt issuance cost)		**149,110**	574,947
Payments of:			
Principal		**(7,742,450)**	–
Interest		**(155,035)**	(170,433)
Effect of exchange rate changes		**30,409**	(162,542)
Balance as at end of year	P	**–**	6,448,398

The main transactions entered by the Company with related parties for the years ended December 31, 2020, 2019 and 2018 are shown below:

Transactions with ultimate parent

		2020	2019	2018
Royalties and trademarks				
CEMEX[1]	P	**22,849**	29,567	30,427

Transactions with other related parties [5]

		2020	2019	2018
Purchases of raw materials, supplies and/or spare parts				
Transenergy Grinding, Inc.[1]	P	**1,588,988**	1,908,801	2,022,607
IQAC[1]		**281,928**	305,137	242,042
ALQC[1]		**142,917**	285,107	263,004
Beijing CXP Import & Export Co.[1]		**43,273**	19,389	26,340
Cemex International Trading, LLC[1]		**32,293**	107,163	163,777
CEMEX Internacional, S.A. de C.V.[1]		**6,079**	688	1,432
Assiut Cement Company, S.A.E [1]		**258**	–	–
	P	**2,095,736**	2,626,285	2,719,202
Loan drawdown				
CABV[1]	P	**1,269,568**	2,611,429	2,295,194

		2020	2019	2018
Royalties and trademarks				
CRG[1]	P	**724,178**	835,806	853,031
Corporate services and administrative expenses				
CEMEX Operaciones Mexico, S.A. de C.V[1].	P	**236,596**	125,263	–
CEMEX Central, S.A. de C.V.[1]		**–**	189,159	287,306
	P	**236,596**	314,422	287,306

(Amounts in Thousands, Except Number of Shares and Per Share Data)

		2020	2019	2018
Interest expense				
CABV[1]				
Short-term	P	**149,110**	100,748	98,353
Long-term		**–**	474,199	47,433
	P	**149,110**	574,947	145,786
Gross premiums written				
Torino Re Ltd [4]	P	**108,163**	97,338	98,014
Freight services				
Sunbulk Shipping Limited [1]	P	**41,562**	159,415	334,469
Interest income				
LOMEZ[2]	P	**36,890**	1,415	7,199
NSH[2]		**–**	–	502
	P	**36,890**	1,415	7,701
Corporate services and administrative income				
ALQC[1]	P	**9,520**	5,209	7,779
IQAC[1]		**3,977**	425	7,719
	P	**13,497**	5,634	15,498
Purchase of equipment				
CEMEX Colombia S.A. Cons[1]	P	**11,027**	–	–
CEMEX Mexico, S.A de CV[1]		**–**	416,927	–
	P	**11,027**	416,927	–
Purchase of paperless solutions				
Neoris Czech Republic S.R.O. [1]	P	**2,128**	–	–
Sale of equipment				
Topmix LLC[1]	P	**–**	–	30,753
Sales of goods				
ALQC[3]	P	**–**	–	242
IQAC[3]		**–**	–	159
	P	**–**	–	401
Reimbursements				
CASEC [1]	P	**–**	7,586	3
Transactions with Key Management Personnel				
Short-term employee benefits	P	**226,980**	172,103	210,439
Post-employment and other long-term employee benefits (Note 23)		**46,641**	104,013	46,768
Share-based compensation (Note 26D)		**2,088**	12,493	20,333
	P	**275,709**	288,609	277,540

[1] Please refer to the footnotes provided on the outstanding balances of related party receivables and payables.
[2] The amount pertains to the interest income on short-term investments (see Note 11).
[3] These sale transactions have a 30-day term and are both noninterest bearing and unsecured.
[4] The amount refers to gross premiums written on property insurance.
[5] Other related parties pertain to entities under common control to CEMEX, except IQAC and ALQC.

Transactions with the Retirement Fund

The Company established a retirement plan for its qualified employees. The control and administration of the retirement plan is vested in its Board of Trustees (BOT). The retirement plan's accounting and administrative functions are undertaken by the Bank of the Philippine Islands Asset Management Trust Group (BPI AMTG), the Company's duly appointed trust fund manager.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

The Company's funding policy is to contribute to the Plan's fund as required under actuarial principles to maintain the fund in sound condition. In addition, the Company reserves the right to discontinue, suspend or change the rate and amount of its contribution to the fund at any time due to business necessity or economic conditions. The Company has contributions to the retirement fund amounting to P101,400, P105,000, and nil for the years ended December 31, 2020, 2019 and 2018, respectively. There are no other transactions entered into by the Company with the plan in 2020 and 2019. As at December 31, 2020 and 2019, the plan's unfunded status amounted to P653,946, and P794,201, respectively. The composition of the retirement plan assets is disclosed in Note 23 to the consolidated financial statements.

Balances and transactions between consolidated entities eliminated during consolidation

Below are the balances and transactions among related parties which are eliminated in the consolidated financial statements as at December 31, 2020 and 2019, respectively.

Amounts owed by	Amounts owed to		2020	2019
Solid [1]	Parent Company	P	**8,799,678**	11,691
Parent Company [2]	CAR		**3,167,508**	4,480,670
Solid [3]	APO		**1,070,636**	502,749
APO [4]	Parent Company		**973,814**	24,582
Parent Company [2]	Falcon		**624,445**	1,581,056
APO [5]	CAR		**220,670**	235,605
Sandstone Strategic Holdings, Inc.[6]	Bedrock Holdings, Inc.		**110,067**	109,817
Solid [7]	CAR		**85,085**	229,646
APO [8]	Solid		**53,109**	32,308
Ecocast Builders, Inc. [9]	Ecopavements, Inc.		**49,927**	48,326
Ecocrete, Inc. [10]	Solid		**47,546**	46,011
Parent Company [11]	APO		**28,900**	–
Solid [12]	Ecocast Builders, Inc.		**13,800**	15,458
Parent Company [13]	Solid		**1,364**	168
Solid [14]	Ecocrete, Inc.		**414**	414
Ecocrete, Inc.[15]	Parent Company		**290**	48
Parent Company [15]	Ecocrete, Inc.		**241**	–
		P	**15,247,494**	7,318,549

[1] Amounts pertain to fees in connection with various areas, including general administration and management services amounting to nil and P11,257 as at December 31, 2020 and 2019, respectively, which has a 60-day term, noninterest-bearing, and unsecured; b) intercompany loan amounting P8,139,022 and nil which bears an interest of 10.2% per annum as at December 31, 2020 and 2019, respectively; c) interest from loan amounting to P651,192 and nil as at December 31, 2020 and 2019, respectively; d) reimbursement transferred pension liability amounting to P4,660 and nil as at December 31, 2020 and 2019, respectively which are due on demand, noninterest-bearing and unsecured; and e) reimbursements of P4,804 and P434 as at December 31, 2020 and 2019, respectively, which are payable on demand and noninterest-bearing.

[2] Amount pertains to the unsecured loans which are due to be paid in 2021, with interest at 2.5% per annum, which increased to 3% per annum starting March 2018 for CAR and at WAILRF minus 10 basis points annually for Falcon.

[3] Amount includes a) P175,116 and P50,739 as at December 31, 2020 and 2019, respectively, from sale of goods, which has a 30-day term, noninterest-bearing and unsecured; b) intercompany loan amounting P885,000 and P450,000 which bears an interest of 9.5% per annum as at December 31, 2020 and 2019; c) interest payable amounting to P10,070 and P2,010 as at December 31, 2020 and 2019, respectively; d) reimbursement for pension amounting to P318 and nil as at December 31, 2020 and 2019, which are due on demand, noninterest-bearing and unsecured; and c) other reimbursable expenses amounting to P132 and nil as at December 31, 2020 and 2019, respectively, which are due on demand, noninterest-bearing and unsecured.

[4] Amounts pertain to a) advisory services in connection with various areas, including general administration and management amounting to nil and P22,959 as at December 31, 2020 and 2019, respectively, which has a 60-day term, noninterest-bearing, and unsecured; b) reimbursements of P378 and P474 as at December 31, 2020 and 2019, respectively, which are payable on demand and noninterest-bearing; and c) pension and other employee benefits to be settled by the Parent Company on behalf of APO amounting to P1,149 as at December 31, 2019, which is unsecured, noninterest-bearing, unimpaired and due on demand; d) intercompany loan amounting P890,982 and nil which bears an interest of 10.2% per annum as at December 31, 2020 and 2019, respectively; and e) interest payable amounting to P82,454 and nil as at December 31, 2020 and 2019, respectively.

[5] Amounts were related to royalties and trademarks that have 30-day term, noninterest-bearing and unsecured.

[6] Amounts are from cash advances or reimbursable expenses, which are due on demand, noninterest-bearing and unsecured.

[7] Amount is related to royalties and trademarks that have 30-day term, noninterest-bearing and unsecured.

[8] Amount includes a) P37,564 and P14,196 and P7,613 as at December 31, 2020 and 2019, respectively, from sale of goods, which has a 30-day term, noninterest-bearing and unsecured; b) reimbursable expenses amounting to P15,545 and P7,881 as at December 31, 2020 2019, respectively, which are due on demand, noninterest-bearing and unsecured; c) from sale of admixture equipment, which has a 60-day term, non-interest bearing and unsecured amounting to P7,094 as at December 31, 2019; d) pension and other employee benefits settled by Solid on behalf of the Company amounting to P518 as at December 31, 2019, which is unsecured, noninterest-bearing, unimpaired and due on demand; and e) hedge settlement collected by APO on behalf of Solid which has a 30-day term, non-interest bearing and unsecured amounting to P2,619 as at December 31, 2019.

[9] Amount includes a) P45,000 loan as at December 31, 2020 and 2019, which is due and demandable, with interest at 3.50% per quarter and unsecured; and b) interest on loan amounting to P4,927 and P3,326 as at December 31, 2020, and 2019, respectively, which is due on demand, noninterest-bearing and unsecured.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

[10] Amount includes a.) P267 and P526 as at December 31, 2020 and 2019, respectively from reimbursable expenses, which is due on demand, noninterest-bearing and unsecured; c) loan and interest amounting to P46,479 and P45,244 as at December 31, 2020 and 2019, respectively, which is fully impaired with interest at 3.00% per annum; d) advances, which is payable on demand, non-interest bearing, and unsecured, amounting to P800 and nil as at December 31, 2020 and 2019, respectively; and e) transferred pension liability, which is payable on demand, non-interest bearing, and unsecured amounting to nil and P241 as at December 31, 2020 and 2019 related to transferred employees to the Company.

[11] Amounts pertain to a) reimbursement for excess billings on advisory services of Parent Company with APO amounting to P28,669 and nil as at December 31, 2020 and 2019, respectively; b.) reimbursements of P231 and nil as at December 31, 2020 and 2019, respectively, which are payable on demand, noninterest-bearing and unsecured.

[12] Amount pertains to a) construction services amounting to P12,392 and P14,732 as at December 31, 2020 and 2019, respectively, which has a 30-day term, noninterest-bearing and unsecured; b) P726 as at December 31, 2020 and 2019 transportation allowance transferred to Solid which is payable on demand, non-interest bearing, and unsecured; and c) P682 as at December 31, 2020 pertains to reimbursable expenses, which is payable on demand and noninterest-bearing.

[13] Amounts pertain to a) reimbursement for excess billings on advisory services of Parent Company with Solid, which has a 30-60 days term, noninterest-bearing, and unsecured amounting to P234 and nil as at December 31, 2020 and 2019, respectively; b) reimbursements of P39 and nil as at December 31, 2002 and 2019, respectively, which has a 30-day term, noninterest-bearing, and unsecured; c) transfer of pension amounting to P168 as at December 31, 2019 which is unsecured, noninterest-bearing, unimpaired and due on demand; and d) advisory services in connection with various areas, including general administration and management amounting to P1,091 and nil as at December 31, 2020 and 2019, respectively, which has a 60-day term, noninterest-bearing, and unsecured;

[14] Amount pertains to service fees, which has 30–60 day term, noninterest-bearing and unsecured.

[15] Amount pertains to reimbursable expenses which is payable on demand and noninterest-bearing.

Below are the transactions among related parties which are eliminated in the consolidated financial statements for the years ended December 31, 2020, 2019 and 2019, respectively.

Royalties and technical assistance	Selling and administrative expenses		2020	2019	2018
CAR	APO	P	**993,222**	1,179,697	1,779,924
CAR	Solid		**379,759**	586,655	948,415
		P	**1,372,981**	1,766,352	2,728,339

Please refer to the footnotes provided on the outstanding balances of related party receivables and payables eliminated during consolidation.

Dividend declared by	Dividend received by		2020	2019	2018
Falcon	Parent Company	P	–	611,640	1,568,700
CARG	Parent Company		–	253,700	330,687
		P	–	865,340	1,899,387

Please refer to the footnotes provided on the outstanding balances of related party receivables and payables eliminated during consolidation.

Sales	Purchases		2020	2019	2018
APO	Solid	P	**509,872**	595,001	611,149
Solid	APO		**161,076**	72,002	220,739
		P	**670,948**	667,003	831,888

Please refer to the footnotes provided on the outstanding balances of related party receivables and payables eliminated during consolidation.

Service Income	Selling and administrative expenses		2020	2019	2018
Parent Company	APO	P	**273,102**	321,566	262,479
Parent Company	Solid		**112,007**	155,930	138,948
		P	**385,109**	477,496	401,427

Please refer to the footnotes provided on the outstanding balances of related party receivables and payables eliminated during consolidation.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

Interest income	Interest expense		2020	2019	2018
Parent Company	Solid	P	**664,482**	–	–
Parent Company	APO		**84,137**	–	–
CAR	Parent Company		**89,677**	141,993	107,411
APO	Solid		**52,012**	2,051	-
Falcon	Parent Company		**6,794**	33,515	30,753
Ecopavements	Ecocast Builders, Inc.		**1,601**	1,597	1,560
Solid	Ecocrete, Inc.		**1,235**	1,232	1,232
Solid	APO		–	48,403	–
		P	**899,938**	228,791	140,956

Please refer to the footnotes provided on the outstanding balances of related party receivables and payables eliminated during consolidation.

NOTE 14 - INVESTMENT IN AN ASSOCIATE AND OTHER INVESTMENTS

Investment in an associate and other investments as at December 31, 2020 and 2019 are detailed as follows:

	Activity	Country	% Owned		Amount
Calabar Aggregates Corporation	Aggregates	Philippines	40.0	P	**11,816**
Greencrete, Inc.	Trading	Philippines	5.0		**156**
Others	-	-	-		**2,125**
				P	**14,097**

The amounts as at December 31, 2020, and 2019 included in "Others" pertain to club membership shares amounting to P924, shares in United Pulp and Paper Co., Inc. and Philippine Cement Corporation amounting to P887 and P10, respectively, and other investment in shares amounting to P304. The Company's investment in Greencrete, Inc., club membership shares and others as at December 31, 2020 and 2019 are classified as equity investments at FVOCI.

NOTE 15 - OTHER ACCOUNTS RECEIVABLE

15A) INSURANCE CLAIMS AND PREMIUMS RECEIVABLE

Insurance claims and premiums receivable as at December 31, 2020 and 2019 consisted of:

		2020	2019
Insurance premiums receivable	P	**86,443**	437,045
Claims from insurance (Note 31)		**1,126**	8,490
	P	**87,569**	445,535

Insurance premiums receivable, which is related to non-damage business interruption insurance, consists of premiums receivable from third party insurance company. Premiums receivable represents premiums on written policies which are collectible within the Company's credit term.

The Company's exposure to credit risk related to the insurance claims and premiums receivable are disclosed in Note 22 to the consolidated financial statements.

15B) OTHER CURRENT ACCOUNTS RECEIVABLE

Other current accounts receivable as at December 31, 2020 and 2019 consisted of:

		2020	2019
Receivable from contractors	P	**29,262**	13,050
Short-term deposits		**8,500**	8,543
Receivable from employees		**2,704**	1,552
Loan receivable [1]		–	39,088
Others [2]		**3,251**	3,011
	P	**43,717**	65,244

(Amounts in Thousands, Except Number of Shares and Per Share Data)

[1] The loan receivable pertains to the amount provided by the Company to CEMEX Philippines Foundation, Inc., with a fixed interest rate at 3.0% per annum and is due on demand. On February 29, 2020, the Company assigned the loan receivable to IQAC amounting to P39,244 (see Note 13).

[2] Others pertain to SSS-related reimbursements and receivables from scrap sales, fixed assets sales and other non-trade items.

The Company's exposure to credit risk related to other current accounts receivable is disclosed in Note 22 to the consolidated financial statements.

15C) OTHER ASSETS AND NONCURRENT ACCOUNTS RECEIVABLE

Other assets and noncurrent accounts receivable as at December 31, 2020 and 2019 consisted of:

		2020	2019
Long-term time deposits [1]	P	**407,780**	480,788
Guaranty deposits [2]		**266,440**	259,872
Long-term prepayments [3]		**27,937**	27,937
Right of way		**11,905**	16,666
Others[4]		**68,337**	51,888
	P	**782,399**	837,151

[1] Long-term time deposits are restricted cash pertaining to: a) debt service reserve account amounting to P302,462 and P375,470 as at December 31, 2020 and 2019, respectively, arising from the Company's supplemental agreement with BDO Unibank, Inc. (BDO) (see Note 24); and b) cash bonds deposited by customers as collateral and cash restricted for related party tax cases amounting to P105,318 as at December 31, 2020 and 2019.

[2] Guaranty deposits include a) deposits to Meralco amounting to P142,665 as at December 31, 2020 and 2019 respectively, which will be applied to future electricity charges upon commencement of the operation of Solid's new cement manufacturing line; and b) rental guaranty deposits amounting to P123,775 and P117,207 as at December 31, 2020 and 2019, respectively, which are expected to be collected from the lessor upon termination of the lease contracts.

[3] Long-term prepayments primarily pertain to prepaid mining and quarry royalty fees related to the purchase of raw materials amounting to P27,937 as at December 31, 2020 and 2019;

[4] Others primarily pertain to prepaid transportation allowance amounting to P67,905 and P35,622 as at December 31, 2020 and 2019, respectively, and other items that are individually immaterial.

The Company's exposure to credit risk related to the long-term time and rental guaranty deposits are disclosed in Note 22 to the consolidated financial statements.

NOTE 16 - INVENTORIES

Inventories as at December 31, 2020 and 2019 consisted of:

		2020	2019
At NRV:			
Materials and spare parts	P	**939,283**	1,064,009
Finished goods		**411,263**	526,901
Work-in-process inventory		**498,326**	1,071,519
Raw materials		**316,016**	236,062
At Cost:			
Inventory in transit		**185,078**	114,953
	P	**2,349,966**	3,013,444

For the years ended December 31, 2020, 2019, and 2018, the Company recognized in the consolidated statements of comprehensive income the cost of sales amounting to P11,614,953, P13,913,316 and P14,227,211 (see Note 7). As at December 31, 2020 and 2019, inventory write-down to NRV amounted to P37,913, and P30,724, respectively. Write-down of inventories to NRV included under "Cost of Sales" account in the consolidated statements of comprehensive income amounted to P15,850, and P30,750 in 2020 and 2019, respectively. In 2020, the Company has also written-down cost of inventories damaged by a typhoon amounting to P1,856, which was charged against insurance receivable. In 2018, the Company recognized provisions for inventory write-down amounting to P83,844 related to loss on materials buried during the landslide, which were eventually written-off in 2019 (see Note 31). As at December 31, 2020 and 2019, inventories amounting to P10,517 and P54,176, respectively, were written-off against allowance as these inventories were either disposed or adjusted as a result of the physical count.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

NOTE 17 - PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets as at December 31, 2020 and 2019 consisted of:

		2020	2019
Prepayments:			
Prepaid taxes [1]	P	**1,041,373**	645,015
Prepaid insurance [2]		**628,619**	508,796
Advances to suppliers [3]		**106,395**	367,775
Prepaid rent [4]		**12,992**	10,692
Advances to employees		**3,131**	1,179
Deferred share issuance costs [5]		**–**	95,105
Others		**32,699**	43,830
	P	**1,825,209**	1,672,392

[1] Prepaid taxes include input VAT, property taxes and creditable withholding taxes.
[2] Prepaid insurance pertains to unamortized payments of insurance policies on property, non-damage business interruption and others.
[3] Advances to suppliers include advance payments for purchases of clinker and other raw materials.
[4] Prepaid rent pertains to advance payments on short-term and low value leases.
[5] Refer to Note 26A to the consolidated financial statements.

NOTE 18 - PROPERTY, MACHINERY AND EQUIPMENT AND ASSETS FOR THE RIGHT-OF-USE - Net

As at December 31, 2020 and 2019, the breakdown of this account follows:

		2020	2019
Property, machinery and equipment	P	**19,908,567**	17,975,945
Assets for the right-of-use		**1,790,810**	1,961,778
	P	**21,699,377**	19,937,723

Property, Machinery and Equipment
The movements for each class of property, machinery and equipment are as follows:

		Buildings and improvements	Machinery and equipment	Construction In-progress	Total
Gross Carrying Amount					
January 1, 2019	P	4,177,729	13,053,684	2,031,337	19,262,750
Additions		72,659	396,381	3,389,837	3,858,877
Disposals		(2,191)	(110,865)	–	(113,056)
Transfers		155,457	455,295	(610,752)	–
December 31, 2019		4,403,654	13,794,495	4,810,422	23,008,571
Additions		54,797	153,729	3,316,777	3,525,303
Transfers		94,680	163,938	(258,618)	–
Disposals		(7)	(18,221)	–	(18,228)
December 31, 2020		**4,553,124**	**14,093,941**	**7,868,581**	**26,515,646**
Accumulated depreciation and impairment					
January 1, 2019		(629,246)	(3,016,139)	–	(3,645,385)
Depreciation for the year		(296,270)	(1,173,901)	–	(1,470,171)
Disposals		1,772	81,158	–	82,930
December 31, 2019		(923,744)	(4,108,882)	–	(5,032,626)
Depreciation for the year		(347,693)	(1,244,003)	–	(1,591,696)
Disposals		7	17,236	–	17,243
December 31, 2020		**(1,271,430)**	**(5,335,649)**	**–**	**(6,607,079)**
Carrying Amounts					
December 31, 2019	P	3,479,910	9,685,613	4,810,422	17,975,945
December 31, 2020	**P**	**3,281,694**	**8,758,292**	**7,868,581**	**19,908,567**

In relation to Solid's construction of new production line, the Company capitalized borrowing cost amounting P345,861, P265,066 and nil for the years ended December 31, 2020, 2019 and 2018, respectively. The average capitalization rate used to determine the amount of borrowing cost eligible for capitalization during the years ended December 31, 2020 and 2019 is 5.70%. and 10.57%, respectively.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

The Company has an existing contract with a third party to provide engineering, procurement of construction materials and construction of the new production line. In November 2018, the Company made a down payment amounting to P2,069,601 to a third party for the construction and installation of Solid's new production line and is presented as "Advances to contractors" under noncurrent assets in the consolidated statements of financial position. As at December 31, 2020 and 2019, outstanding "Advances to contractors" amounted to P1,142,685 and P1,606,397, respectively. The Company is expected to incur a total of approximately P5,680 million from these contracts until the expected completion of the new production line in December 2021.

Assets for the Right-of-Use
The movements in the balance of assets for the right-of-use are as follows:

		Land and Buildings	Machinery and Equipment	Total
Gross Carrying Amount				
December 31, 2018	P	1,815,620	1,370,844	3,186,464
Additions		57,839	304,604	362,443
Cancellation and remeasurements		(37,750)	(119,069)	(156,819)
December 31, 2019		1,835,709	1,556,379	3,392,088
Additions		131,459	426,759	558,218
Cancellation and remeasurements		(72,089)	(379,603)	(451,692)
Reclassification		(7)	7	–
December 31, 2020		**1,895,072**	**1,603,542**	**3,498,614**
Accumulated amortization				
January 1, 2019		(350,799)	(685,007)	(1,035,806)
Amortization for the year		(130,816)	(365,186)	(496,002)
Lease termination		30,334	71,164	101,498
December 31, 2019		(451,281)	(979,029)	(1,430,310)
Amortization for the year		(179,156)	(536,821)	(715,977)
Lease termination		68,369	370,114	438,483
December 31, 2020		**(562,068)**	**(1,145,736)**	**(1,707,804)**
Carrying Amounts				
December 31, 2019	P	1,384,428	577,350	1,961,778
December 31, 2020	P	**1,333,004**	**457,806**	**1,790,810**

Assets for the right-of-use of land are amortized for a duration of 50 years. Assets for the right-of-use of buildings are amortized for a duration of 1.5 years to 15 years. Assets for the right-of-use of machinery and equipment are amortized for a duration of 2 years to 10 years.

The Company terminated contracts relating to leases of a vessel and warehouses resulting in derecognition of the right-of-use assets with carrying amount of P13,209 and P55,321 in 2020 and 2019, respectively, and lease liabilities amounting to P13,418 and P62,353, respectively (see Note 21). For the years ended December 31, 2020 and 2019, gain on derecognition of the right-of-use asset and lease liability amounted to P209 and P7,032, respectively, and were recognized under "Other financial expenses - net" account in the consolidated statements of comprehensive income (see Note 10).

All of the Company's property machinery and equipment and leased assets in which right-of-use assets are recognized are all located in the Philippines.

NOTE 19 - GOODWILL

The goodwill amounting to P27,859,694 arose from the acquisition of interest in the economic benefits of the entities listed in Note 30 (except for CAR and Falcon) in 2016 and is attributable mainly to the synergy with other subsidiaries, assembled work force and dealer network.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

As mentioned in Note 3L, the consolidated entities test their goodwill balances for impairment at the level of the CGUs to which goodwill has been allocated, which are commonly composed of the operating subsidiaries of the Company in the country. The Company's cash flow projections for five years to determine the value-in-use of its CGU consider the use of long-term economic assumptions, taking into consideration the impact of COVID-19 pandemic (see Note 32). The Company believes that its discounted cash flow projections and the discount rates used reasonably reflect current economic conditions at the time of the calculations, considering, among other factors that:

a. the cost of capital reflects current risks and volatility in the markets; and
b. the cost of debt represents the actual interest rates recognized by the CGUs in their outstanding interest-bearing debt.

The Company performed its annual goodwill impairment test, and based on the analysis, the Company does not need to recognize impairment loss on goodwill. For purposes of impairment testing, goodwill has been allocated to the Company's CGUs (significant operating divisions) as follows:

		Amount
APO	P	17,648,162
Solid		10,211,532
	P	**27,859,694**

In 2020 and 2019, the Company's pre-tax discount rates and expected growth rates in perpetuity used in the Company's impairment tests to determine the discounted cash flows in both the CGUs with the main goodwill balances were as follows:

	APO		Solid	
	2020	2019	**2020**	2019
Discount rate	**9.1%**	9.2%	**9.2%**	9.1%
Growth rate	**6.3%**	6.5%	**6.3%**	6.5%

In connection with the Company's assumptions as at December 31, 2020 and 2019, included in the table above, the Company made sensitivity analyses to changes in assumptions, affecting the value-in-use of all CGUs. The following table shows the amount (in percentage) by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	APO		Solid	
	2020	2019	**2020**	2019
Discount rate	**5.5**	5.9	**9.0**	8.6
Growth rate	**(7.7)**	(8.3)	**(14.8)**	(13.4)

As at December 31, 2020 and 2019, the estimated recoverable amount of the Company's CGUs exceeds carrying amount by P159,951,613 and P169,372,764, respectively.

NOTE 20 - UNEARNED INCOME, OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Unearned income, other accounts payable and accrued expenses as at December 31, 2020 and 2019 consisted of:

		2020	2019
Unearned income from reinsurance premiums [2]	P	**523,004**	438,632
Accrued expenses [1]		**505,374**	927,391
Taxes payable [3]		**215,605**	242,365
Others		**37,228**	49,336
	P	**1,281,211**	1,657,724

[1] Accrued expenses includes a) interest on loans amounting to P69,108 and P95,000 as at December 31, 2020 and 2019, respectively (see Note 24); b) utilities and supplies amounting to P238,197 and P417,096 as at December 31, 2020 and 2019, respectively; c) salaries and employee benefits amounting to P163,640 and P181,873 as at December 31, 2020 and 2019, respectively; d) freight cost amounting to P1,153 and P157,366 as at December 31, 2020 and 2019, respectively; c.) outside services amounting to P26,898 and P52,867 December 31, 2020 and 2019, respectively; f) royalty fees amounting to P6,378 as at December 31, 2020 and 2019; and g) other accrued expenses amounting to nil and P16,791 as at December 31, 2020 and 2019, respectively.

[2] Unearned income from reinsurance premiums pertain to the portion of reinsurance premiums written by Falcon that relate to unexpired period of the policies.

[3] Taxes payables include net VAT payable, withholding taxes and final taxes payable.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

For the years ended December 31, 2020 and 2019, the roll-forward analyses of unearned income from reinsurance premiums are as follows:

		2020	2019
Balance at beginning of year	P	**438,632**	499,539
Policies written during the year		**1,085,932**	1,041,186
Premiums earned during the year		**(978,933)**	(1,055,859)
Effect of translation to Philippine peso		**(22,627)**	(46,234)
Balance at end of year	P	**523,004**	438,632

The Company's provision for quarry fees amounted to P9,717 as at December 31, 2020 and 2019, respectively. There were no movement in the amount of provision in 2020. The provision is expected to be settled in 2021.

NOTE 21 - LEASES

The Company leases vessels, parcels of land, warehouses and office premises with periods ranging from more than 1 to 25 years. Some of these leases have escalation clauses, whereby rental fees increase over the lease term. These lease agreements, except for the lease of parcels of land from IQAC and ALQC (see Note 13), provided renewal options subject to the mutual agreement of both the lessor and the Company.

The roll-forward analyses of opening and closing balances of lease liabilities follow:

		2020	2019
Balance at beginning of year	P	**2,163,251**	2,359,596
Additions		**558,218**	362,443
Accretion of interest		**135,249**	138,321
Payments		**(760,670)**	(611,367)
Remeasurements due to lease termination (Note 18)		**(13,418)**	(62,353)
Effect of changes in exchange rates		**(11,979)**	(23,389)
Effect of rent concession		**(4,539)**	–
Balance at end of year	P	**2,066,112**	2,163,251

The accretion of interest from lease liabilities are recognized as part of "Financial expenses" account in the consolidated statements of comprehensive income. The maturity analysis of the Company's lease liabilities is disclosed in Note 28 to the consolidated financial statements. The movements in the Company's assets for the right-of-use assets are disclosed in Note 18 to the consolidated financial statements.

As discussed in Note 3A, the Company has applied the practical expedient on the rent concession granted by the lessor of the ship vessel used by the Company in its operations. Income from the rent concession amounting to P4,539 was recognized in "Other income (expenses) - net" account in the consolidated statements of comprehensive income.

Leases that were charged to profit or loss are as follows:

		2020	2019	2018
Expenses relating to variable lease consideration	P	**279,940**	322,531	349,674
Expenses relating to short-term leases		**11,421**	26,600	21,725
	P	**291,361**	349,131	371,399

Total cash outflow for leases amounted to P923,621, P822,177, and P788,496 for the years ended December 31, 2020, 2019 and 2018, respectively.

NOTE 22 - FINANCIAL RISK AND INSURANCE RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial Risk Management Framework

This note presents information on the financial risk exposure of the Company relating to credit risk, foreign currency risk, commodity price risk and liquidity risk; goals, policies and procedures of the Company to measure and manage such risks and the administration of the Company's resources.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

The Company's management has overall responsibility for the development, implementation and monitoring of the conceptual framework and policies for an effective risk management.

The Company's risk management policies are intended to:
a) identify and analyze the risks faced by the Company;
b) implement appropriate risk limits and controls; and
c) monitor the risks and the compliance with the limits.

Policies and risk management systems are regularly reviewed to reflect changes in market conditions and in the Company's activities. By means of its policies and procedures for risk management, the Company aims to develop a disciplined and constructive control environment where all employees understand their roles and obligations.

Credit Risk

Credit risk is the risk of financial loss faced by the Company if a customer or counterparty of a financial instrument does not meet its contractual obligations and originates mainly from trade receivables. As at December 31, 2020 and 2019, the maximum exposure to credit risk is represented by the balance of financial assets (excluding equity investments). Management has developed policies for the authorization of credit to customers. The exposure to credit risk is monitored constantly according to the behavior of payment of the debtors. Credit is assigned on a customer-by-customer basis and is subject to assessments which consider the customers' payment capacity, as well as past behavior regarding due dates, balances past due and delinquent accounts. In cases deemed necessary, the Company's management requires cash bonds from its customers and financial counterparties with regard to financial assets, which can be called upon if the counterparty is in default under the terms of the agreement. Cash bonds received from credit customers as at December 31, 2020 and 2019 amounted to P32,624.

The Company's management has established a policy which analyzes the creditworthiness of each new client individually before offering the general conditions of payment terms and delivery, and the review includes external ratings, when references are available, and in some cases bank references. Threshold of credit limits are established for each client, which represent the maximum credit amount that requires different levels of approval. Customers who do not meet the levels of solvency requirements imposed by the Company can only carry out transactions with the Company by paying cash in advance.

The carrying amount of financial assets below represents the maximum credit exposure without taking into account the effect of collateral and any credit enhancements. The maximum exposure to credit risk as at December 31, 2020 and 2019 is as follows:

		Gross Carrying Amount		Net Carrying Amount	
		2020	2019	**2020**	2019
Financial assets at amortized cost					
Cash and cash equivalents (Note 11)	P	**6,139,411**	1,399,180	**6,139,411**	1,399,180
Trade receivables (Note 12)		**726,890**	916,708	**700,162**	892,951
Due from related parties (Note 13)		**3,795**	27,749	**3,795**	27,749
Insurance claims and premiums receivable (Note 15A)		**87,569**	445,535	**87,569**	445,535
Other current accounts receivable (Note15B)		**43,717**	65,244	**43,717**	65,244
Long-term time and rental guaranty deposits (Note 15C; under other assets and noncurrent accounts receivable)		**531,555**	597,995	**531,555**	597,995
		7,532,937	3,452,411	**7,506,209**	3,428,654
Financial assets at fair value (hedging instrument)					
Derivative asset		**24,039**	-	**24,039**	-
	P	**7,556,976**	3,452,411	**7,530,248**	3,428,654

(Amounts in Thousands, Except Number of Shares and Per Share Data)

Trade Receivables

The Company applied the simplified approach in measuring ECLs which uses a lifetime expected loss allowance for all trade receivables. To measure the ECLs, trade receivables have been grouped by shared credit risk characteristics based on customer type and determines for each group an average ECL, considering actual credit loss experience over the last 12 months and the Company's view of economic conditions over the expected lives of the trade receivables. The ECL rate that is used to arrive at the ECL arising from the current year credit sales is computed as the percentage of prior year's credit sales that eventually became more than 365 days overdue. The ECL rate is 100% for the trade receivables that are 365 and more days past due. The Company has identified the GDP growth rate to be the most relevant macroeconomic factor that affects the ability of the customers to settle the receivables. However, it was assessed that the adjustment for forward-looking information is not material. The Company does not have trade receivable for which no allowance is recognized because of collateral.

The following table provides information about the exposure to credit risk and ECLs for trade receivables:

As at December 31, 2020		**Current**	**1 to 30 days**	**31 to 60 days**	**More than 60 days**	**Total**
Average ECL rates		0.5%	0.6%	1.7%	54.6%	3.7%
Trade receivables - gross carrying amount	P	594,333	66,601	24,256	41,700	726,890
Allowance for impairment losses		3,177	388	415	22,748	26,728

As at December 31, 2019		**Current**	**1 to 30 days**	**31 to 60 days**	**More than 60 days**	**Total**
Average ECL rates		0.2%	3.8%	68.2%	57.7%	2.6%
Trade receivables - gross carrying amount	P	831,695	50,910	4,538	29,565	916,708
Allowance for impairment losses		1,670	1,934	3,097	17,056	23,757

Other Financial Assets (excluding Equity Instruments)

Impairment on cash and cash equivalents, long-term time deposits (recognized under "Other assets and noncurrent accounts receivable" account in the consolidated statements of financial position) has been measured on a 12-month expected credit loss basis and reflects the short maturities of the exposures. The Company considers that these financial assets, as well as derivative assets, have low credit risk as these are held with reputable banks and financial institutions. All other debt investments and other receivables (i.e., due from related parties, insurance claims and premiums receivable, other current accounts receivable and rental guaranty deposits) that are measured at amortized cost are considered to have low credit risk, because they have low risk of default as the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Credit risk on these financial assets has not increased significantly since their initial recognition. Hence, the loss allowance calculated was therefore limited to 12 months expected losses. The Company has determined an insignificant amount of ECL on these financial assets because of the zero-instance of default from the counterparties and the effect of forward-looking information on macro-economic factors affecting the ability of the counterparties to settle the receivables were assessed to have an insignificant impact.

The Company sells its products primarily to retailers in the construction industry, with no specific geographic concentration of credit within the country in which the Company operates. As at December 31, 2020 and 2019, no single customer individually accounted for a significant amount of the reported amounts of sales or the balances of trade receivables.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

As at December 31, 2020 and 2019, the following tables provide credit risk ratings of the Company's financial asset:

		2020		2019	
		High grade	Standard grade	High grade	Standard grade
Financial assets for which loss allowance is measured equal to 12-month ECL					
Cash and cash equivalents (Note 11)	P	6,139,411	–	1,399,180	–
Due from related parties (Note 13)		3,795	–	27,749	–
Insurance claims and premiums receivable (Note 15A)		87,569	–	445,535	–
Other current accounts receivable (Note 15B)		43,717	–	65,244	–
Derivative asset		24,039	–	–	–
Long-term time and rental guaranty deposits (Note 15C; under other assets and noncurrent accounts receivable)		531,555	–	597,995	–
		6,830,086	–	2,535,703	–
Financial asset for which loss allowance is measured equal to lifetime ECL					
Trade receivables (Note 12)		594,333	132,557	831,695	85,013
	P	7,424,419	132,557	3,367,398	85,013

Cash in banks and cash equivalents, derivative asset and long-term time deposits are based on the credit standing or rating of the counterparty. Cash and cash equivalents and long-term time and rental guaranty deposits are of high-grade quality and were assessed as having minimal credit risk as these are deposited in reputable financial entities.

Trade receivables, due from related parties, insurance claims and premiums receivable, other current accounts receivable and rental guaranty deposits are based on a combination of credit standing or rating of the counterparty, historical experience and specific and collective credit risk assessment.

High grade quality financial assets are those with no history of payment default and has good credit standing or rating. Standard grade quality financial assets are those assessed as having minimal to regular instances of payment default due to ordinary/common collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

Movements in the Allowance for Impairment Losses on Trade Receivables
As at December 31, 2020 and 2019, the movements in the allowance for impairment losses are as follows:

		2020	2019
Balance at beginning of year	P	23,757	24,148
Charged to selling expenses		6,206	334
Write-off of trade receivables		(3,235)	(725)
Balance at end of year	P	26,728	23,757

Foreign Currency Risk

Foreign currency risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate in relation to changes in exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates to its operational and financing activities. The objective of foreign currency risk management is to manage and control exposures within acceptable parameters while optimizing the return. The Company's revenue and costs are generated and settled mainly in Philippine Peso. For the years ended December 31, 2020 and 2019, approximately less than 5% of the Company's net sales, were generated in U.S. dollars.

The Company had an exposure arising from the dollar-denominated financial obligations as compared to the currency in which the majority of the Company's revenues are generated. The Company's only revenue denominated in U.S. dollars to cover such dollar-denominated obligations are those generated by exports. As at December 31, 2020 and 2019, the Company has not implemented any derivative financing hedging strategy to address this foreign currency risk.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

Foreign exchange fluctuations occur when any member of the Company incur monetary assets and liabilities in a currency different from its functional currency. These translation gains and losses are recognized in the consolidated statements of comprehensive income.

As at December 31, 2020 and 2019, a summary of the quantitative information of the exposure of the Company due to foreign currencies is provided to the top management on the basis of its risk management policy as follows:

	As at December 31, 2020	
	(in U.S. dollar)	*(in Euro)*
Cash and cash equivalents	**US$4,505**	**€–**
Due from related parties*	**558**	**–**
Trade payables	**(16,715)**	**–**
Due to related parties*	**(19,821)**	**(142)**
Lease liabilities	**(10,809)**	**–**
Net liabilities denominated in foreign currency	**(US$42,282)**	**(€142)**

**Pertains to related party transactions with entities outside the Company*

	As at December 31, 2019	
	(in U.S. dollar)	*(in Euro)*
Cash and cash equivalents	US$5,474	€–
Due from related parties*	76	–
Trade payables	(29,558)	(1,510)
Due to related parties*	(130,090)	–
Lease liabilities	(14,051)	–
Net liabilities denominated in foreign currency	(US$168,149)	(€1,510)

**Pertains to related party transactions with entities outside the Company*

The Company is also exposed to foreign currency risks on eliminated foreign currency denominated intragroup balances as follows (in U.S. dollar):

Amounts owed by	Amounts owed to	2020	2019
Parent Company	CAR	**(US$65,873)**	(US$88,490)
Parent Company	Falcon	**(13,003)**	(31,225)
APO	CAR	**(4,595)**	(4,653)
Solid	CAR	**(1,772)**	(4,535)
		(US$85,243)	(US$128,903)

The most significant closing exchange rates and the approximate average exchange rates of Philippine Peso per U.S. dollar and Euro used in the consolidated financial statements were as follows:

	December 31, 2020		December 31, 2019	
Currency	Closing	Average	Closing	Average
U.S. dollar	**P48.02**	**P49.94**	P50.64	P51.57
Euro	**P58.69**	**P56.40**	56.78	57.68

Sensitivity Analysis on Foreign Currency Risk

The following table demonstrates the sensitivity to a reasonably possible change in various foreign currencies, with all other variables held constant, of the Company's profit (loss) before income tax and equity for the years ended December 31, 2020 and 2019:

U.S. Dollar	Strengthening (Weakening) of Philippine Peso	Effect on Earnings before Income Tax	Effect on Equity
2020	**+5.2%**	**P104,774**	**P73,342**
	-5.2%	**(104,774)**	**(73,342)**
2019	+5.3%	315,057	220,540
	-5.3%	(315,057)	(220,540)

(Amounts in Thousands, Except Number of Shares and Per Share Data)

EUR	Strengthening (Weakening) of Philippine Peso	Effect on Earnings before Income Tax	Effect on Equity
2020	**+3.4%**	**P279**	**P195**
	-3.4%	**(279)**	**(195)**
2019	+0.5%	4,973	3,481
	-0.5%	(4,973)	(3,481)

Sensitivity Analysis Pertaining to Eliminated Intragroup Balances

U.S. Dollar	Strengthening (Weakening) of Philippine Peso	Effect on Earnings before Income Tax	Effect on Equity
2020	**+5.2%**	**P211,231**	**P147,862**
	-5.2%	**(211,231)**	**(147,862)**
2019	+5.3%	241,523	169,067
	-5.3%	(241,523)	(169,067)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will affect the Company's income or the value of its holdings of financial instruments. As at December 31, 2020 and 2019, the Company is exposed to interest rate risk primarily on the floating interest rate tranche corresponding to P5,380,072 and P5,964,021, respectively, of the long-term bank loan with BDO and short-term investments in Lomez amounting to P4,214,085 and P65,154 as at December 31, 2020 and 2019, respectively (see Notes 11, 13 and 24). The short-term investments in Lomez bear interest at a rate equivalent to the higher of WAILRF rate minus 10 basis points and zero interest.

Sensitivity analysis on Interest Rate Risk

As at December 31, 2020 and 2019, a hypothetical 1% increase in interest rate, with all other variables held constant, the Company's profit for the years ended December 31, 2020 and 2019, would have decreased by approximately P8,162 and P41,292, respectively. Conversely, a hypothetical 1% decrease in interest rate would have the opposite effect.

Commodity Price Risk

In the ordinary course of business, the Company is exposed to commodity price risk, including the exposure from diesel fuel prices, and expose the Company to variations in prices of the underlying commodity. The Company established specific policies oriented to obtain hedge with the objective of fixing diesel fuel prices. To hedge the price of diesel fuel, the Company has entered into a derivative commodity swap agreement in 2020, and purchased option contract transactions in 2019. Through these contracts, the Company fixed the price of diesel over a certain volume representing a portion of the estimated consumption of diesel fuel in the operations. These contracts have been designated as cash flow hedges of diesel fuel consumption, and as such, changes in fair value are recognized temporarily through OCI and are recycled to profit or loss as the related diesel volumes are consumed.

The following amounts relating to items designated as hedging instruments as at December 31, 2020 and 2019 were as follows:

	2020		2019	
	Notional amount	**Carrying amount**	Notional amount	Carrying amount
Price swap transaction	**P183,544**	**P24,179**	P–	P–

For the years ended 2020, 2019 and 2018, changes in fair value of these contracts recognized in OCI amounted to P24,179, nil, and (P6,458), respectively. For the years ended 2020, 2019 and 2018, the amount reclassified from hedge reserve to profit or loss are nil, P6,458, and nil, respectively.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient funds available to meet its obligations. The Company has fulfilled its operational liquidity needs primarily through its own operations and expects to continue to do so for both the short and long-term liabilities. Although cash flow from the Company's operations has historically covered its overall liquidity needs for operations, servicing debt and funding capital expenditures and acquisitions, the consolidated entities are exposed to risks from changes in foreign currency exchange rates, prices and currency controls, interest rates, inflation, governmental spending, social instability and other political, economic and/or social developments in the countries in which they operate, any one of which may materially decrease the Company's net profit and reduce cash flows from operations. Accordingly, in order to meet its liquidity needs, the Company also relies on cost-control and operating improvements to optimize capacity utilization and maximize profitability. The Company's consolidated net cash flows provided by operating activities, as presented in its consolidated statements of cash flows, amounted to P2,807,648, P3,010,995 and P2,342,061 for the years ended December 31, 2020, 2019 and 2018, respectively. In addition, there is no significant concentration of a specific supplier relating to the purchase of raw materials.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	As at December 31, 2020				
	Carrying Amount	**Contractual Cash Flows**	**12 Months or Less**	**1 to 5 Years**	**More than 5 Years**
Trade payables	**P4,281,750**	**P4,281,750**	**P4,281,750**	**P–**	**P–**
Due to related parties	**1,512,086**	**1,512,086**	**1,512,086**	**–**	**–**
Unearned income, other accounts payable and accrued expenses*	**516,341**	**516,341**	**516,341**	**–**	**–**
Lease liabilities	**2,066,112**	**4,354,433**	**295,405**	**523,463**	**3,535,565**
Bank loan	**10,706,765**	**11,777,572**	**588,796**	**11,188,776**	**–**
Total	**P19,083,054**	**P22,442,182**	**P7,194,378**	**P11,712,239**	**P3,535,565**

**Excluding government-related payables, unearned income from insurance premiums and other non-financial liabilities amounting to P764.9 million.*

	As at December 31, 2019				
	Carrying Amount	Contractual Cash Flows	12 Months or Less	1 to 5 Years	More than 5 Years
Trade payables	P4,795,817	P4,795,817	P4,795,817	P–	P–
Due to related parties	8,102,052	10,714,797	3,289,975	7,424,822	–
Unearned income, other accounts payable and accrued expenses*	942,855	942,855	942,855	–	–
Lease liabilities	2,163,251	5,094,230	646,741	787,474	3,660,015
Bank loan	11,320,925	13,305,483	736,880	12,568,603	–
Total	P27,324,900	P34,853,182	P10,412,268	P20,780,899	P3,660,015

**Excluding government-related payables, unearned income from insurance premiums and other non-financial liabilities amounting to P714.9 million.*

The interest payments on floating rate bank loans reflect market forward interest rates at the reporting date and these amounts may change as market interest rates change. Except for this financial liability, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Insurance Risk Management

As mentioned in Note 1, the Parent Company incorporated Falcon to create its own reserves and reinsure in respect of the Company's property, non-damage business interruption and political risks insurance. Falcon is expected to retain 10% of the risk in connection with property insurance and 100% of the risk in connection with earthquake and wind stop loss, non-damage business interruption and political risks insurance of the Parent Company's operating subsidiaries. As a result of these arrangements, the Company self-insures these risks to the extent of Falcon's retained liability. There can be no assurance that the reserves established by Falcon will exceed any losses in connection with the Company's self-insured risks.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

In addition, the Company's insurance coverage is subject to periodic renewal. If the availability of insurance coverage is reduced significantly for any reason, the Company may become exposed to certain risks for which it is not and, in some cases could not be, insured. Moreover, if the Company's losses exceed its insurance coverage, or if the Company's losses are not covered by the insurance policies it has taken up, or if Falcon is required to pay claims to its insurer pursuant to the reinsurance arrangements, the Company may be liable to cover any shortfall or losses. The Company's insurance premiums may also increase substantially because of such claim from the Company's insurers.

The foregoing risk exposure is mitigated, through making reasonable approximation after an evaluation of reported claims in the past of the Parent Company's operating subsidiaries, by retaining only insurance risk from insurance policies in which the operating subsidiaries have low probability of incurring losses.

Fair Values of Financial Assets and Financial Liabilities

The fair values of cash and cash equivalents, trade receivables, insurance claims and premiums receivable, amounts due from related parties, other current accounts receivable (under financial assets measured at amortized cost), trade payables, amounts due to related parties, other accounts payable and accrued expenses (under financial liabilities measured at amortized cost) reasonably approximate their carrying amounts considering the short-term maturities of these financial instruments.

As at December 31, 2020 and 2019 the carrying amounts and fair values of financial assets and liabilities are as follow:

		2020			2019	
		Carrying amount	Fair value		Carrying amount	Fair value
Financial assets measured at amortized cost						
Long-term time and rental guaranty deposits	P	**531,555**	**531,555**	P	597,995	597,995
Financial assets at fair value (hedging instrument)						
Derivative asset		**24,039**	**24,039**		-	-
	P	**555,594**	**555,594**	P	597,995	597,995
Financial liabilities measured at amortized cost						
Bank loan	P	**10,706,765**	**11,411,683**	P	11,320,925	12,888,099
Payable to a related party		**-**	**-**		6,448,398	7,952,786
	P	**10,706,765**	**11,411,683**	P	17,769,323	20,840,885

The fair values disclosed for the financial assets and financial liabilities above are categorized under level 2 of fair value hierarchy.

The estimated fair value of the Company's long-term time and rental guaranty deposits, bank loan and long-term payable to a related party are either based on estimated market prices for such or similar instruments, considering interest rates currently available for the Company to negotiate debt with the same maturities, or determined by discounting future cash flows using market-based interest rates currently available to the Company. The estimated fair value of the derivative asset is determined by measuring the effect of the future economic variables according to the yield curved shown in the market as at the reporting date.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

NOTE 23 - RETIREMENT BENEFIT LIABILITY

The Company has a funded, noncontributory, defined benefit retirement plan covering substantially all of its regular and permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Defined benefit obligation is calculated annually by a qualified actuary using the projected unit credit method. The Company's latest actuarial valuation date was made on December 31, 2020. Valuations are obtained on a quarterly basis.

The retirement plan of the Company entitled a regular and permanent employee to avail of the "Normal Retirement, Early Retirement and Late Retirement Benefit" and "Voluntary Separation Benefit". In addition, the retirement plan also provides "Total and Permanent Disability and Death Benefit" for the qualified employees and beneficiaries.

Normal Retirement, Early Retirement and Late Retirement

The total benefit that will be received by a retired non-union member employee and a union member (**) employee is based on his final plan salary and years of service (YOS), which is summarized on the retirement benefit formula table below:

YOS	Retirement Benefit*
20 & Below	100% of the plan salary for every year of credited service
Above 20 & Below 26	119% of the plan salary for every year of credited service
26 & Above	139% of the plan salary for every year of credited service

*covering Normal, Early and Late Retirement
**for YOS rendered before January 1, 2011

The following retirement benefit formula table applies to a union member employee for services rendered on or after January 1, 2011:

YOS	Retirement Benefit*
20 & Below	100% of the plan salary for every year of credited service
Above 20 & Below 26	130% of the plan salary for every year of credited service
26 & Above	150% of the plan salary for every year of credited service

*covering Normal, Early and Late Retirement

An employee may be entitled only to an early retirement benefit provided that he reached the age of fifty-five (55) and has completed at least ten (10) years of credited service, subject to the consent of the Company. The late retirement may be availed only beyond age sixty (60) but not beyond sixty-five (65), on a case-to-case and yearly extension basis and subject to the consent of the Company.

Voluntary Separation

The total benefit that will be received by a retired employee is based on his final salary and YOS, which is summarized on the retirement benefit formula table below:

YOS	Retirement Benefit
Less than 10	0% of the plan salary for every year of credited service
10 to less than 16	79% of the plan salary for every year of credited service
16 to less than 21	99% of the plan salary for every year of credited service
21 to less than 26	119% of the plan salary for every year of credited service
26 and above	139% of the plan salary for every year of credited service

Total and Permanent Disability and Death Benefit

In the event that a qualified employee dies or is required by the Company to retire due to total and permanent disability, his benefit should be equal to an amount based on the retirement benefit formula. In the case of disability, the employee should have completed at least five (5) years and three (3) years of credited service for Solid and APO, respectively.

The plan is registered with the Bureau of Internal Revenue (BIR) as tax-qualified plan under Republic Act No. 4917, as Amended. The control and administration of the retirement plan is vested in its BOT. The retirement plan's accounting and administrative functions are undertaken by BPI AMTG, and its duly appointed trust fund manager.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

a) Movement in Retirement Benefit Liability

The following table shows reconciliation from the opening balances to the closing balances for retirement benefit liability and its components as at December 31, 2020 and 2019:

	Present Value of Defined Benefit Obligation		Fair Value of Plan Assets		Retirement Benefits Liability	
	2020	2019	2020	2019	2020	2019
Balance at beginning of year	**P996,410**	P805,230	**(P202,209)**	(P90,046)	**P794,201**	P715,184
Included in profit or loss						
Service costs:						
Current service cost	**62,709**	48,221	**–**	–	**62,709**	48,221
Interest cost, net	**49,073**	59,112	**(10,309)**	(3,611)	**38,764**	55,501
	111,782	107,333	**(10,309)**	(3,611)	**101,473**	103,722
Included in OCI						
Actuarial loss (gain) from:						
Change in financial assumptions	**(71,949)**	175,628	**–**	–	**(71,949)**	175,628
Change in demographic assumptions	**1,033**	–	**–**	–	**1,033**	–
Experience adjustments	**(20,796)**	(6,321)	**–**	–	**(20,796)**	(6,321)
Return on plan assets excluding interest income	**–**	–	**1,438**	(3,552)	**1,438**	(3,552)
	(91,712)	169,307	**1,438**	(3,552)	**(90,274)**	165,755
Others						
Benefits paid	**(50,054)**	(59,660)	**–**	–	**(50,054)**	(59,660)
Benefits to be paid	**–**	(25,800)	**–**	–	**–**	(25,800)
Actual contributions	**–**	–	**(101,400)**	(105,000)	**(101,400)**	(105,000)
	(50,054)	(85,460)	**(101,400)**	(105,000)	**(151,454)**	(190,460)
Balance at end of year	**P966,426**	P996,410	**(P312,480)**	(P202,209)	**P653,946**	P794,201

b) Plan Assets

The fair value of plan assets by each class as at the end of the reporting periods are as follows
:

		2020	2019
Deposits	P	**123,106**	110,131
Unit investment trust fund (UITF)			
Equities		**94,935**	35,133
Fixed income		**14,463**	20,371
Money market		**4,903**	1,244
Government securities		**47,772**	10,223
Mutual funds		**19,613**	6,358
Debt instruments			
Local currency		**6,964**	6,612
Cash in bank		**1**	1
US sovereigns		**–**	6,429
Exchange -Traded Fund		**–**	4,135
Others		**723**	1,572
	P	**312,480**	202,209

Equity UITF investments are placed in a concentrated portfolio of stocks listed in the PSE which are generally invested in holding firms, industrial companies, financial institutions, mining and real estate corporations. Fixed income UITF investments are placed mainly in portfolio of bonds and other similar fixed-income securities, such as short-term time deposits, and government securities from the BSP and treasury notes with weighted average term to maturity that varies depending on market outlook.

Mutual funds, on the other hand, are invested in listed equity instruments which are actively traded in globally developed markets. Other mutual funds are invested in debt instruments with terms generally ranging from five (5) to more than ten (10) years which were issued by low and middle income developing countries and are rated mostly at "BBB," "BB" and "B" by Standard and Poor's Financial Services.

The Domestic Fixed Income portfolio of the account holds government securities and corporate bonds. The portfolio is benchmarked against BPI Government Bond Index.

Government securities, categorized under direct securities, are debt obligations from the Philippine government that are denominated in local currency. Such securities are risk free because of extremely low probability that the government will default in its own debt.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

US sovereigns include treasury bills, notes and bonds which are fixed income investments issued by the U.S. Department of the Treasury. Local and foreign currency debt instruments are financial instruments issued by the government or corporate entity in the domicile or country of origin. Local currency deposits and foreign currency time deposits were made to a reputable bank which is rated Baa2 based on Moody's credit rating.

The BOT reviews the level of funding required for the retirement fund with inputs from the Company's accredited actuary. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The objective of BPI AMTC is to manage the portfolio in accordance with the objectives set forth by both the Company and BPI AMTC, and to be able to provide and fund benefits as they fall due.

c) Defined Benefit Obligation

(i) Assumptions

The principal actuarial assumptions, at the reporting date, used to determine the retirement benefits are as follows (expressed as weighted averages):

	Parent Company		Solid		APO	
	2020	2019	**2020**	2019	**2020**	2019
Discount rate	**3.49%**	4.78%	**3.73%**	4.88%	**3.52%**	4.78%
Future salary growth	**4.00%**	6.00%	**4.00%**	6.00%	**4.00%**	6.00%

The following are the turnover rate assumption in 2020 and 2019:

Age	2020	2019
18 - 29	10 to <18	10 to <12
30 - 34	7 to <10	8 to <10
35 - 37	6 to <7	7 to <8
38 - 41	5 to <6	5 to <7
42 - 53	4 to <5	3 to <5
54 - 59	1 to <5	1 to <4

Mortality rates in 2020 and 2019 are based on the "2017 Philippine Intercompany Mortality Table" from the Actuarial Society of the Philippines. Disability rate is based on "1952 Disability Study, Period 2, Benefit 5".

ii) Sensitivity Analysis

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation as at December 31, 2020 and 2019 by the amounts shown below:

	2020		2019	
	Increase	Decrease	Increase	Decrease
Discount rate (0.5% movement)	**(P38,020)**	**P40,652**	(P40,543)	P43,399
Future Salary Increase rate (0.5% movement)	**42,653**	**(40,244)**	45,091	(42,509)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

These defined benefit plans expose the Company to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk.

d) Maturity Analysis

Maturity analysis of the benefit follow:

	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within <1 - 5 Years	More than 5 Years
2020	**P966,426**	**P2,623,580**	**P52,165**	**P339,267**	**P2,232,148**
2019	P996,410	P3,371,042	P82,791	P310,182	P2,978,069

(Amounts in Thousands, Except Number of Shares and Per Share Data)

As at December 31, 2020 and 2019, the weighted average duration in years of the defined benefit obligation are as follows:

	2020	2019
Solid	**15.36**	16.85
APO	**12.73**	14.19
Parent Company	**12.88**	14.08

In 2020, the Company contributed P101,400 and expects to contribute the same in 2021.

e) Retirement Benefit Expense

Retirement benefit expense for the years ended December 31, 2020, 2019 and 2018 is recognized in the following line items in the consolidated statements of comprehensive income:

		2020	2019	2018
Cost of sales	P	**42,832**	28,695	40,670
Administrative expenses		**19,877**	19,526	20,122
Other financial expenses - net		**38,764**	55,501	53,204
	P	**101,473**	103,722	113,996

NOTE 24 - BANK LOAN

On February 1, 2017, the Parent Company signed a Senior Unsecured Peso Term Loan Facility Agreement (Facility Agreement) with BDO for an amount of up to the Philippine Peso equivalent of US$280,000 to refinance a majority of the Parent Company's outstanding long-term loan with New Sunward Holding B.V. The term loan provided by BDO has a tenor of seven (7) years from the date of the initial drawdown on the facility and consists of a fixed rate and a floating rate tranche based on market rates plus spread. Short-term portion of the bank loan amounted to P140,123 as at December 31, 2020 and 2019.

The unamortized debt issuance cost of this bank loan amounting to P80,055 and P106,019 as at December 31, 2020 and 2019, respectively, was deducted from the total loan liability. Interest expense incurred in 2020, 2019 and 2018, excluding amortization of debt issuance cost, amounted to P541,139, P774,869 and P719,174, respectively, which is recognized under "Financial expenses" account in the consolidated statements of comprehensive income.

The reconciliation of opening and closing balances of bank loan follows:

		Bank Loan	Accrued Interest	Total
Balance as at January 1, 2019	P	13,628,851	132,907	13,761,758
Interest expense		25,964	774,869	800,833
Payment of:				
Principal		(2,340,123)	–	(2,340,123)
Interest		–	(812,776)	(812,776)
Others		6,233	–	6,233
Balance as at December 31, 2019		**11,320,925**	**95,000**	**11,415,925**
Interest expense		**25,964**	**541,139**	**567,103**
Payment of:				
Principal		**(640,124)**	-	**(640,124)**
Interest			**(567,031)**	**(567,031)**
Balance as at December 31, 2020	P	**10,706,765**	**69,108**	**10,775,873**

Accrued interest from this bank loan amounting to P69,108 and P95,000 as at December 31, 2020 and 2019, respectively, are recognized under "Unearned income, other accounts payable and accrued expenses" account in the consolidated statements of financial position (Note 20).

(Amounts in Thousands, Except Number of Shares and Per Share Data)

The Facility Agreement also provides certain covenants. Compliance with these covenants shall be tested semi-annually. On December 8, 2017, the Parent Company entered into a Supplemental Agreement to the Facility Agreement with BDO pursuant to which, more notably, it was agreed that:

i. the commencement date for compliance with the aforementioned financial covenants under the Facility Agreement would be in June 2020;
ii. debt service reserve accounts were created (see Note 15C); and
iii. additional debt incurrence restrictions be put in place.

One of these debt incurrence restrictions agreed is based on a financial ratio that measures, on a consolidated basis, the Parent Company's ability to cover its interest expense using its Operating EBITDA (interest coverage ratio) and is measured by dividing Operating EBITDA by the financial expense for the last twelve months as of the calculation date. Operating EBITDA equals operating income before other income, net plus depreciation and amortization. On December 14, 2018, the Parent Company entered into another Supplemental Agreement to the Facility Agreement that provides an option, only for certain potential events of default under the Facility Agreement, for the Parent Company's ultimate parent company, CEMEX, or any affiliate of CEMEX which is not a direct or indirect subsidiary of the Parent Company, to pay all amounts outstanding under the Facility Agreement before they become due and payable prior to their maturity in certain events.

Debt service reserve account related to the Company's bank loan amounted to P302,462 and P375,470 as at December 31, 2020 and 2019, respectively, and is recognized under "Other assets and noncurrent accounts receivable" account in the consolidated statements of financial position (see Note 15C).

On May 15, 2019, the Company signed an Amendment to the Facility and Supplemental Agreements with BDO mainly to:

i. conform the Facility Agreement with certain changes required due to PFRS 16 entering into effect;
ii. exclude from financial covenants in the Facility Agreement any principal and interest from certain subordinated loans and advances incurred in relation with the new cement line being built by Solid that have been made or are to be made to the Company by any subsidiary of CEMEX; and
iii. allow for certain loans taken by the Company with any CEMEX subsidiary to be paid with the proceeds from any equity fundraising activity of the Parent Company without having to pay a prepayment fee to BDO under the Facility Agreement.

On June 30, 2020, the Parent Company entered into an agreement with BDO to further amend the Facility Agreement, which provides compliance with certain financial covenants to commence at the later date of June 30, 2021.

As at December 31, 2020, the Parent Company is in compliance with the applicable restrictions and covenants of the Facility Agreement.

NOTE 25 - INCOME TAXES

25A) INCOME TAXES FOR THE YEAR

The amounts of income taxes recognized in profit or loss for the years ended December 31, 2020, 2019 and 2018 are as follows:

		2020	2019	2018
Current income tax expense	P	**417,441**	562,533	664,643
Write-down of previously recognized deferred income tax assets (reversal of previously unrecognized deferred income tax assets)		**157,146**	(256,792)	606,953
Deferred income tax benefit arising from origination and reversal of temporary differences		**(238,569)**	(99,468)	(317,892)
Adjustments recognized for current tax of prior period		**–**	12,901	–
	P	**336,018**	219,174	953,704

(Amounts in Thousands, Except Number of Shares and Per Share Data)

The Company has NOLCO that can be claimed as deductions from future taxable income as follows:

Year Incurred	Valid until		Amount	Addition During the Year	Expired/ Utilized During the Year	Ending Balance
2020	2025	P	–	811,364	–	811,364
2019	2022		351,802	–	–	351,802
2018	2021		1,292,034	–	(287,490)	1,004,544
2017	2020		2,224,820	–	(2,224,820)	–
		P	**3,868,656**	**811,364**	**(2,512,310)**	**2,167,710**

Pursuant to Section 4 (bbbb) of the Bayanihan to Recover as One Act or the Republic Act 11494, net operating loss of the businesses for taxable years 2020 and 2021 shall be carried over as deduction from gross taxable income for the next five (5) consecutive taxable years immediately following the year of such loss.

The Company has MCIT that can be claimed as tax credits against regular future income tax liabilities as follows:

Year Incurred	Valid until		Amount	Additions During the Year	Expired/ Utilized During the Year	Ending Balance
2020	2023	P	–	185,672	–	185,672
2019	2022		219,209	–	–	219,209
2018	2021		191,905	–	(24)	191,881
2017	2020		199,451	–	(199,451)	–
		P	**610,565**	**185,672**	**(199,475)**	**596,762**

25B) DEFERRED INCOME TAXES

For the years ended December 31, 2020 and 2019, the income tax effects of the temporary differences, NOLCO and MCIT that resulted in deferred income tax assets and liabilities are presented below:

2020	Balance at January 1	Recognized in Profit or Loss	Recognized in OCI	Balance at December 31
Deferred tax assets (liabilities):				
NOLCO	**P615,532**	**(P114,356)**	**P–**	**P501,176**
MCIT	**278,792**	**185,568**	**–**	**464,360**
Accrued retirement benefit liability and past service cost	**263,337**	**(10,429)**	**(27,082)**	**225,826**
Write-down of:				
Property, machinery and equipment to recoverable amount	**64,457**	**–**	**–**	**64,457**
Inventories to NRV	**33,546**	**1,602**	**–**	**35,148**
Lease liability	**52,387**	**11,112**	**–**	**63,499**
Allowance for impairment losses on receivables	**36,174**	**891**	**–**	**37,065**
Contract liabilities from loyalty points	**10,294**	**1,852**	**–**	**12,146**
Provisions	**3,223**	**–**	**–**	**3,223**
Fair value adjustment on property, machinery and equipment	**(253,531)**	**74,384**	**–**	**(179,147)**
Unrealized foreign exchange loss	**(81,423)**	**(63,899)**	**–**	**(145,322)**
Accrued documentary stamp tax	**(10,249)**	**(349)**	**–**	**(10,598)**
Other items	**20,494**	**(4,953)**	**–**	**15,541**
	P1,033,033	P81,423	(P27,082)	P1,087,374

(Amounts in Thousands, Except Number of Shares and Per Share Data)

2019	Balance at January 1	Recognized in Profit or Loss	Recognized in OCI	Balance at December 31
Deferred tax assets (liabilities):				
NOLCO	P415,904	P199,628	P–	P615,532
MCIT	100	278,692	–	278,792
Accrued retirement benefit liability and past service cost	217,778	(4,167)	49,726	263,337
Write-down of:				
Property, machinery and equipment to recoverable amount	64,747	(290)	–	64,457
Inventories to NRV	40,574	(7,028)	–	33,546
Lease liability	62,624	(10,237)	–	52,387
Allowance for impairment losses on receivables	36,074	100	–	36,174
Contract liabilities from loyalty points	19,864	(9,570)	–	10,294
Provisions	6,223	(3,000)	–	3,223
Accrued employee severance pay	3	(3)	–	–
Fair value adjustment on property, machinery and equipment	(302,138)	48,607	–	(253,531)
Unrealized foreign exchange loss (gain)	65,369	(146,792)	–	(81,423)
Accrued documentary stamp tax	(14,015)	3,766	–	(10,249)
Other items	13,940	6,554	–	20,494
	P627,047	P356,260	P49,726	P1,033,033

Net deferred income tax assets (liabilities) as at December 31, 2020 and 2019 presented in the consolidated statements of financial position on a net basis by entity are as follows:

Deferred Income Tax Assets		2020	2019
APO	P	**707,700**	862,623
Solid		**247,090**	31,009
Parent Company		**132,988**	140,543
Ecocast Builders, Inc.		**449**	439
Bedrock Holdings, Inc.		–	2
Newcrete Management, Inc.		–	2
Enerhiya Central, Inc.		–	2
	P	**1,088,227**	1,034,620

Deferred Income Tax Liabilities		2020	2019
Edgewater Ventures Corporation	P	**756**	1,516
Sandstone Holdings, Inc.		**81**	63
Triple Dime Holdings, Inc.		**11**	8
Bedrock Holdings, Inc.		**5**	–
	P	**853**	1,587

Deferred income tax assets have not been recognized in respect of the following items because it is not probable that future taxable income will be available against which the Company can utilize the benefits therefrom:

	2020		2019	
	Gross amount	Tax effect	Gross amount	Tax effect
NOLCO	**P497,124**	**P149,137**	P1,816,882	P545,065
Excess MCIT over RCIT	**132,402**	**132,402**	331,773	331,773
Accrued expenses	**91**	**27**	23	7
Allowance for impairment losses on accounts receivable	–	–	4,790	1,437
Allowance for write-down of inventories	–	–	626	188
Unrealized foreign exchange losses	–	–	3	1
Others	–	–	87	26
	P629,617	**P281,566**	P2,154,184	P878,497

(Amounts in Thousands, Except Number of Shares and Per Share Data)

As at December 31, 2020 and 2019, based on the forecasts of future cash flows and operating results, the Company believes that sufficient taxable income will be generated so that it is probable that it will realize the tax benefits associated with the recognized deferred income tax assets related to tax loss carryforwards and excess MCIT over RCIT prior to their expiration. In addition, the Company concluded that the deferred income tax liabilities that were considered in the analysis of recoverability of its deferred income tax assets will reverse in the same period and tax jurisdiction of the related recognized deferred income tax assets. In the event that present conditions change, and it is determined that future operations would not generate sufficient taxable income, currently recognized deferred income tax assets would be evaluated and derecognized, if necessary, against the results of the period.

25C) EFFECTIVE TAX RATE

Differences between the financial basis and the corresponding tax basis of assets and liabilities and the different income tax rates and laws applicable to the Company, among other factors, give rise to permanent differences between the average statutory tax rate of the entities included in the consolidated financial statements, and the effective tax rate presented in the consolidated statements of comprehensive income for the years ended December 31, 2020, 2019 and 2018, which are as follows:

	2020	2019	2018
Statutory income tax rate	**30%**	30%	30%
Movement in NOLCO	**12%**	(9%)	(2419%)
Non-deductible expenses	**8%**	0%	(314%)
CAR and FALCON tax rate difference	**(21%)**	(23%)	2432%
Non-taxable income and other deductible expenses	**(4%)**	(1%)	204%
Taxable income eliminated at consolidated level	**0%**	17%	(3355%)
MCIT	**0%**	(4%)	(2307%)
Others	**0%**	5%	113%
Consolidated effective income tax rate	**25%**	15%	(5616%)

25D) TAX PROCEEDINGS

The Company and some of its subsidiaries are the subject of the following on-going tax investigations:

Entities	Period	Covered taxes	Status as of December 31, 2020
Solid	2013-2018	Local business tax	On-going
APO	2014-2016	Local business tax	On-going
Ecocrete, Inc.	2013-2015	All internal revenue taxes	The assessment notices issued by BIR were duly protested
Ecocast Builders, Inc.	2016-2017	All internal revenue taxes	On-going
Parent Company	Jan-Jun 2018	VAT	On-going
	2018	All internal revenue taxes except VAT	On-going
	2017-2019	Local business tax	On-going

On January 9, 2020, an assessment notice was issued by the BIR to Ecocast Builders, Inc. This was duly protested on February 7, 2020. In January 2020, a partial tax credit amounting to P456 was granted to the Parent Company. On January 11, 2021, the Parent Company received a Notice of Discrepancy from the BIR in connection with the 2018 VAT audit. In reply to the said Notice, the Parent Company submitted to the BIR its position paper on February 10, 2021.

The Company's assessment on the impact of the above tax proceedings in the consolidated financial statements is disclosed in Note 29 to the consolidated financial statements.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

NOTE 26 - EQUITY

26A) COMMON STOCK

As at December 31, 2020 and 2019, information on the Parent Company's common stock is summarized as follows:

	Authorized			Paid, Issued and Outstanding		
	Number of Shares	Par Value	Amount	Number of Shares	Par Value	Amount
Balance at January 1, 2019/ December 31, 2019	5,195,395,454	P1	P5,195,395	5,195,395,454	P1	P5,195,395
Increase in authorized common stock	13,115,000,000	1	13,115,000	–	–	–
Common stock issued from SRO	–	–	–	8,293,831,169	P1	8,293,832
Balance at December 31, 2020	**18,310,395,454**	**P1**	**P18,310,395**	**13,489,226,623**	**P1**	**P13,489,227**

On September 17, 2015, CASEC subscribed to 376,000 shares of stock of the Parent Company at P100 par value per share. Of the agreed subscription price of P37,600, only P9,400 was paid in 2015, while the remainder of P28,200 was paid in 2016. In 2016, the Parent Company's BOD approved the amendment of and increase in the authorized capital stock of the Parent Company from P150,400, divided into 1,504,000 common shares with par value of P100 per share, to P5,195,395, divided into 5,195,395,454 common shares with par value of P1 per share.

On May 20, 2016, the SEC approved the Parent Company's application for the amendment of and increase in its authorized capital stock. Accordingly, the original subscription of CASEC changed from 376,000 common shares, with par value of P100 per share, to 37,600,000 common shares, with par value of P1 per share. Furthermore, in connection with the increase in authorized capital stock, CASEC subscribed to an additional 2,819,867,500 shares at P1 par value per share or a total par value of P2,819,867 which was fully paid. During the IPO which culminated in the listing of all of the outstanding shares of stock of the Parent Company on July 18, 2016, the Parent Company issued additional 2,337,927,954 shares at P1 par value per share or a total par value of P2,337,928 at the offer price of P10.75 per share (see Note 1).

The BOD and stockholders of the Parent Company approved on April 2, 2019 and October 16, 2019, respectively, the amendment of the Seventh Article of the Amended Articles of Incorporation of the Company, to reflect an increase in the Parent Company's ACS from P5,195,395, consisting of 5,195,395,454 common shares with a par value of P1 per share, to P18,310,395, consisting of 18,310,395,454 common shares with a par value of P1 per share.

In connection with the proposed ACS increase, the Company's BOD on September 3, 2019 approved the conduct of SRO. The shares subject of the SRO will come from an increase in Parent Company's ACS.

On December 11, 2019, the SEC issued a Notice of Confirmation of Exempt Transaction, confirming that the SRO is exempt from the registration requirements of the Securities Regulation Code of the Philippines, and the board of directors of the PSE approved the Parent Company's application for listing of the shares to be offered in the SRO, subject to the fulfillment of certain listing conditions, such as but not limited to the Parent Company having obtained the SEC's approval of the increase in the company's authorized capital stock.

As at December 31, 2019, the shareholdings in the Parent Company owned by CASEC increased to 3,469,412,498 common shares at P1 par value per share or P3,469,412. As at December 31, 2019, deferred share issuance costs relating to the stock rights offering amounted to P95,105, which is presented as "Deferred share issuance cost" under "Prepayments and other current assets" account in the consolidated financial statements.

On January 6, 2020, the Parent Company defined the final terms of the SRO which involved 8,293,831,169 common shares which was sourced from the increase in the Parent Company's ACS, offered at an offer price of P1.54 per share during an offer period from January 20 to 24, 2020. The SRO offer period was concluded resulting in the full subscription of 8,293,831,169 common shares.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

On February 27, 2020, the SEC approved the Parent Company's application for increase in ACS and on March 4, 2020, 8,293,831,169 common shares, comprising the Rights Shares, were listed under the Main Board of the Exchange. After the SRO and the approval by the SEC of the Parent Company's application for increase in ACS, the Parent Company's issued and outstanding shares totaled 13,489,226,623 common shares at P1 par value per share or a total par value of P13,489,227. As at December 31, 2020, the shareholdings in the Parent Company owned by CASEC increased to 10,500,624,662 common shares at P1 par value per share.

Total proceeds from the issuance of common stock amounted to P12,772,500 which resulted in the increase in common stock and additional paid-in capital (APIC) by P8,293,832 and P4,478,668, respectively. Total cost related to the SRO amounted to P224,320, of which P220,028 direct share issuance cost was charged as reduction against APIC, while the remaining portion of the total cost amounting to P4,292 was recognized in profit or loss.

26B) OTHER EQUITY RESERVES

The movements on components of Other equity reserves for the years ended December 31, 2020 and 2019 follow:

2020		Cumulative translation of foreign subsidiaries	Remeasurements on retirement benefit liability	Share-based compensation reserve	Hedge reserve	Total
Balance at January 1	P	73,306	106,894	69,652	–	249,852
Currency translation loss of foreign subsidiaries		(381,924)	–	–	–	(381,924)
Gain on remeasurement on retirement benefit liability		–	63,192	–	–	63,192
Share-based compensation		–	–	2,088	–	2,088
Cash flow hedges - effective portion of changes in fair value		–	–	–	24,179	24,179
Balance at December 31	P	(308,618)	170,086	71,740	24,179	(42,613)

2019		Cumulative translation of foreign subsidiaries	Remeasurements on retirement benefit liability	Share-based compensation reserve	Hedge reserve	Total
Balance at January 1	P	316,283	222,923	57,159	(6,458)	589,907
Currency translation loss of foreign subsidiaries		(242,977)	–	–	–	(242,977)
Loss on remeasurement on retirement benefit liability		–	(116,029)	–	–	(116,029)
Share-based compensation		–	–	12,493	–	12,493
Cash flow hedges - reclassified to profit or loss		–	–	–	6,458	6,458
Balance at December 31	P	73,306	106,894	69,652	–	249,852

26C) NON-CONTROLLING INTERESTS

Non-controlling interest represents the 30% share of non-controlling stockholders in the results and equity of Newcrete Management, Inc. As at December 31, 2020 and 2019 non-controlling interest in equity amounted to approximately P150 and P170, respectively.

26D) SHARE - BASED COMPENSATION

As part of CEMEX's share-based compensation programs, a group of the Company's executives participates in the long-term share-based compensation program providing for the grant of CEMEX's CPOs, pursuant to which new CPOs are issued by the ultimate parent company under each annual program over a four (4) year period. By agreement with the executives, the CPOs of the annual grant, which is equivalent to 25% of the CPOs related to each plan, are placed in a trust established for the benefit of the executives to comply with a one (1) year restriction on sale.

Certain executive officers of the Parent Company or its subsidiaries received in 2020 compensation in the form of cash pursuant to the terms of a variable long-term incentive plan approved by the Parent Company's BOD on April 25, 2018 under which the eligible executives are allocated cash amounts (to be released in four annual installments) which shall be used by these executives to purchase a specific number of shares of the Parent Company (CHP shares) from the market.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

Under these programs, net shares purchased for the executives of the Company amounted to approximately 707,219 CPOs and 6,775,912 CHP shares while new shares issued were approximately 942,687 CHP shares for the year ended December 31, 2020, and 186,256 CPOs and 572,696 CPOs for the years ended December 31, 2019 and 2018, respectively. There were approximately 107,221 CPOs and 4,623,918 CHP shares for the year ended December 31, 2020, while nil and 181,223 CPOs for the years ended December 31, 2019 and 2018, respectively, associated with these annual programs that are expected to be purchased in the succeeding years as the Company's executives render services.

The compensation expense related to these programs for the years ended 2020, 2019 and 2018 for approximately P2,088, P12,493, and P20,333, respectively, corresponding to the fair value of the number of CEMEX's CPOs at the date of grant. The weighted average fair value, which pertains to the market price of CPOs granted, is 6.18, 11.85, and 13.61 Mexican Pesos for the years ended December 31, 2020, 2019 and 2018, respectively. On the other hand, CHPs weighted average fair value for 2020 is at 1.58. As at December 31, 2020, 2019 and 2018, the Company did not have outstanding commitments or options to make cash payments to executives on the exercise date of awards based on changes in CEMEX's or CHP's own stock (intrinsic value).

26E) RETAINED EARNINGS

As at December 31, 2020 and 2019, the Company's retained earnings include deficit (after appropriations) of its significant operating subsidiaries, Solid and APO, amounting to P1,313,054 and P1,156,387, respectively, which pertains to the result of the operations of both Solid and APO from the date the Parent Company obtained control over these subsidiaries. Such amount was offset by the net results of the Parent Company and its remaining subsidiaries. The retained earnings of both Solid and APO are not available for distribution as dividends by the Parent Company until declared by the respective investees.

26F) CAPITAL MANAGEMENT

The Company's objectives when managing capital are to increase the value of shareholders' investment and maintain high growth by applying free cash flow to selective investments. The Company sets strategies for the Company with the objective of establishing a versatile and resourceful financial management and capital structure.

The BOD has overall responsibility for the monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry. The Company's capital is defined as "Equity" as shown in the consolidated statements of financial position.

The Company is not subject to externally imposed capital requirements. The Company's net debt to equity ratio at the reporting dates is as follows:

		2020	2019
Total liabilities	P	**20,849,759**	29,140,690
Less cash and cash equivalents		**6,139,411**	1,399,180
Net debt	P	**14,710,348**	27,741,510
Total equity	P	**42,910,588**	29,665,487
Net debt to equity ratio	P	**0.34:1**	0.94:1

(Amounts in Thousands, Except Number of Shares and Per Share Data)

NOTE 27 - BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

The amounts considered for the calculation of earnings (loss) per share for the years ended December 31, 2020, 2019 and 2018 are as follows:

		2020	2019	2018
Profit (loss) (a)	P	**985,094**	1,279,576	(970,687)
Add: non-controlling interest loss		**20**	23	28
Controlling interest in profit (loss)		**985,114**	1,279,599	(970,659)
Weighted average number of shares outstanding		**12,197,564,392**	5,195,395,454	5,195,395,454
Bonus element of SRO [1]		**84,532,337**	542,786,584	542,786,584
Weighted average number of shares outstanding adjusted for the effect of bonus factor - issuance from SRO [1] (b)		**12,282,096,729**	5,738,182,038	5,738,182,038
Basic/Diluted earnings (loss) per share (a/b)	P	**0.08**	0.22	(0.17)

[1] The weighted average number of shares takes into account the effect of the bonus element related to the issuance of stock rights (see Note 26A).

As at December 31, 2020, 2019 and 2018, the Company has no dilutive equity instruments.

NOTE 28 - COMMITMENTS AND CONTRACTUAL OBLIGATIONS

As at December 31, 2020 and 2019, the Company had the following contractual obligations.

		2020			
		Less than 1 year	**1-5 Years**	**More than 5 Years**	**Total**
Leases [2]	P	**295,405**	**523,463**	**3,535,565**	**4,354,433**
Bank loan		**588,796**	**11,188,776**	**–**	**11,777,572**
Retirement plans and other benefits [3]		**52,165**	**339,267**	**2,232,148**	**2,623,580**
Total contractual obligations	P	**936,366**	**12,051,506**	**5,767,713**	**18,755,585**

		2019			
		Less than 1 year	1-5 Years	More than 5 Years	Total
Payable to a related party [1]	P	1,636,321	7,424,822	–	9,061,143
Leases [2]		646,741	787,474	3,660,015	5,094,230
Bank loan		736,880	12,568,603	–	13,305,483
Retirement plans and other benefits [3]		82,791	310,182	2,978,069	3,371,042
Total contractual obligations	P	3,102,733	21,091,081	6,638,084	30,831,898

[1]The payable pertains to the Company's loan from CABV. The loan bears interest at a fixed rate to be revalued semi-annually based on the Company's financial ratio in 2018 for Solid and fixed rate for APO. As at December 31, 2019, the loan is unsecured and is due to be paid in 2024 and 2020 (as amended) for Solid and APO, respectively (see Note 13).
[2]Refer to Note 21 to the consolidated financial statements.
[3]Represents the estimated payments for retirement benefits over the expected maturity of the retirement and other benefit liabilities (see Note 23).

(Amounts in Thousands, Except Number of Shares and Per Share Data)

NOTE 29 - CONTINGENCIES FROM LEGAL PROCEEDINGS

As at December 31, 2020 and 2019, the Company is involved in various legal proceedings of minor impact that have arisen in the ordinary course of business. These proceedings involve: 1) national and local tax assessments; 2) labor claims; and 3) other diverse civil actions. The Company considers that in those instances in which obligations have been incurred, the Company has accrued adequate provisions to cover the related risks. The Company believes these matters will be resolved without any significant effect on its business, consolidated financial position or consolidated financial performance. In addition, in relation to ongoing legal proceedings, the Company is able to make a reasonable estimate of the expected loss or range of possible loss, as well as disclose any provision accrued for such loss. However, for a limited number of ongoing proceedings, the Company may not be able to make a reasonable estimate of the expected loss or range of possible loss or may be able to do so but believes that disclosure of such information on a case-by-case basis would seriously prejudice Company's position in the ongoing legal proceedings or in any related settlement discussions. Accordingly, in these cases, the Company has disclosed qualitative information with respect to the nature and characteristics of the contingency but has not disclosed the estimate of the range of potential loss.

NOTE 30 - MAIN SUBSIDIARIES

The Parent Company's direct and indirect subsidiaries as at December 31, 2020 and 2019 are as follows:

Entities	Country of Incorporation	Main activity	% of interest
CAR	Switzerland	Services	100.0
Falcon	Barbados	Insurance	100.0
Edgewater Ventures Corporation	Philippines	Holdings	100.0
Triple Dime Holdings, Inc.	Philippines	Holdings	100.0
APO	Philippines	Cement	100.0
Bedrock Holdings, Inc.	Philippines	Holdings	100.0
Sandstone Strategic Holdings, Inc.	Philippines	Holdings	100.0
Solid	Philippines	Cement/Concrete	100.0
Ecocast Builders, Inc.	Philippines	Construction	100.0
Ecocrete, Inc.	Philippines	Services	100.0
Ecopavements, Inc.	Philippines	Construction	100.0
Enerhiya Central Inc.	Philippines	Energy	100.0
Newcrete Management, Inc.	Philippines	Services	70.0

NOTE 31 - RELEVANT INFORMATION REGARDING THE IMPACT OF THE LANDSLIDE

On September 20, 2018, a landslide occurred in Sitio Sindulan, Barangay Tina-an, Naga City, Cebu, Philippines (the "Landslide"), a site located within an area covered by the mining rights of ALQC who is a principal raw material supplier of APO. The Parent Company does not own any equity stake (directly or indirectly) in ALQC or its parent company, Impact Assets Corporation. CASEC, an indirect subsidiary of CEMEX, S.A.B. de C.V. which is a majority shareholder of the Parent Company, owns a minority 40% stake in Impact Assets Corporation.

The Landslide prompted local and national authorities to order the suspension of the mining operations of ALQC[1]. Business continuity plans were put in place by APO and implemented to address the disruption in the supply arrangement with ALQC. As a result, the Company incurred incremental costs of raw materials in production and other expenses. In addition, the Company incurred losses amounting to P83,844 on inventories which were buried during the incident. However, substantial portion of such incremental costs and losses were offset by the insurance claims recognized amounting to P662,210. Other losses as result of the landslide amounting to P71,716 were not covered by the insurance. Such loss was recognized under "Other income (expenses) - net" account in the statements of comprehensive income in 2018. As at December 31, 2020 and 2019, the outstanding claims amounted to P1,126 and P8,490, respectively.

In 2019, the Company received the outstanding amount of its insurance claims amounting to P447,053 which includes the additional claims made in during the year amounting to P123,136. The collection and recognition of additional insurance claims were offset against "Costs of Sales" account in the consolidated statements of comprehensive income for the year ended December 31, 2019.

On November 19, 2018, the Parent Company and APO Cement were served summons concerning an environmental class action lawsuit filed by 40 individuals and one legal entity (on behalf of 8,000 individuals allegedly affected by the Landslide) at the Regional Trial Court of Talisay, Cebu[2], against the Parent Company, APO Cement, ALQC, the Mines and Geosciences Bureau of the Department of Environment and Natural Resources, the City Government of Naga, and the Province of Cebu, for "Restitution of Damage of the Natural and Human Environment, Application for the Issuance of Environmental Protection Order against Quarry Operations in Cebu Island with Prayer for Temporary Protection Order, Writ of Continuing Mandamus for Determination of the Carrying Capacity of Cebu Island and Rehabilitation and Restoration of the Damaged Ecosystems". In the complaint, among other allegations, plaintiffs (i) claim that the Naga Landslide occurred as a result of the defendants' gross negligence; and (ii) seek, among other reliefs, (a) monetary damages in the amount of approximately 4.3 billion Philippine Pesos, (b) the establishment of a 500 million Philippine Pesos rehabilitation fund, and (c) the issuance of a Temporary Environment Protection Order against ALQC while the case is still pending. In the complaint, ALQC, APO and the Parent Company are made solidarily liable for payment of monetary damages and establishment of a rehabilitation fund.

Among other defenses and based on a report by the Mines and Geosciences Bureau of the Department of Environment and Natural Resources, the Parent Company, ALQC and APO hold the position that the landslide occurred due to natural causes and deny liability, fault and negligence. In the event a final adverse resolution is issued in this matter, plaintiffs will have the option to proceed against any one of ALQC, APO or the Parent Company for satisfaction of the entirety of the potential judgement award, without the need to proceed against any other private defendant beforehand. Thus, ALQC's, APO's or the Parent Company's assets alone could be exposed to execution proceedings.

In an order dated August 16, 2019, the Regional Trial Court denied plaintiffs' Application for Temporary Environment Protection Order. By denying such application, the Regional Trial Court found that the applicants did not sufficiently establish that they will suffer grave injustice and irreparable injury by the continued operations of ALQC while the proceedings are pending.

In an order dated September 30, 2019, the Regional Trial Court partially granted the affirmative defenses of the private defendants and ruled, among others, that the subject case against the Parent Company and APO is dismissed for failure to state a cause of action. The court also ruled that: (i) the 22 plaintiffs who failed to sign the verification and certification against forum shopping are dropped as party-plaintiffs; (ii) the subject case is not a proper class suit, and that the remaining 17 plaintiffs can only sue for their respective claims, but not as representatives of the more than 8,000 alleged victims of the landslide incident; (iii) plaintiffs' cause of action against ALQC for violation of Section 19(a) of Republic Act No. 10121 is dismissed; (iv) there is a misjoinder of causes of action between the environmental suit and the damage suit; and (v) the damage suit of the remaining plaintiffs will proceed separately upon payment of the required docket fees within 30 days from receipt of order, otherwise, the case for damages will be dismissed. The plaintiffs filed a motion for reconsideration of the court's order dated September 30, 2019, which remains pending as of the date of this report.

Local and national authorities have allowed ALQC to resume its mining operations in the affected areas. As at December 31, 2020, at this stage of the overall proceedings and considering all possible defenses that could be available, while the Company cannot assess with certainty the likelihood of an adverse result in the overall proceedings, the Company believes that a final adverse resolution in the overall proceeding is not probable, and, in turn, because the Company is not able to assess the outcome of the reconsiderations filed against the court's order, the Company is not able to determine if a final adverse resolution, if any, would have a material adverse impact on the Company's consolidated results of operations, liquidity and financial condition.

[1] Since third quarter of 2020, local and national authorities have allowed ALQC to resume its mining operations in the affected areas.
[2] The records of the case were subsequently transferred to the Regional Trial Court of Cebu City Branch 23.

NOTE 32 - IMPACTS OF COVID-19

On March 11, 2020, the World Health Organization declared a pandemic the outbreak of the Coronavirus Disease 2019 (the "COVID-19 pandemic"), due to its rapid spread throughout the world, having affected as of such date more than 150 countries. In response to that, on March 16, 2020, the President of the Philippines issued Proclamation No. 929 declaring a state of calamity throughout the Philippines due to the COVID-19 Pandemic which resulted in the imposition of an Enhanced Community Quarantine ("ECQ") throughout Luzon starting midnight of March 16, 2020. The President announced several social distancing measures which were implemented including extension of suspension of classes in all levels in Metro Manila, prohibition of mass gatherings or events, imposition of community quarantine measures as necessary, restriction of mass public transport system (MRT, LRT, etc.), and most importantly, suspension of land, domestic air and domestic sea travel to and from the Metro Manila beginning March 15, 2020. On March 26, 2020, the Governor of Cebu Province announced the implementation of ECQ measures for the entire island of Cebu, effective March 30, 2020.

Beginning May 16, 2020, several cities and provinces (which included Metro Manila and Cebu City) were placed under modified enhanced community quarantine, while other cities and provinces (which included the Province of Rizal and other cities in the Province of Cebu) were placed under general community quarantine. As of the second half of August 2020, Metro Manila and Cebu City, as well as the Municipalities of Minglanilla and Consolacion in the Province of Cebu, were among the areas which shifted to general community quarantine. On September 1, 2020, Cebu City, the Province of Cebu, and Rizal Province already shifted to modified general community quarantine with lesser quarantine restrictions. Effective on March 29, 2021, NCR, as well as 4 other provinces (i.e., Laguna, Rizal, Cavite and Bulacan), were placed under ECQ until April 5, 2021 due to the surge in COVID-19 cases in the Philippines and on April 3, 2021, the ECQ status was further extended to April 11, 2021.

Considering the implementation of ECQ in Luzon, Solid temporarily suspended the production and delivery of cement products in the third week of March 2020 and has resumed operations on May 2020 while in compliance with government regulations. APO has remained operational while also complying with all government regulations and the necessary hygiene and safety measures.

The implications negatively affected the Company's results of operations, mostly during the second quarter of 2020. During the year ended December 31, 2020, consolidated revenues decreased by 16% against the previous year, caused mainly by the decrease in sales volumes from reduced operations. This decrease in revenues was partially offset by a reduction in cost of sales and operating costs and expenses, which decreased 17% and 14%, respectively, during the same period, because of reduced operations but also considering the strict control of expenditures. For the year ended December 31, 2020, additional expenses were incurred by the Company associated with measures designed to address the adverse impact of COVID-19 pandemic amounting to P49,766, which was presented under "Other income (expenses) - net" account in the consolidated statements of comprehensive income.

Even prior to the imposition of ECQ, the Company implemented, and has continued to implement, strict hygiene protocols in all its operations and modified its manufacturing, sales, and delivery processes to implement physical distancing, so as to protect the health and safety of its employees and their families, customers and suppliers; and drastically reduce the possibility of contagion of the COVID-19 pandemic. The Company has undertaken and continues to explore temporary measures to address the adverse impact of the COVID-19 pandemic on its workforce and operations with the objective of re-aligning the organization's resources with the evolving conditions in the different markets in which the Company operates. The Company will continue to focus its efforts on managing the impact of the COVID-19 pandemic on its production, commercial, and financial activities. It will continue to carefully monitor this overall situation and expects to take additional steps, as could be required.

The degree to which the COVID-19 pandemic continues to affect the Company's liquidity, financial condition and results of operations will depend on future developments, some of which are highly uncertain and cannot be predicted, including, but not limited to, the duration and continued spread of the outbreak, its severity, the actions to contain the virus or treat its impact, and to how fast and to which extent the economic and operational conditions can return, within a new normality with limited activities, until medicines, vaccines and other treatments against the virus are authorized, produced, distributed and accessible to the general public in the Philippines, and also to a degree, how much of the population is willing to receive the vaccines.

In addition to risks to the health and safety of the Company's employees, customers, contractors and suppliers, the impact of pandemics, epidemics or outbreaks of infectious diseases may result in governmental measures to be implemented to attempt to contain and mitigate the effects of the disease. These measures, and the adverse effects of the pandemic, epidemic or outbreaks of infectious diseases may result, in: (i) temporary restrictions on, or suspended access to, or shutdown, or suspension or the halt of, the Company's manufacturing plants and other facilities; (ii) staffing shortages, production slowdowns or stoppages and disruptions in our delivery systems; (iii) disruptions or delays in our supply chains, including shortages of materials, products and services on which the Company and its businesses depend; (iv) reduced availability of land and sea transport methods to deliver our products, including labor shortages, logistics constraints and increased border controls or closures; (v) increased cost of materials, products and services on which the Company and its businesses depend; (vi) reduced investor confidence and consumer spending where the Company operates; (vii) a general slowdown in economic activity, including construction, and a decrease in demand for the Company's products and industry demand generally; (viii) constraints on the availability of financing in the financial markets, if available at all, including on access to credit lines and working capital facilities from financial institutions; or (ix) the Company's inability to, if required, refinance our existing indebtedness on desired terms, if at all.

The Company dealt with liquidity risks during the deepest phase of suspension of activities within the COVID-19 pandemic, maintaining sufficient cash and meeting current maturing obligations. Among the initiatives taken by the Company to manage the impact of COVID-19 were: (i) the optimization of plant production and inventory levels, (ii) the suspension, deferment or reduction in capital expenditures and budgeted operating expenses (including sales and administration expenses), and installing other cost control measures to reduce discretionary expenses and capital expenditures, (iii) implementation of changes in work-deployment schedules, (iv) further emphasis on the use of the CEMEX Go platform for a digital and low-touch experience for customers, and (v) enabled additional online channels to promote engagement, manage communications and facilitate transactions with customers.

The Company projects that it will continue to generate sufficient cash flows from operations, which would enable the Company to meet its currently maturing obligations.

NOTE 33 - EVENT AFTER THE REPORTING DATE

On March 26, 2021, the President of the Philippines has approved the Corporate Recovery and Tax Incentives for Enterprises or the CREATE Act, with nine (9) provisions vetoed by the President. Below are the salient features of the Act that are relevant to the Company:

a) Corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5,000 and with total assets not exceeding P100,000. All other domestic corporations and resident foreign corporations will be subject to 25% income tax. Said reductions are effective July 1, 2020.
b) Minimum corporate income tax (MCIT) rate is reduced from 2% to 1% effective July 1, 2020 to June 30, 2023.
c) The imposition of improperly accumulated earnings tax has been repealed.
d) Definition of reorganization for purposes of applying the tax-free exchange provision under Section 40(C)(2) is expanded. Prior BIR ruling or confirmation shall not be required for purposes of availing the tax exemption of the exchange.
e) VAT exemption on importation and VAT zero-rating on local purchases shall only apply to goods and services directly and exclusively used in the registered project or activity by a registered business enterprise (RBE).
f) For investments prior to effectivity of CREATE: RBEs granted only an ITH - continue with the availment of the ITH for the remaining period of the ITH. RBEs granted an ITH + 5% Gross Income Tax (GIT) or currently enjoying 5% GIT - allowed to avail of the 5% GIT for 10 years.

The measure is set to take effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation. After which, the implementing rules and regulation will be issued by the tax authority.

The enactment of the CREATE Law is a non-adjusting subsequent event thus, the current and deferred income taxes as at December 31, 2020 are measured using the applicable income tax rates as at December 31, 2020.

The corporate income tax of the Parent Company and its subsidiaries domiciled in the Philippines will be lowered from 30% to 25% for large corporations, and from 30% to 20% for small and medium corporations, effective July 1, 2020. Using the rate under the CREATE Act, the Company estimates that its "Deferred income tax assets - net" account would amount to P918,269. This is calculated using the applicable new income tax rate multiplied to the tax base of the net future deductible expenses as at December 31, 2020. The Company also estimates a reduction in 2020 current income tax expense amounting to P46,501 which will be adjusted as a reduction to current income tax expense in 2021.

KPMG

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REPORT OF INDEPENDENT AUDITORS ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and Board of Directors
CEMEX Holdings Philippines, Inc.
34/F Petron Mega Plaza Building
358 Sen. Gil J. Puyat Avenue
Brgy. Bel-Air, Makati City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of CEMEX Holdings Philippines, Inc. and Subsidiaries (the "Group") as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated April 7, 2021.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies.

This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the consolidated financial statements as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

R.G. MANABAT & CO.

EMERALD ANNE C. BAGNES
Partner
CPA License No. 0083761
SEC Accreditation No. 83761-SEC, Group A, valid for five (5) years
covering the audit of 2020 to 2024 financial statements
Tax Identification No. 102-082-332
BIR Accreditation No. 08-001987-012-2018
Issued November 29, 2018; valid until November 28, 2021
PTR No. MKT 8533889
Issued January 4, 2021 at Makati City

April 7, 2021
Makati City, Metro Manila

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019

Ratio	Formula	2020	2019
Current ratio	Current assets/current liabilities	**1.37:1**	0.74:1
Acid test ratio	(Current assets - inventories)/current liabilities	**1.08:1**	0.44:1
Solvency ratio	(Profit + depreciation and amortization)/total liabilities	**0.16:1**	0.11:1
Debt-to-equity ratio	Total liabilities/total equity	**0.49:1**	0.98:1
Asset-to-equity ratio	Total assets/total equity	**1.49:1**	1.98:1
Interest rate coverage ratio	Operating income before other expenses/interest expense	**3.57:1**	1.87:1
Return on equity	Profit/total equity	**0.02:1**	0.04:1
Return on assets	Profit/average total assets	**0.02:1**	0.02:1
Net profit margin	Profit/net sales	**0.05:1**	0.05:1

KPMG

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REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

The Stockholders and Board of Directors
CEMEX Holdings Philippines, Inc.
34/F Petron Mega Plaza Building
358 Sen. Gil J. Puyat Avenue
Brgy. Bel-Air, Makati City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of CEMEX Holdings Philippines, Inc. (the "Company") and Subsidiaries as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, included in this Form 17-A, and have issued our report thereon dated April 7, 2021.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Company's management. Such additional components include:

- Reconciliation of Retained Earnings Available for Dividend Declaration;
- Map of Group of Companies within which the Group belongs; and
- Supplementary Schedules of Annex 68-J.

This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

R.G. MANABAT & CO.

EMERALD ANNE C. BAGNES
Partner
CPA License No. 0083761
SEC Accreditation No. 83761-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements
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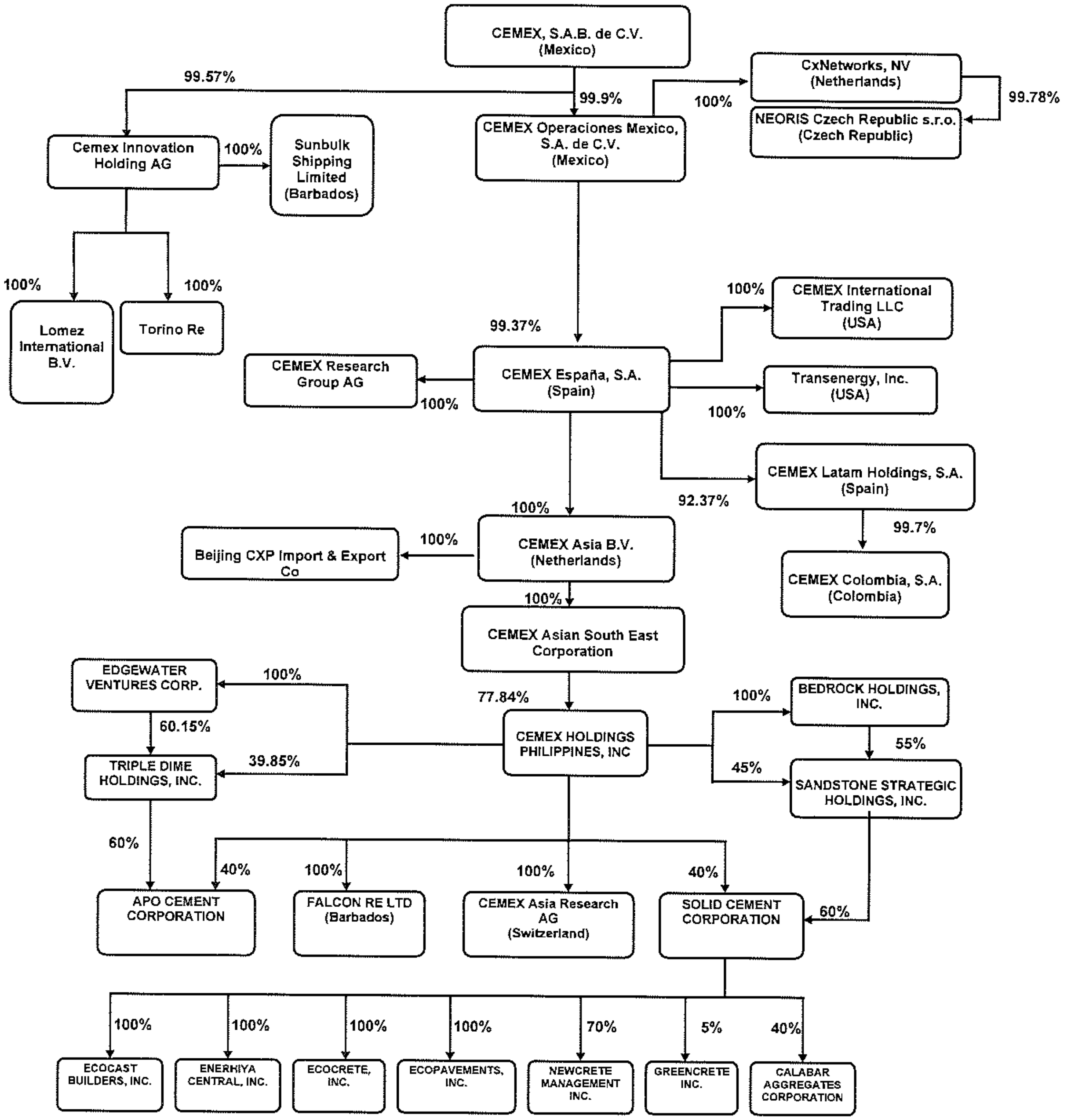
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

CEMEX HOLDINGS PHILIPPINES, INC.
34th Floor, Petron Mega Plaza Building
358 Sen. Gil J. Puyat Avenue, Makati City
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2020

Unappropriated Retained Earnings, beginning		**P3,741,501,074**
Adjustments:		
(see adjustments in prior year's Reconciliation)		**50,568,985**
Unappropriated Retained Earnings, as adjusted, beginning		**3,792,070,059**
Add: Profit based on the face of AFS	P160,115,001	
Less: Non-actual/unrealized income net of tax		
Unrealized foreign exchange gain - net (except those attributable to cash)	200,944,022	
Recognized deferred tax assets	3,067,768	
Loss Actual /Realized		**(43,896,789)**
Unappropriated Retained Earnings, as adjusted, ending		**P3,748,173,270**

CEMEX Holdings Philippines, Inc. and Subsidiaries

Map of the Group of Companies Within which the Company Belongs As at December 31, 2020



Note: The corporate chart provides the organizational and ownership structure as at December 31, 2020 and has been simplified to show the relevant intermediate holding companies of CEMEX, S.A.B. de C.V. ("CEMEX"). The chart shows, for each company, CEMEX's approximate direct, indirect and/or consolidated percentage equity ownership or economic interest.

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE A. FINANCIALS ASSETS
December 31, 2020
(Amounts in Thousands)

Name of Issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (ii)	Valued based on market quotation at balance sheet date (iii)	Income received and accrued

NOT APPLICABLE

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE B. AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
December 31, 2020
(Amounts in Thousands)

Name and Designation of debtor (i)	Balance at beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period

NOT APPLICABLE

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE C. AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
December 31, 2020
(Amounts in Thousands)

Name	Balance at beginning of period	Additions	Amounts collected (i)	Amounts written off (ii)	Current	Not Current	Balance at end of period
CEMEX Holdings Philippines, Inc.	P36,321	P10,530,445	(P792,984)	P –	P743,778	9,030,004	**P9,773,782**
Cemex Asia Research AG	4,945,921	1,391,085	(2,863,743)	–	3,473,263	–	**3,473,263**
APO Cement Corporation	502,749	27,726,377	(27,129,590)	–	214,536	885,000	**1,099,536**
Falcon Re Ltd.	1,581,056	978,977	(1,935,588)	–	2	624,443	**624,445**
Bedrock Holdings, Inc.	109,817	250	–	–	450	109,617	**110,067**
Solid Cement Corporation	78,487	12,963,033	(12,939,501)	–	102,019	–	**102,019**
Ecopavements, Inc.	48,326	1,601	–	–	4,927	45,000	**49,927**
Ecocast Builders, Inc.	15,458	684	(2,342)	–	13,800	–	**13,800**
Ecocrete, Inc.	414	241	–	–	655	–	**655**
	P7,318,549	P53,592,693	(P45,663,748)	P –	P4,553,430	P10,694,064	**P15,247,494**

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE D. LONG TERM DEBT
December 31, 2020
(Amounts in Thousands)

Title of Issue and type of obligation (i)	Lender	Outstanding Balance	Amount shown under caption "Current portion of long-term debt" in related balance sheet (ii)	Amount shown under caption "Long-Term Debt" in related balance sheet (iii)	Interest Expense	Number of Periodic Installments	Final Maturity Date
Senior Unsecured Peso Term Loan Facility Agreement	BDO Unibank, Inc.	P10,706,765	P140,123	P10,566,642	P541,139 (Fixed rate tranche - as agreed by the parties; Floating rate tranche - based on prevailing market rate plus spread)	28	February 2, 2024

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE E. INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED PARTIES)
December 31, 2020
(Amounts in Thousands)

Name of Related Parties (i)	Balance at beginning of period	Balance at end of period (ii)
CEMEX Asia, B.V	P5,368,838	P–

The long-term loan, which bears 8.2% interest per annum, pertains to the revolving facility agreement dated November 21, 2018 between Solid and CABV, allowing Solid to withdrew in one or several installments a sum of up to U.S.$75,000, which was amended on February 2019, increasing the facility to U.S.$100,000. On, November 28, 2019, further amendments were made to increase the facility to U.S.$160,000. The principal amount bears a fixed interest based on the Company's consolidated leverage ratio to be revalued semi-annually. The loan was fully paid in 2020.

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE F. GUARANTEES OF SECURITIES OF OTHER ISSUERS
December 31, 2020
(Amounts in Thousands)

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding (i)	Amount owned by person for which statement is filed	Nature of guarantee (ii)

NOTHING TO REPORT

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE G. CAPITAL STOCK
December 31, 2020

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding at shown under related statement of financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by Related Parties[a]	Directors, officers and employees[b]	Others
Common shares	18,310,395,454	13,489,226,623	Not applicable	10,500,624,662	11,334,833	2,977,267,128

(a) As of 31 December 2020, each of the following individuals held in his/her name or for his/her account one (1) share which is beneficially owned by CEMEX ASIAN SOUTH EAST CORPORATION: Sergio Menendez, Ignacio Mijares, Alejandro Garcia, Ivan Sanchez and Maria Garcia.
(b) Employee shares only include shares of CHP held by employees of CHP or its subsidiaries and affiliates which are held pursuant to incentive compensation programs of the Company
(c) After the SRO and the approval by the SEC of the Parent Company's application for increase in ACS, the Parent Company's issued and outstanding shares totaled 13,489,226,623 common shares at P1 par value per share (from 5,195,395,454 common shares at P1 par value) or a total par value of P13,489,226,623. As at December 31, 2020, the shareholdings in the Parent Company owned by CASEC increased to 10,500,624,662 common shares at P1 par value per share.

CEMEX HOLDINGS PHILIPPINES, INC.
SCHEDULE OF LISTED COMPANIES WITH A RECENT OFFERING OF SECURITIES TO THE PUBLIC
FOR THE YEAR ENDED DECEMBER 31, 2020

The expected gross and net proceeds as disclosed in the final prospectus dated January 6, 2020 amounted to P12,772.5 million and P12,540.9 million, respectively.

The table below shows the actual gross and net proceeds; each expenditure where the proceeds were used; and the balance of the proceeds as of end of reporting period.

Gross proceeds		**P12,772,500,000.26**
Less: Listing and registration fees		224,319,547.67
Net proceeds		12,548,180,452.59
Less: Expenditures for the period ended		
Payment of amounts under "APO Operational Facility Agreement" with CEMEX Asia, B.V.	P1,090,982,285.37	
Payment of amounts under "SOLID Expansion Facility Agreement" with CEMEX Asia, B.V.	6,784,183,222.74	
Payments of costs and expenses associated with the plant expansion project	1,341,795,163.32	
Total expenditures for the period ended		9,216,960,671.43
Balance of the proceeds, ending		**P3,331,219,781.16**

EXHIBIT B

Audited 2020 *Separate* Financial Statements
(with separate statements of financial position as at December 31, 2020 and 2019, and separate statements of comprehensive income (loss), separate statements of changes in equity and separate statements of cash flows for the years ended December 31, 2020 and 2019)

CEMEX HOLDINGS PHILIPPINES, INC.
SEC FORM 17-A

COVER SHEET

For

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

CS201518815

COMPANY NAME

CEMEX HOLDINGS PHILIPPINES, INC.

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

34th Floor Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Brgy. Bel-Air Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
	8849 - 3600	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
27 (as of 31 Dec 2020)	1st Wednesday of June	December 31

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Steve Kuan-Sheng Wu	steve.wu@cemex.com	(02) 8849 3647	

CONTACT PERSON's ADDRESS

34th Floor, Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

CEMEX PHILIPPINES

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE SEPARATE FINANCIAL STATEMENTS

The Management of **CEMEX Holdings Philippines, Inc.** (the "Company") is responsible for the preparation and fair presentation of the separate financial statements as at and for the years ended December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free form material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the separate financial statements and submits the same to the stockholders.

R. G. Manabat & Co., the independent auditor appointed by the stockholders, has audited the separate financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature **SERGIO MAURICIO MENÉNDEZ MEDINA**
Chairman of the Board

Signature **IGNACIO ALEJANDRO MIJARES ELIZONDO**
President/Chief Executive Officer

Signature **STEVE KUANSHENG WU**
Treasurer/Chief Financial Officer

Signed this 05 day of April 2021

LEGITIMACIÓN. - Yo, **JOSÉ LUIS LÓPEZ DE GARAYO Y GALLARDO**, Notario del ilustre colegio de Madrid, con residencia en la capital, **DOY FE**:

Que, por cotejo con otras indubitadas, considero legítima la firma y rúbrica que antecede, de Don SERGIO MAURICIO MENÉNDEZ MEDINA, extendida en el presente documento redactado en inglés, idioma conocido por mí, el Notario. Queda extendido en un folio de papel común que numero, reintegro y sello con el de la Notaría.

En Madrid, a trece de abril de dos mil veintiuno.

Libro 1, Asiento 164.

SELLO DE LEGITIMACIONES Y LEGALIZACIONES

NIHIL PRIUS FIDE

A312385040

JOSÉ LUIS LÓPEZ DE GARAYO Y GALLARDO NOTARIO DE MADRID NIHIL PRIUS FIDE

FE PÚBLICA NOTARIAL

CONSEJO GENERAL DEL NOTARIADO ESPAÑOL

NOTARIADO EUROPA

NIHIL PRIUS FIDE

0255589534

PAPEL EXCLUSIVO PARA DOCUMENTOS NOTARIALES

TIMBRE DEL ESTADO

0,15 €

FT6188772

=FOLIO HABILITADO PARA LEGALIZACIONES POR EL ILUSTRE COLEGIO NOTARIAL DE MADRID=
folio ha quedado unido con el sello de este Ilustre Colegio Notarial al Testimonio expedido por
sé Luis López de Garayo y Gallardo
io de Madrid
13/04/2021

APOSTILLE

(Convention de La Haye du 5 octobre 1961)

ís: ESPAÑA
ıntry / Pays :

presente documento público
public document / Le présent acte public

sido firmado por D. José Luis López de Garayo y Gallardo
been signed by
é signé par

ien actúa en calidad de NOTARIO
ıg in the capacity of
sant en qualité de

stá revestido del sello / timbre de SU NOTARÍA
rs the seal / stamp of
evêtu du sceau / timbre de

Certificado
Certified / Attesté

MADRID à	**6. el día** 15/04/2021 the / le

el Decano del Colegio Notarial de Madrid
par

o el número N7201/2021/023606
no

lo / timbre: / stamp: au / timbre: FE PÚBLICA NOTARIAL CONSEJO GENERAL DEL NOTARIADO ESPAÑOL NOTARIADO EUROPA COLEGIO NOTARIAL MADRID 0267992290	**10. Firma:** Signature: Signature : Don Jaime Recarte Casanova Firma delegada del Decano

a certifica únicamente la autenticidad de la firma, la calidad en que el signatario del documento haya actuado y, en su caso, la identidad del sello o timbre del que el documento público esté revestido.
Esta Apostilla no certifica el contenido del documento para el cual se expidió.
[No es válido el uso de esta Apostilla en España]
[Esta Apostilla se puede verificar en la dirección siguiente: https://eregister.justicia.es/]
Código de verificación de la Apostilla:NA:aSb0-nXpH-C+qS-jX/a

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This Apostille only certifies the authenticity of the signature and the capacity of the person who has signed the public document, and, where appropriate, the identity of the seal or stamp which the public document bears.
This Apostille does not certify the content of the document for which it was issued.
[This Apostille is not valid for use anywhere within Spain]
[To verify the issuance of this Apostille, see https://eregister.justicia.es/]
Verification Code of the Apostille:NA:aSb0-nXpH-C+qS-jX/a

Cette Apostille atteste uniquement la véracité de la signature, la qualité en laquelle le signataire de l'acte a agi et, le cas échéant, l'identité du sceau ou timbre dont cet acte public est revêtu.
Cette Apostille ne certifie pas le contenu de l'acte pour lequel elle a été émise.
[L'utilisation de cette Apostille n'est pas valable en / au Espagne.]
[Cette Apostille peut être vérifiée à l'adresse suivante https://eregister.justicia.es/]
Code de verification de l'Apostille:NA:aSb0-nXpH-C+qS-jX/a

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CEMEX PHILIPPINES

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE SEPARATE FINANCIAL STATEMENTS

The Management of **CEMEX Holdings Philippines, Inc.** (the "Company") is responsible for the preparation and fair presentation of the separate financial statements as at and for the years ended December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free form material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the separate financial statements and submits the same to the stockholders.

R. G. Manabat & Co., the independent auditor appointed by the stockholders, has audited the separate financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature **SERGIO MAURICIO MENÉNDEZ MEDINA**
Chairman of the Board

Signature **IGNACIO ALEJANDRO MIJARES ELIZONDO**
President/Chief Executive Officer

Signature **STEVE KUANSHENG WU**
Treasurer/Chief Financial Officer

Signed this 05 day of April 2021

SUBSCRIBED AND SWORN TO before me this APR 19 2021 at Makati City, Philippines
affiants exhibited to me his/ her

DOC. NO. 452
PAGE NO. 92
BOOK NO. 95
SERIES OF 2021

ATTY. GEORGE DAVID D. SITON
NOTARY PUBLIC FOR MAKATI CITY
APPT. NO. -382- UNTIL DEC. 31, 2021
ROLL NO. 69101/ MCLE COMPLIANCE NO. VI-0021516/3-29-2019
IBP O.R No. 2375859-LIFETIME MEMBER MAY. 8, 2017
PTR No. 8533058- JAN 04, 2021- MAKATI CITY
EXECUTIVE BLDG. CENTER MAKATI AVE., COR., JUPITER ST. MAKATI CITY

Jannette Sevilla

From:	eafs@bir.gov.ph
Sent:	Friday, April 16, 2021 10:19 PM
To:	cemex holdings philippines
Cc:	cemex holdings philippines
Subject:	Your BIR AFS eSubmission uploads were received

CAUTION: External Email | PRECAUCIÓN: Correo electrónico externo | VORSICHT: Externe E-Mail | ATTENTION: Courriel externe

Hi CEMEX HOLDINGS PHILIPPINES INC.,

Valid files

- EAFS009133917TCRTY122020-01.pdf
- EAFS009133917OTHTY122020.pdf
- EAFS009133917ITRTY122020.pdf
- EAFS009133917AFSTY122020.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-QQ3W3VXP0NQRVVNTRMWT1TTZN0GKAA666**
Submission Date/Time: **Apr 16, 2021 10:19 PM**
Company TIN: **009-133-917**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

KPMG

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors
CEMEX Holdings Philippines, Inc.
34/F Petron Mega Plaza Building
358 Sen. Gil J. Puyat Avenue
Brgy. Bel-Air, Makati City

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of CEMEX Holdings Philippines, Inc. (the "Company"), which comprise the separate statements of financial position as at December 31, 2020 and 2019, and the separate statements of comprehensive income (loss), separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at December 31, 2020 and 2019, and its unconsolidated financial performance and its unconsolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the separate financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG

Emphasis of Matter

We draw attention to Note 17 of the separate financial statements, which describes the effects of the Coronavirus disease 2019 (COVID-19) pandemic on the Company's operations. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

KPMG

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

KPMG

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The supplementary information in Note 19 to the separate financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic separate financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audits of the basic separate financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic separate financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Emerald Anne C. Bagnes.

R.G. MANABAT & CO.

EMERALD ANNE C. BAGNES
Partner
CPA License No. 0083761
SEC Accreditation No. 83761-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements
Tax Identification No. 102-082-332
BIR Accreditation No. 08-001987-012-2018
Issued November 29, 2018; valid until November 28, 2021
PTR No. MKT 8533889
Issued January 4, 2021 at Makati City

April 7, 2021
Makati City, Metro Manila

CEMEX HOLDINGS PHILIPPINES, INC.
SEPARATE STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2020**	2019
ASSETS			
Current Assets			
Cash	*4, 15*	**P273,320,751**	P37,973,737
Due from related parties	*5, 15*	**743,590,413**	38,300,978
Other current accounts receivable	*15*	**2,207,376**	2,289,010
Prepaid expenses and other current assets	*6*	**35,651,422**	126,998,285
Total Current Assets		**1,054,769,962**	205,562,010
Noncurrent Assets			
Investments in shares of stock	*7*	**47,971,178,835**	47,971,178,835
Due from related parties - net of current portion	*5, 15*	**9,030,004,318**	-
Long-term time deposit	*9, 15*	**302,462,217**	375,470,146
Deferred income tax assets - net	*14*	**132,988,942**	140,543,079
Other noncurrent asset	*6*	**42,176,061**	34,931,530
Total Noncurrent Assets		**57,478,810,373**	48,522,123,590
		P58,533,580,335	P48,727,685,600
LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables	*15*	**P5,598,819**	P32,323,874
Due to related parties	*5, 15*	**3,821,099,515**	6,045,891,961
Accrued expenses and other payables	*8, 15*	**165,371,362**	206,986,250
Current portion of long-term bank loan	*9, 15*	**140,122,810**	140,122,810
Total Current Liabilities		**4,132,192,506**	6,425,324,895
Noncurrent Liabilities			
Long-term bank loan - net of current portion	*9, 15*	**10,566,642,253**	11,180,801,151
Retirement benefit liability	*10*	**164,092,100**	189,860,418
Total Noncurrent Liabilities		**10,730,734,353**	11,370,661,569
Total Liabilities		**14,862,926,859**	17,795,986,464
Equity			
Common stock	*11*	**13,489,226,623**	5,195,395,454
Additional paid-in capital	*11*	**26,217,798,860**	21,959,159,068
Share-based compensation reserve	*5*	**30,432,916**	28,848,986
Remeasurement on retirement benefit liability	*10*	**31,579,002**	6,794,554
Retained earnings		**3,901,616,075**	3,741,501,074
Total Equity		**43,670,653,476**	30,931,699,136
		P58,533,580,335	P48,727,685,600

See Notes to the Separate Financial Statements.

CEMEX HOLDINGS PHILIPPINES, INC.
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

		Years Ended December 31	
	Note	**2020**	2019
SERVICE FEES	*5*	**P385,108,624**	P477,495,793
COST OF SERVICES	*12*	**350,098,749**	434,087,084
GROSS PROFIT		**35,009,875**	43,408,709
OPERATING EXPENSES			
Outside services		**29,258,677**	22,378,780
Professional fees		**12,748,759**	16,297,533
Taxes and licenses		**5,592,764**	4,493,423
Advertising and travel expenses		**4,552,175**	12,947,297
Utilities		**3,606,087**	2,284,432
Insurance		**2,806,778**	2,854,779
Corporate allocations		**2,558,275**	244,794
Miscellaneous expenses		**794,256**	2,000,574
Meetings		**437,114**	2,005,649
Entertainment expenses		**262,372**	334,494
Personnel cost	*10, 12*	**-**	1,381,294
Others		**276,118**	144,247
		62,893,375	67,367,296
LOSS FROM OPERATIONS		**(27,883,500)**	(23,958,587)
OTHER INCOME (CHARGES)			
Interest income	*4, 5*	**760,038,065**	12,604,236
Foreign exchange gain - net	*15*	**156,544,739**	196,959,100
Financial expense	*5, 9, 15*	**(663,573,527)**	(981,418,386)
Financial expense on retirement benefits	*10*	**(9,765,736)**	(12,228,972)
Dividend income	*5*	**-**	865,340,000
Other expenses	*13*	**(42,753,439)**	(17,975,438)
		200,490,102	63,280,540
PROFIT BEFORE INCOME TAX		**172,606,602**	39,321,953
INCOME TAX EXPENSE	*14*	**12,491,601**	107,103,595
PROFIT (LOSS)		**160,115,001**	(67,781,642)
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that will not be reclassified subsequently to profit or loss			
Gain (loss) on remeasurement on retirement benefit liability, net of tax	*10*	**24,784,448**	(22,092,596)
TOTAL COMPREHENSIVE INCOME (LOSS)		**P184,899,449**	(P89,874,238)

See Notes to the Separate Financial Statements.

CEMEX HOLDINGS PHILIPPINES, INC.
SEPARATE STATEMENTS OF CHANGES IN EQUITY

Years Ended December 31

	Note	Common Stock (see Note 11)	Additional Paid-in Capital (see Note 11)	Share-based Compensation Reserve	Remeasurement on Retirement Benefit Liability	Retained Earnings	Total Equity
Balance at January 1, 2019		P5,195,395,454	P21,959,159,068	P18,129,885	P28,887,150	P3,809,282,716	P31,010,854,273
Transactions with Owners of the Company							
Share-based compensation	5	-	-	10,719,101	-	-	10,719,101
Total comprehensive loss for the year							
Loss		-	-	-	-	(67,781,642)	(67,781,642)
Other Comprehensive Loss for the Year							
Loss on remeasurement on retirement benefit liability, net of tax	10	-	-	-	(22,092,596)	-	(22,092,596)
Total Comprehensive Loss		-	-	-	(22,092,596)	(67,781,642)	(89,874,238)
Balance at December 31, 2019		5,195,395,454	21,959,159,068	28,848,986	6,794,554	3,741,501,074	30,931,699,136
Transactions with Owners of the Company							
Issuance of common stock	11	**8,293,831,169**	**4,478,668,831**	**-**	**-**	**-**	**12,772,500,000**
Share issuance cost	11	**-**	**(220,029,039)**	**-**	**-**	**-**	**(220,029,039)**
Share-based compensation	5	**-**	**-**	**1,583,930**	**-**	**-**	**1,583,930**
Total Comprehensive Income for the Year							
Profit		**-**	**-**	**-**	**-**	**160,115,001**	**160,115,001**
Other Comprehensive Income for the Year							
Gain on remeasurements on retirement benefit liability, net of tax	10	**-**	**-**	**-**	**24,784,448**	**-**	**24,784,448**
Total Comprehensive Income		**-**	**-**	**-**	**24,784,448**	**160,115,001**	**184,899,449**
Balance at December 31, 2020		**P13,489,226,623**	**P26,217,798,860**	**P30,432,916**	**P31,579,002**	**P3,901,616,075**	**P43,670,653,476**

See Notes to the Separate Financial Statements.

CEMEX HOLDINGS PHILIPPINES, INC.
SEPARATE STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	**2020**	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		**P172,606,602**	P39,321,953
Adjustments for:			
Financial expense	*5, 9, 15*	**663,573,527**	981,418,386
Retirement benefit expense	*10*	**24,209,425**	23,620,357
Amortization of transportation allowance		**2,988,331**	13,160,747
Share-based compensation expense	*5*	**1,583,930**	10,719,101
Interest income	*4, 5*	**(760,038,065)**	(12,604,236)
Net unrealized foreign exchange gain	*15*	**(175,786,100)**	(234,905,709)
Dividend income	*5*	**-**	(865,340,000)
Operating loss before working capital changes		**(70,862,350)**	(44,609,401)
Decrease (increase) in:			
Due from related parties		**47,989,784**	17,550,292
Other current accounts receivable		**81,634**	4,335,494
Prepaid expenses and other current assets		**(29,549,976)**	(62,831,746)
Increase (decrease) in:			
Trade payables		**4,358,495**	1,226,136
Due to related parties		**41,181,656**	(41,109,014)
Accrued expenses and other payables		**(9,997,671)**	85,546,654
Cash absorbed by operations		**(16,798,428)**	(39,891,585)
Interest received		**11,419,149**	12,604,236
Interest paid	*5, 9*	**(567,030,406)**	(833,678,166)
Benefits paid	*10*	**(19,231,690)**	(26,869,736)
Net cash used in operating activities		**(591,641,375)**	(887,835,251)
CASH FLOWS FROM INVESTING ACTIVITIES			
Collection from loans to related parties	*5*	**200,000,000**	-
Decrease in long-term time deposit		**73,007,929**	130,718,514
Loans to related parties	*5*	**(9,230,004,318)**	-
Net cash provided by (used in) investing activities		**(8,956,996,389)**	130,718,514
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Issuance of common stock	*11*	**12,772,500,000**	-
Loans from related parties	*5*	**1,357,454,525**	2,458,256,289
Payment of:			
Loans from related parties	*5*	**(3,524,708,289)**	(109,946,048)
Bank loan	*9*	**(640,122,810)**	(2,340,122,810)
Share issuance cost	*6, 11*	**(155,980,726)**	(68,339,314)
Net cash provided by (used in) financing activities		**9,809,142,700**	(60,151,883)
NET INCREASE (DECREASE) IN CASH		**260,504,936**	(817,268,620)
EFFECT OF EXCHANGE RATE CHANGES ON CASH		**(25,157,922)**	(901,724)
CASH AT BEGINNING OF YEAR		**37,973,737**	856,144,081
CASH AT END OF YEAR	*4*	**P273,320,751**	P37,973,737

See Notes to the Separate Financial Statements.

CEMEX HOLDINGS PHILIPPINES, INC.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. Reporting Entity

CEMEX Holdings Philippines, Inc. (the "Company" or "Parent Company"), a subsidiary of CEMEX Asian South East Corporation (CASEC), was incorporated as a stock corporation on September 17, 2015 under Philippine laws primarily to invest in or purchase real or personal property; and to acquire and own, hold, use, sell, assign, transfer, mortgage all kinds of properties such as shares of stock, bonds, debentures, notes, or other securities and obligations; provided that the Company shall not engage either in the stock brokerage business or in the dealership of securities, and in the business of an open-end investment company as defined in Republic Act (RA) No. 2629, *Investment Company Act*.

CASEC was incorporated as a stock corporation on August 25, 2015 under Philippine laws.

On a consolidated group basis, the Company is an indirect subsidiary of CEMEX, S.A.B. de C.V. (CEMEX), a company incorporated in Mexico and with address of its principal executive office at Avenida Ricardo Margain Zozaya #325, Colonia Valle del Campestre, Garza Garcia, Nuevo León, Mexico.

On June 30, 2016, the Philippine Securities and Exchange Commission (SEC) resolved to render effective the Registration Statement of the Company and issued a Certificate of Permit to Offer Securities for Sale in favor of the Company. On July 18, 2016, the Company's initial public offering (IPO) of 2,337,927,954 common shares at P10.75 per share culminated with the listing and trading of subsidiaries under the Main Board of the Philippine Stock Exchange, resulting in an increase in capital stock of P2,337,927,954 and additional paid-in capital of P21,959,159,068 net of P835,638,484 transaction costs that is accounted for as a reduction in equity.

On April 2, 2019 and October 16, 2019, the Board of Directors and stockholders of the Company, respectively, approved the amendment of the Seventh Article of the Amended Articles of Incorporation of the Company to reflect an increase in the Company's authorized capital stock (ACS) from P5,195,395,454, consisting of 5,195,395,454 common shares with a par value of P1 per share, to P18,310,395,454, consisting of 18,310,395,454 common shares with a par value of P1 per share. In connection with the proposed capital increase, a stock rights offering (SRO) of up to US$250,000 was pursued by the Company. On December 11, 2019, the SEC issued a Notice of Confirmation of Exempt Transaction, confirming that the SRO is exempt from the registration requirements of the Securities Regulation Code of the Philippines, and the board of directors of the PSE approved the Company's application for listing of the shares to be offered in the SRO, subject to the fulfillment of certain listing conditions, such as but not limited to the Company having obtained the SEC's approval of the increase in its ACS.

On January 6, 2020, the Company defined the final terms of the SRO which involved 8,293,831,169 common shares which was sourced from the increase in the Company's ACS, offered at an offer price of P1.54 per rights share during an offer period from January 20 to 24, 2020. On February 27, 2020, the SEC approved the increase in ACS of the Company from 5,195,395,454 common shares to 18,310,395,454 common shares at P1 par value. The SRO offer period was concluded resulting in the full subscription of 8,293,831,169 common shares. Post-SRO and in view of the approval from the SEC of the Company's application for increase in ACS, the total number of issued and outstanding shares of the Company is 13,489,226,623 common shares. On March 4, 2020, the 8,293,831,169 common shares, comprising the rights shares, were listed under the Main Board of the PSE.

Based on the lists of stockholders registered with the stock transfer agent of the Parent Company, the Parent Company has 27 and 26 stockholders as at December 31, 2020 and 2019 respectively, with each of PCD Nominee Corporation (Filipino) and PCD Nominee Corporation (Non-Filipino) recorded as a stockholder.

The Company's principal office is located at 34th Floor Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Brgy. Bel-Air, Makati City.

2. Basis of Preparation

Statement of Compliance

The separate financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations.

In accordance with Paragraph 4 of PFRS 10, *Consolidated Financial Statements,* the Company prepares consolidated financial statements in which the Company consolidates the financial statements accounts of its subsidiaries. Such consolidated financial statements provide information about the economic activities of the Company and its subsidiaries, with the Company as the parent entity. The consolidated financial statements, which have been prepared in accordance with PFRSs, are available through the Philippine SEC.

The separate financial statements were approved and authorized for issue by the Company's Board of Directors (the "Board") on April 7, 2021.

Basis of Measurement

The separate financial statements have been prepared on a historical cost basis of accounting, except for retirement benefit liability which is measured at the present value of the defined benefit obligation less the fair value of plan assets.

Functional and Presentation Currency

The separate financial statements are presented in Philippine peso, which is the Company's functional currency. All financial information presented in Philippine peso has been rounded off to the nearest peso, except when otherwise indicated.

Use of Judgments and Estimates

The preparation of separate financial statements in conformity with PFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in the separate financial statements. The estimates and assumptions used in the accompanying separate financial statements are based on management's evaluation of relevant facts and circumstances as at the reporting date. Actual results may differ from these estimates.

Judgments, estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, that have the most significant effect on the amounts recognized in the separate financial statements:

Determining Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency has been determined to be the Philippine peso. It is the currency that mainly influences the operations of the Company.

Determining Whether the Company has Control over its Investee Companies

The Company uses judgment in determining control over its investee companies. The Company controls the entity when it is exposed, or has rights, to variable returns from its involvement with the investee; has the ability to affect those returns through its power over the investee and there is a link between power and returns. Thus, the principle of control sets out the following three elements of control:

- power over the relevant activities of the investee;
- exposure, or rights, to variable returns from involvement with the investee; and
- the ability to use power over the investee to affect the amount of the investor's returns.

The Company assessed that it has control over its investee companies and accounts for this investee companies as subsidiaries.

Determination of Whether the Company is Acting as a Principal or an Agent

Determining whether an entity is acting as a principal or as an agent depends on certain facts and circumstances and requires judgment by management. Features that, individually or in combination, indicate that an entity is acting as a principal include:

- the entity is primarily responsible for fulfilling the promise to provide the specified good or service;
- the entity has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer; and
- the entity has discretion in establishing the price for the specified good or service.

An entity is acting as a principal if it controls the promised goods or services before transferring them to the customer. The Company assessed that it is acting as principal on its revenue transactions.

Classifying Financial Instruments
The Company exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the separate statements of financial position.

In addition, classification of financial assets depends on the results of the solely payments of principal and interest test and the business model test. The Company determines the business model at the level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including the risks that affect the performance of the assets and how these are managed. The Company monitors financial assets measured at amortized cost or fair value through other comprehensive income (FVOCI) to understand the reason for any disposal prior to maturity and determine whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Financial assets are classified as financial assets at amortized cost or at fair value through profit or loss (FVTPL), debt investment at FVOCI and equity investment at FVOCI. Financial liabilities, on the other hand, are classified as either financial liabilities at FVTPL or other financial liabilities.

Estimate
The key assumption concerning the future and other key sources of estimation uncertainty as at reporting date that has the most significant risk of resulting in a material adjustment to the carrying amounts of assets, liabilities and equity within the next financial year is as follows:

Estimating Realizability of Deferred Income Tax Assets
The Company reviews its deferred income tax assets at each reporting date and reduces the deferred income tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

The Company reviews its deferred income tax assets at each reporting date and reduces the deferred income tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. The deferred income tax assets include an amount which relates to the carried forward tax losses, excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and other deductible temporary differences to the Company. The Company has incurred tax losses. The carryforward tax losses and excess MCIT over RCIT have an expiration of three years from the taxable year when such tax losses were incurred, except for losses incurred in 2020 and 2021 which have an expiration of five years (see Note 14). However, as at December 31, 2019, the Company has concluded that they will only benefit from a portion of the said tax losses and excess MCIT over RCIT before they eventually expire. Deferred income tax assets were recognized only up to the extent of forecasted taxable income in subsequent periods. Each forecast was based on the Company's past results and future expectations of revenue and expenses. As at December 31, 2020 and 2019, net deferred income tax assets amounted to P132,988,942 and P140,543,079, respectively. As at December 31, 2020 and 2019, the Company has unused tax losses in which deferred income tax assets have not been recognized amounting to nil and P1,790,540,776, respectively (see Note 14).

Assessing the Probability of an Outflow from Legal Proceedings
Pending legal cases are reviewed continuously to assess whether an outflow of resources has become probable. If the recognition criteria in the Company's policy (see Note 3) are met, then the liability is recognized in the separate statements of financial position in the period in which the probability occurs. Further information about the Company's assessment on its legal proceedings are disclosed in Note 16.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these separate financial statements:

Adoption of Amendments to Standards
The Company has adopted the following relevant amendments to standards starting January 1, 2020 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Company's separate financial statements.

- Amendments to References to Conceptual Framework in PFRS Standards sets out amendments to PFRS Standards, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes:

  - a new chapter on measurement;
  - guidance on reporting financial performance;
  - improved definitions of an asset and a liability, and guidance supporting these definitions; and
  - clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

  Some Standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee (IASC)'s Framework for the Preparation and Presentation of Financial Statements adopted by the IASB in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

- Definition of Material (Amendments to PAS 1, *Presentation of Financial Statements,* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments clarify the definition of material and its application by:

- raising the threshold at which information becomes material by replacing the term 'could influence' with 'could reasonably be expected to influence';
- including the concept of 'obscuring information' alongside the concept of 'omitting' and 'misstating' information in the definition;
- clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;
- clarifying the explanatory paragraphs accompanying the definition; and
- aligning the wording of the definition of material across PFRS Standards and other publications.

The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements.

Standards Issued but Not Yet Adopted

A number of amendments to standards are effective for annual periods beginning after January 1, 2020. However, the Company has not applied the following amendments to standards in preparing these separate financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's separate financial statements.

The Company will adopt the following relevant amendments to standards on their respective effective dates.

- Onerous Contracts - Cost of Fulfilling a Contract (Amendment to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*). The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract – i.e., it comprise both incremental costs and an allocation of other direct costs.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS Standards 2018-2020. This cycle of improvements contains amendments to the following relevant standard:

  - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9, *Financial Instruments*). The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

- Classification of Liabilities as Current or Non-current (Amendments to PAS 1). To promote consistency in application and clarify the requirements on determining whether a liability is current or non-current, the amendments:

    - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;
    - clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and
    - clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

    The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

<u>Financial Instruments</u>
Recognition and Initial Measurement
Financial instruments within the scope of PFRS 9 are recognized in the separate statements of financial position when the Company becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using trade date accounting.

A financial asset (unless it is a receivable without a financing component) or financial liability is initially measured at fair value. Except for financial instruments classified or designated at FVTPL, the initial measurement of financial assets includes directly attributable transaction costs. A receivable without a significant financing component is initially measured at the transaction price.

Classification and Subsequent Measurement
The Company determines the classification of its financial assets on initial recognition. The Company classifies its financial assets into the following categories: financial assets at amortized cost or financial assets at FVTPL, debt investments at FVOCI and equity investments at FVOCI. The classification depends on the Company's business model for managing financial instruments and the contractual cash flow characteristics of the financial instruments. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

As at December 31, 2020 and 2019, the Company has no debt investments at FVOCI and at FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Impairment losses on financial assets are recognized under operating expenses. Any gain or loss on derecognition is recognized in profit or loss. Financial assets at amortized cost are classified as current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

The Company's cash, due from related parties, other current accounts receivable and long-term time deposit are included in this category.

Interest income accruing from cash is recognized under "Other Income (Charges)" account in the separate statements of comprehensive income (loss).

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss. Included in this category is the Company's other investments.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business Model Assessment
The Company makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the standard policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets; and
- the frequency, volume and timing of sales of financial assets in prior period, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Assessment Whether Contractual Cash Flows are Solely Payments of Principal and Interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Classification and Measurement - Financial Liabilities

Trade payables, due to related parties, accrued expenses and other payables (excluding liabilities covered by other PFRSs, such as statutory liabilities), due to related parties and long-term bank loan are recognized initially at fair value, less directly attributable transaction cost and subsequently measured at their amortized cost. Interest accrued on financial instruments is recognized in the separate statements of financial position within "Accrued expenses and other payables" account against financial expense. As at December 31, 2020 and 2019, the Company did not have financial liabilities classified as at FVTPL, or associated to fair value hedge strategies with derivative financial instruments. Direct costs incurred in debt issuances or borrowings are deducted from the fair value of the financial liability at initial recognition and amortized as interest expense as part of the effective interest rate of each transaction over its maturity. When a loan is repaid, the related unamortized debt issuance costs at the date of repayment are charged against profit or loss. Financial liabilities are classified as current liabilities if the liability is due to be paid within 12 months from the reporting date and the Company has no unconditional right to defer settlement of the liability for at least 12 months after the reporting date, otherwise these are classified under noncurrent liabilities.

Offsetting Financial Instruments
Financial assets and liabilities are offset and the net amount presented in the separate statements of financial position when, and only when, the Company has an enforceable legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements and the related assets and liabilities are presented gross in the separate statements of financial position.

Derecognition of Financial Instruments
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the financial asset have expired;
- the Company retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transferred its rights to receive cash flows from the financial asset and either: (a) has transferred substantially all the risks and rewards of the financial asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset.

When the Company has transferred its rights to receive cash flows from a financial asset or has entered into a 'pass-through' arrangement, and has neither transferred nor retained substantially all the risks and rewards of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Company could be required to repay.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. The difference between the carrying amount of financial liability (or part of a financial liability) extinguished and the consideration paid is recognized in profit or loss. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the carrying amount of the original liability and the recognition of a new liability at fair value, and any resulting difference in the respective carrying amounts is recognized in profit or loss.

'Day 1' Profit
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions of the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' profit) in profit or loss. In cases where no observable data are used, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' profit amount.

Fair Value Measurement

A number of the Company's accounting policies and disclosures require the measurement of fair value for both financial and non-financial assets and liabilities. Fair value is measured as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price), regardless of whether that price is directly observable or estimated using another valuation technique. Where applicable, the Company uses valuation technique that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Fair values are categorized into different levels of the fair value hierarchy based on the inputs used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the changes has occurred.

Investments in Subsidiaries

A subsidiary is an entity in which the Company has control. The Company has control over an investee when it is exposed, or has rights, to variable returns from its involvement with that investee; when it has the ability to affect those returns through its power over its investee; and where there is link between power and returns. An investment in a subsidiary is accounted for at cost, including transaction costs, less impairment losses, if any. The Company recognizes income from the investments when its right to receive dividend is established. The Company accounts for its investments in subsidiaries at cost. When the Company loses control over a subsidiary, any interest retained in the former subsidiary is measured at fair value.

Impairment of Financial Assets

The Company recognizes loss allowances for expected credit losses (ECLs) on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when: (1) the borrower is unlikely to pay its obligations to the Company in full, without recourse by the Company to actions such as realizing any collateral; or (2) the financial asset is more than 90 days past due.

The Company considers a debt security to have low credit risk when i) the debt security has a low risk of default; ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired Financial Assets
At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of Allowance for ECL in the Separate Statement of Financial Position
Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in OCI.

Write-off
The gross carrying amount of a financial asset is written-off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company categorizes a financial asset for write-off when the debtor fails to make contractual payments more than 365 days past due. The Company expects no significant recovery from the amount written-off.

Impairment of Investments in Subsidiaries
The carrying amount of the Company's investments in subsidiaries is reviewed at each reporting date to determine whether there is any indication of impairment. If any indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognized in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an investment in a subsidiary is the greater of its fair value less costs of disposal and its value in use. The fair value is the price that would be received to sell the investment or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Value in use is the present value of the future cash flows expected to be derived from the asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

A previously recognized impairment loss is reversed only if there has been a change in estimate used to determine the recoverable amount of the asset, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in profit or loss.

Common Stock and Additional Paid-in Capital
Common stock is classified as equity. Common stock is recognized as issued when the stock is paid for or subscribed under a binding subscription agreement, net of any subscription receivable, and is measured at par value. The transaction costs incurred as a necessary part of completing an equity transaction are accounted for as a part of that transaction and are deducted from equity, net of related tax benefits. Costs that are related directly to a probable future equity transaction is recognized as "Deferred share issuance costs" under "Prepaid expenses and other current assets" account in the separate statements of financial position. The cost is transferred to equity when the equity transaction is recognized or recognized in profit or loss if the issue is no longer expected to be completed. Considerations received in excess of the par value of shares issued are recognized in "Additional paid-in capital" account in the separate statements of financial position.

Retained Earnings
Retained Earnings represents the accumulated balance of periodic income (loss), net of any dividends declared to stockholders.

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's separate financial statements in the period in which the dividends are approved by the Company's Board.

Revenue from Contracts with Customers
Revenue is recognized to the extent that is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured based on the consideration specified in the contract with the customer. The Company recognizes revenue when it transfers control over a service to a customer.

The Company's revenue (i.e., service fees) mainly pertains to advisory services provided by the Company to its related parties under mark-up based contracts. Revenue from such services is recognized based on the work performed for a particular customer and is calculated based on the actual costs incurred plus mark-up. The mark-up is calculated in accordance with the service agreement. Revenue from such services are also recognized overtime as the services are received and the benefits are consumed by the customer simultaneously.

If the services rendered by the Company exceed payment, a contract asset if recognized. If payments exceeded the services rendered, a contract liability is recognized.

Receivables arising from the Company's revenue contracts recognized in "Due from related parties" account in the separate statements of financial position represent the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Dividend Income

Dividend income is recognized when the Company's right to receive the payment is established. Dividends received are classified as part of cash flows from operating activities.

Interest

Interest is recognized as it accrues, taking into account the effective yield on the asset, net of final tax.

Cost and Expense Recognition

Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity other than those relating to distributions to equity participants. Expenses are generally recognized when the services are rendered or the expenses are incurred.

Cost of Services

Cost of services includes direct salaries and wages and travel expense directly attributable to the services rendered. This is recognized when the services are rendered or the expenses are incurred.

Operating Expenses

Expenses incurred in the direction and general administration of day-to-day operation of the Company and are generally recognized when the services are rendered or the expenses are incurred.

Employee Benefits

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined Benefit Pension Plans

Pursuant to PAS 19, *Employee Benefits*, the Company recognizes the costs associated with employees' defined benefit pension plans as services are rendered, based on actuarial estimations of the benefits' present value with the advice of external actuaries. The actuarial assumptions consider the use of nominal rates.

The service cost, corresponding to the increase in the obligation for additional benefits earned by employees during the period, is recognized as part of "Cost of Services" and "Operating Expenses" accounts in the separate statements of comprehensive income (loss). The interest cost related to the increase in the liability by the passage of time is recognized in profit or loss under "Financial expense on retirement benefits" account in the separate statements of comprehensive income (loss).

The effects from modifications to the pension plans that affect the cost of past services are recognized as part of "Cost of Services" and "Operating Expenses" accounts in the separate statements of comprehensive income (loss) during the period in which such modifications occur or when any related restructuring or termination benefits are recognized, if earlier. Likewise, the effects from curtailments and/or settlements of obligations occurred during the period, associated with events that significantly reduce the cost of future services and/or reduce significantly the population subject to pension benefits, respectively, are recognized as part of "Cost of Services" and "Operating Expenses" accounts in the separate statements of comprehensive income (loss).

Remeasurements such as the return on plan assets, excluding amounts included in net interest on the net defined benefit liability, and actuarial gains and losses, related to differences between the previous actuarial assumptions and actual occurrences, and changes in actuarial assumptions at the end of the period, are recognized in the period in which they are incurred as part of OCI for the period within equity. Termination benefits, not associated with a restructuring event, which mainly represent severance payments by law, are recognized in profit or loss for the period in which they are incurred.

Transportation Allowance
The Company grants transportation allowance to "entitled executives" for the purpose of purchasing a motor vehicle and to cover other transportation-related expenses such as, but not limited to, maintenance cost, gasoline, registration expenses and insurance premiums on motor vehicle for a period of five (5) years from the date of grant. The amount paid to executives in respect of the Company's transportation allowances is recorded as an asset carried at cost (the current portion is part of "Prepaid expenses and other current assets" account while the noncurrent portion is part of "Other noncurrent asset" account in the separate statements of financial position) and subsequently amortized as an expense over the term of the contract.

Foreign Currency Transactions
Foreign currency transactions are recorded in Philippine peso based on exchange rates prevailing at transaction dates. Outstanding foreign currency denominated monetary assets is translated to Philippine peso using the prevailing rates at the reporting date. Exchange rate differences arising from the settlement of monetary items at rates different from those at which they were initially recorded during the periods are recognized in profit or loss in the period in which they arise. Foreign currency gains and losses are reported on a net basis.

Income Taxes
Income tax expense is composed of current income tax and deferred income tax. Income tax expense is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity or in OCI, in which case it is recognized in equity or in OCI.

Current Income Tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred Income Tax
Deferred income tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, the carryforward tax benefit of unused net operating loss carryover (NOLCO) and excess MCIT over RCIT.

Deferred income tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The carrying amounts of deferred income tax assets are reviewed at each reporting date. A deferred income tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, excess MCIT over RCIT and the carryforward benefit of unused NOLCO can be utilized. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plan of the Company. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Unrecognized deferred income tax assets are reassessed at each reporting date, and are recognized to the extent that it has become probable that future taxable income will allow the deferred income tax assets to be recognized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. The income tax effects from an uncertain tax position are recognized when it is not probable that the position will be accepted based on its technical merits and assuming that the tax authorities will examine the uncertain tax treatments and have full knowledge of all relevant information. They are measured by either determining the single most likely amount or the sum of the probability-weighted amounts in a range of possible outcomes depending on which method the Company expects to better predict the resolution of the uncertainty. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred income tax assets and liabilities are offset if there is a legally enforceable right to set-off current income tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, and they intend to settle current income tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Value-added Tax (VAT)

Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as a part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

The net amount of sales tax recoverable from, or payable to, the tax authority is included as part of "Prepaid expenses and other current assets" or "Accrued expenses and other payables" accounts, respectively, in the separate statements of financial position and are carried at cost.

Provisions and Contingencies

Provisions

A provision is a liability of uncertain timing or amount. It is recognized when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Contingencies

Contingent liabilities are not recognized in the separate financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the separate financial statements but are disclosed when an inflow of economic benefits is probable.

Events After the Reporting Date

Post year-end events up to the separate financial statements are authorized for issuance by the Board that provide additional information about the Company's unconsolidated financial position as at the reporting date (adjusting events) are recognized in the separate financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the separate financial statements when material.

4. Cash

The Company's cash comprises cash in bank amounting to P273,320,751 and P37,973,737 as at December 31, 2020 and 2019, respectively. Cash in banks earns annual interest at the prevailing bank deposit rates. Interest income earned from cash in bank amounted to P11,419,149 and P12,604,236 in 2020 and 2019, respectively.

The Company's exposures to credit and foreign currency risks related to cash are disclosed in Note 15 to the separate financial statements.

5. Related Party Transactions

Related party relationship exists when the other party (i) has control or joint control of the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. A related party relationship is deemed to exist when one party has the ability to control, directly or indirectly, through one or more intermediaries, the other party or exercise significant influence over the other party in making the financial and/or operating decisions. Another criteria recognizes a related party relationship, whether or not the ability to control exists, if any of the following conditions applies to an entity: (i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others, (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member), (iii) both entities are joint ventures of the same third party, (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity, or (v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity (If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity).

The Company has an approval requirement and limits on the amount and extent of related party transactions in compliance with the Revised Securities Regulation Code Rule 68 and the SEC Memorandum Circular 10-2019 - *Rules on Material Related Party Transactions for Publicly-Listed Companies*. Transactions entered into with a related party amounting to 10% or more of the total consolidated assets based on the latest audited consolidated financial statements are considered material. All individually material related party transactions shall be reviewed and evaluated by the Audit Committee and endorsed to the Board for approval. The material related party transaction shall require the approval of at least two-thirds (2/3) votes of the members of the Board, with at least the majority of the independent directors voting to approve the material related party transaction.

For aggregate related party transactions within twelve-month period with the same related party that breaches the materiality threshold, the same review and approval procedures mentioned above is required.

As at December 31, 2020 and 2019, balances of due from/to related parties are detailed as follows:

Receivables - current	**2020**	2019
Parent:		
CASEC[4]	**P651**	P614,191
Subsidiaries:		
Solid Cement Corporation (Solid)[7]	**660,638,969**	11,690,847
APO Cement Corporation (APO)[5]	**82,831,425**	24,584,517
Ecocrete, Inc. (Ecocrete)[4]	**48,197**	48,197
Other related parties[11]:		
CEMEX Operaciones México, S.A. de C.V.[8]	**71,171**	1,363,226
	P743,590,413	P38,300,978

Receivables - noncurrent	2020	2019
Subsidiaries:		
Solid [7]	**P8,139,022,033**	P -
APO [5]	**890,982,285**	-
	P9,030,004,318	P -

Payables - current	2020	2019
Subsidiaries:		
CEMEX Asia Research AG (CAR)[2]	**P3,163,408,930**	P4,471,950,684
Falcon Re Ltd. (Falcon)[1]	**624,444,748**	1,573,723,051
APO[6]	**27,588,617**	2,514
Solid[3]	**809,755**	168,281
Other related parties[11]		
CASEC[10]	**4,847,465**	-
CEMEX Asia Pte. Ltd. - Philippine Headquarters [9]	**-**	47,431
	P3,821,099,515	P6,045,891,961

[1]The balance pertains to the deposit agreement between Falcon and the Company, in which Falcon (depositor), upon giving notice, may withdraw the funds. The Company should reimburse any outstanding balance not later than August 2021. The deposits bear interest calculated daily at a rate equal to Western Asset Institutional Liquid Reserve Fund (WAILRF) minus 10 basis points (see Note 16).

[2]The balance pertains to the deposit agreement between CAR and the Company, in which CAR (depositor), upon giving notice, may withdraw the funds. The Company should reimburse any outstanding balance not later than August 2021. The deposits bear interest rate at 3% per annum.

[3]The balance includes a) payable balance of P809,755 and P168,281 as at December 31, 2020 and 2019, respectively, due to the net pension transferred to Solid which is unsecured, noninterest-bearing and due on demand.

[4]Amount pertains to reimbursable expenses which are unimpaired, unsecured, noninterest-bearing and payable on demand.

[5]The receivable balance includes a) advisory services amounting to nil and P23,435,408 as at December 31, 2020 and 2019, respectively, which have a 60-day term, unimpaired, noninterest-bearing and unsecured. The term of the agreement is two (2) years subject to renewal by mutual agreement of the parties; b) receivable amounting P377,257 and P1,149,109 as at December 31, 2020 and 2019 due to pension transferred from Apo which is unsecured, noninterest-bearing, unimpaired and due on demand; c) On March 3, 2020, the Company entered into a seven-year loan facility agreement up to P2,540,000,000 with an annual interest rate of 11.12%. Balance of principal and interest on loan as at December 31, 2020 amounted to P890,982,285 (noncurrent) and P82,454,168 (current), respectively.

[6]The balance includes a) payable balance of P27,357,519 related to advisory services as at December 31, 2020 which have a 60-day term, unimpaired, noninterest-bearing and unsecured. The term of the agreement is two (2) years subject to renewal by mutual agreement of the parties; b) reimbursable expenses amounting to P231,098 and nil as at December 31,2020 and 2019, respectively.

[7]The balance includes a) advisory services amounting to P758,776 and P11,257,033 as at December 31, 2020 and 2019, respectively, which have a 60-day term, unimpaired, noninterest-bearing and unsecured. The term of the agreement is two (2) years subject to renewal by mutual agreement of the parties; b) reimbursable expense amounting to P4,027,521 and P433,814 as at December 31, 2020 and 2019, respectively, which is unimpaired, noninterest-bearing and unsecured; c) pension reimbursable expense amounting to P4,660,302 and nil as at December 31, 2020 and 2019, respectively, which is unimpaired, noninterest-bearing and unsecured; d) On March 3, 2020, the Company entered into a seven-year loan facility agreement up to P12,725,000,000 with an annual interest rate of 10.02%. Balance of principal loan and interest on loan amounting to P8,139,022,033 (noncurrent) and P651,192,370 (current), respectively.

[8]The balance pertains to fringe benefit tax paid by the Company in relation to the share-based compensation that was claimed as reimbursable expense from CEMEX Central, which is unsecured, noninterest-bearing, unimpaired and due on demand. Effective August 1, 2019, CEMEX Central has merged into CEMEX Operaciones Mexico, S.A. de C.V.

[9]The balance includes a) reimbursable expenses amounting to nil and P47,431 as at December 31, 2020 and December 31, 2019, respectively which is unsecured, noninterest-bearing and payable due on demand expenses;

[10] The due to related party balance includes reimbursable expenses amounted to P4,847,465 and nil as of December 31,2020 and 2019, respectively, which is unsecured, noninterest-bearing and due on demand.

[11] Other related parties pertain to entities under common control of CEMEX.

The reconciliation of opening and closing balances of due to related parties that arise from financing activities follows:

	2020	2019
Balance as at January 1	**P6,045,673,735**	P4,594,559,592
Proceeds from drawdowns	**1,357,454,525**	2,458,256,289
Interest expense	**96,470,654**	180,585,690
Effect of exchange rate changes	**(188,664,065)**	(235,834,690)
Payment of:		
Principal	**(3,524,708,289)**	(924,759,059)
Interest	**-**	(20,902,343)
Others	**5,725,771**	(6,231,744)
Balance as at December 31	**P3,791,952,331**	P6,045,673,735

In 2019, Falcon and CAR approved and declared dividends amounting to P611.6 million (US$12.0 million) and P253.7 million (US$5.0 million), respectively, P606.2 million (US$12.0 million) and P208.6 million (US$4.5 million), respectively, of which was paid and settled as a distribution in kind by means of compensation against Falcon's and CAR's account receivable under deposit agreement with the Company dated as of August 24, 2016. This is the Company's non-cash transaction in 2019.

The main transactions entered by the Company with related parties for the years ended December 31, 2020 and 2019 are shown below:

Proceeds from Deposits	**2020**	2019
Subsidiaries:		
Falcon	**P990,230,000**	P1,346,145,468
CAR	**367,224,525**	1,112,110,821
	P1,357,454,525	P2,458,256,289

Interest Income	**2020**	2019
Subsidiaries:		
Solid	**P664,482,010**	P -
APO	**84,136,906**	-
	P748,618,916	P -

Service Fees	**2020**	2019
Subsidiaries:		
APO	**P273,101,960**	P321,566,173
Solid	**112,006,664**	155,929,620
	P385,108,624	P477,495,793

Interest Expense	**2020**	2019
Subsidiaries:		
CAR	**P89,676,920**	P144,898,502
Falcon	**6,793,733**	35,687,188
	P96,470,653	P180,585,690

Retirement Liability Transferred from (Receivable Transferred to) Related Parties	**2020**	2019
Solid	**P4,660,302**	(P168,280)
APO	**-**	1,149,109
	P4,660,302	P980,829

Reimbursable Expenses	**2020**	2019
Parent:		
CASEC	**P14,700**	P5,169,803
Subsidiaries:		
Solid	**1,233,478**	2,529,667
APO	**340,208**	458,932
	P1,588,386	P8,158,402

Dividend Income Received	**2020**	2019
Subsidiaries:		
Falcon	**P -**	P611,640,000
CAR	**-**	253,700,000
	P -	P865,340,000

Transaction with Key Management Personnel	**2020**	2019
Short-term employee benefits	**P178,185,557**	P160,265,299
Long-term employee benefits	**35,027,479**	94,337,274
Share-based compensation	**1,583,930**	10,719,101

As part of CEMEX's share-based payments programs, a group of the Company's executives participates in the long-term share-based compensation program providing for the grant of CEMEX's CPOs, pursuant to which new CPOs are issued or purchased by the ultimate parent company under each annual program over a four (4) year period. By agreement with the executives, the CPOs of the annual grant, which is equivalent to 25% of the CPOs related to each plan, are placed in a trust established for the benefit of the executives to comply with a one (1) year restriction on sale.

Certain executive officers of the Parent Company or its subsidiaries received in 2020 compensation in the form of cash pursuant to the terms of a variable long-term incentive plan approved by the Parent Company's Board on April 25, 2018 under which the eligible executives are allocated cash amounts (to be released in four annual installments) which shall be used by these executives to purchase a specific number of shares of the Parent Company from the market.

Under these programs, CEMEX purchased net shares to executives of the Company of approximately 1,777,752 CPOs and issued new shares for approximately 1,777,752 CPOs and issued new shares for approximately 880,484 CPOs and 186,256 CPOs for the years ended December 31, 2020 and 2019, respectively. For the years ended December 31, 2020 and 2019, there were approximately 317,300 CPOs and nil, respectively, associated with these annual programs that are expected to be purchased in the succeeding years as the Company's executives render services.

The compensation expense related to these programs for the years ended December 31, 2020 and 2019 for approximately P1,583,930 and P10,719,101 corresponding to the fair value of the number of CEMEX's CPOs at the date of grant, was recognized in the Company's profit or loss against share-based compensation reserve. The weighted average fair value, which pertains to the market price of CPOs granted, is 6.18 and 11.85 Mexican Pesos in 2020 and 2019, respectively. As at December 31, 2020 and 2019, the Company did not have outstanding commitments or options to make cash payments to executives on the exercise date of awards based on changes in CEMEX's own stock (intrinsic value).

Terms and Conditions of Transactions with Related Parties
Outstanding balances as at period-end are unsecured and are expected to be settled in cash. There is no impairment on any related party receivables. There are also no guarantees provided for any related party payables.

The Company's exposures to credit risk, foreign currency risk, interest rate risk and liquidity risk related to the outstanding related party balances are disclosed in Note 15 to the separate financial statements.

Transactions with the Retirement Fund
The Company established a retirement plan for its qualified employees. The control and administration of the retirement plan is vested in its Board of Trustees (BOT). The retirement plan's accounting and administrative functions are undertaken by the Bank of the Philippine Islands Asset Management Trust Group (BPI AMTG), the Company's duly appointed trust fund manager.

The Company's funding policy is to contribute to the Plan's fund as required under actuarial principles to maintain the fund in sound condition. In addition, the Company reserves the right to discontinue, suspend or change the rate and amount of its contribution to the fund at any time due to business necessity or economic conditions. The Company has no contributions to the retirement fund in 2020 and 2019.

There are also no other transactions entered into by the Company with the plan for the year. As at December 31, 2020 and 2019, the fund's unfunded status amounted to P164,092,100 and P189,860,418. The composition of the retirement plan assets is disclosed in Note 10 to the separate financial statements.

6. Prepaid Expenses and Other Current Assets

This account consists of:

	2020	2019
Transportation allowance	**P16,113,799**	P14,522,132
Prepaid taxes	**11,927,030**	5,060,828
Prepaid insurance	**145,156**	212,650
Deferred share issuance costs	**-**	95,104,607
Prepaid rent and others	**7,465,437**	12,098,068
	P35,651,422	P126,998,285

The noncurrent portion of transportation allowance amounting to P42,176,061 and P34,931,530 as at December 31, 2020 and 2019 is recognized as "Other noncurrent asset" account in the separate statements of financial position.

Prepaid rent pertains mostly to advance payments for the rental of residential property for the use of its employees. Prepaid taxes include Input VAT and creditable withholdings taxes.

Deferred issuance costs refer to the expenses incurred in relation to the Company's planned stock rights offering. These expenses were charged against the proceeds when the transaction was completed (see Note 11).

7. Investments in Shares of Stock

The details of investments in share of stock of subsidiaries, which were incorporated under Philippine Laws, are as follows:

	Effective Percentage of Ownership	**2020**	Effective Percentage of Ownership	2019
Subsidiaries				
Triple Dime Holdings, Inc. (Triple Dime)	**100%**	**P17,898,216,400**	100%	P17,898,216,400
APO	**100%**	**12,409,217,267**	100%	12,409,217,267
Sandstone Strategic Holdings, Inc. (Sandstone)	**100%**	**8,715,027,617**	100%	8,715,027,617
Solid	**100%**	**6,316,382,707**	100%	6,316,382,707
Edgewater Ventures Corporation (Edgewater)	**100%**	**1,726,783,116**	100%	1,726,783,116
Bedrock Holdings Corporation (Bedrock)	**100%**	**759,519,600**	100%	759,519,600
Falcon	**100%**	**140,380,200**	100%	140,380,200
CAR	**100%**	**4,728,000**	100%	4,728,000
		47,970,254,907		47,970,254,907
Others		**923,928**		923,928
		P47,971,178,835		P47,971,178,835

The Company holds APO directly (40%) and indirectly (60%), through Edgewater and Triple Dime, and holds Solid directly (40%) and indirectly (60%), through Bedrock and Sandstone.

As at December 31,2020 and 2019, the balance of investment in shares of stock amounted to P47,971,178,835.

Following are the information relating to the Company's subsidiaries:

- Triple Dime

  Triple Dime was incorporated as a stock corporation in May 1998 under Philippine laws primarily to invest in real or personal property. Triple Dime's principal office address is located at 34th Floor, Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City, Metro Manila.

- APO

  APO, a subsidiary of Triple Dime, was incorporated as a stock corporation under Philippine laws in December 1961, primarily to engage in the production and marketing of cement. APO is also registered to engage in the generation, supply or sale of power from its own power plant. APO's principal office is in APO Cement Plant Compound, Tina-an, Naga City, Cebu, which is also the location of its production plant.

- Sandstone

Sandstone was incorporated as a stock corporation in November 1998 under Philippine laws primarily to invest in real or personal property. Sandstone's principal office address is located at 34th Floor, Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City, Metro Manila.

- Solid

Solid was incorporated as a stock corporation in September 1987 under Philippine laws primarily to engage in the manufacturing, developing, processing, exploiting, purchasing and selling of cement and/or other products derived therefrom. Its production plant is located in Antipolo City, Rizal and its principal office is located at 34th Floor, Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City, Metro Manila.

- Edgewater

Edgewater was incorporated and registered with the SEC as a stock corporation in April 1998 primarily to invest in real or personal property. Edgewater's principal office address is located at 34th Floor, Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City, Metro Manila.

- Bedrock

Bedrock was incorporated as a stock corporation in October 1998 under Philippine laws primarily to invest in real or personal property. Bedrock's principal office address is located at 34th Floor, Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City, Metro Manila.

- Falcon

Falcon is registered under the Companies of Barbados to conduct general insurance business, all risk property insurance, political risks insurance and non-damage business interruption insurance and received its license to operate as an insurance company in July 2016. Falcon acts as a re-insurer to third party insurers of operating subsidiaries of the Company covering property, non-damage business interruption, political risk insurance, professional liability program and cyber risks.

- CAR

CAR was incorporated as a stock corporation in December 2015 under Switzerland laws, primarily to engage in the ownership, licensing, utilization, management, development, administration, maintenance and protection of intellectual and industrial property rights and of assets derived therefrom for the Asian market. CAR's principal place of business is located at Brügg BE, Switzerland.

Below is the summarized financial information pertaining to the Company's investments in subsidiaries as at and for the years ended December 31, 2020 and 2019:

December 31, 2020	Current Assets	Noncurrent Assets	Current Liabilities	Noncurrent Liabilities	Revenue	Profit (Loss)	Total Comprehensive Income (Loss)
			(In Thousands of Peso)				
Triple Dime	**P51,394**	**P7,293,300**	**P95**	**P -**	**P -**	**P275**	**P286**
APO	**4,431,228**	**12,308,020**	**4,592,897**	**2,110,940**	**14,467,220**	**367,367**	**403,318**
Sandstone	**183**	**3,984,204**	**110,162**	**-**	**-**	**(47)**	**18**
Solid	**2,211,038**	**12,707,981**	**3,600,985**	**9,698,676**	**5,911,035**	**(524,033)**	**(499,859)**
Edgewater	**53,943**	**1,419,429**	**108**	**761**	**-**	**(2,676)**	**(1,873)**
Bedrock	**114,387**	**56,283**	**1,902**	**-**	**-**	**(79)**	**(79)**
Falcon	**2,500,817**	**625,685**	**525,100**	**-**	**1,003,078**	**1,010,051**	**1,010,051**
CAR	**5,281,497**	**-**	**434,022**	**-**	**1,372,981**	**465,231**	**465,231**

December 31, 2019	Current Assets	Noncurrent Assets	Current Liabilities	Noncurrent Liabilities	Revenue	Profit (Loss)	Total Comprehensive Income (Loss)
			(In Thousands of Peso)				
Triple Dime	P51,136	P7,293,300	P112	P10	P -	P504	P504
APO	4,361,143	13,049,248	6,298,357	1,480,120	16,334,914	254,029	209,157
Sandstone	122	3,984,204	110,054	65	-	(104)	(104)
Solid	2,176,140	9,725,326	3,183,526	6,601,508	7,926,232	207,804	165,197
Edgewater	56,654	1,419,429	113	1,594	-	(716)	(716)
Bedrock	114,484	56,283	1,918	1	-	(102)	(102)
Falcon	2,152,150	-	442,415	-	1,064,829	1,096,761	1,096,761
CAR	5,075,577	-	429,781	-	1,766,353	723,848	723,848

8. Accrued Expenses and Other Payables

This account consists of:

	Note	**2020**	2019
Accrued interest on bank loan	*9*	**P69,108,470**	P94,999,915
Salaries and wages and other employee benefits		**71,887,822**	82,444,915
Taxes payable		**21,156,676**	24,878,968
Accrued professional fees		**1,852,812**	2,151,361
Others		**1,365,582**	2,511,091
		P165,371,362	P206,986,250

The Company's exposure to liquidity risk arising from accrued expenses and other payables is disclosed in Note 15 to the separate financial statements.

9. Long-term Bank Loan

On February 1, 2017, the Company signed a Senior Unsecured Peso Term Loan Facility Agreement (Facility Agreement) with Banco de Oro - Unibank (BDO) for an amount of up to the Philippine Peso equivalent of 280 million U.S. dollars to refinance a majority of the Parent Company's outstanding long-term loan with NSH. The term loan provided by BDO has a tenor of seven (7) years from the date of the initial drawdown on the facility and consists of a fixed rate and a floating rate tranche based on market rates plus spread. The borrowings or drawdowns under the Facility Agreement amounted to P14,012,280,999. Short-term portion of the bank loan amounted to P140,122,810 as of December 31, 2020 and 2019.

The reconciliation of opening and closing balances of debt issuance cost deducted from total loan liability as at December 31, 2020 and 2019:

	2020	2019
Unamortized debt issue cost	**P180,684,676**	P180,684,676
Amortization of debt issue cost:		
Beginning balance	**74,665,366**	42,469,709
Amortization during the year	**25,963,912**	25,963,913
Others	**-**	6,231,744
Ending balance	**100,629,278**	74,665,366
Unamortized balance as at December 31	**P80,055,398**	P106,019,310

Interest expense incurred in 2020 and 2019, excluding amortized direct cost, amounted to P541,138,961 and P774,868,783, respectively, which is recognized as part of "Financial expense" under "Other Income (Charges)" account in the separate statements of comprehensive income (loss).

The Facility Agreement also provides certain covenants. Compliance with these covenants shall be tested semi-annually. On December 8, 2017, the Parent Company entered into a Supplemental Agreement to the Facility Agreement with BDO pursuant to which, more notably, it was agreed that:

- the commencement date for compliance with the aforementioned financial covenants under the Facility Agreement would be in June 2020;
- debt service reserve accounts were created; and
- additional debt incurrence restrictions be put in place.

One of these debt incurrence restrictions agreed is based on a financial ratio that measures, on a consolidated basis, the Company's ability to cover its interest expense using its Operating EBITDA (interest coverage ratio) and is measured by dividing Operating EBITDA by the financial expense for the last twelve months as of the calculation date. Operating EBITDA equals operating income before other income, net plus depreciation and amortization. On December 14, 2018, the Parent Company entered into another Supplemental Agreement to the Facility Agreement that provides an option, only for certain potential events of default under the Facility Agreement, for the Parent Company's ultimate parent company, CEMEX, or any affiliate of CEMEX which is not a direct or indirect subsidiary of the Parent Company, to pay all amounts outstanding under the Facility Agreement before they become due and payable prior to their maturity in certain events.

Debt service reserve account related to the Company's bank loan amounted to P302,462,217 and P375,470,146 as at December 31, 2020 and 2019, respectively, and is recognized in "Long-term time deposit" in the separate statements of financial position.

On May 15, 2019, the Company signed an Amendment to the Facility and Supplemental Agreements with BDO mainly to:

- conform the Facility Agreement with certain changes required due to PFRS 16 entering into effect; exclude from financial covenants in the Facility Agreement any principal and interest from certain subordinated loans and advances incurred in relation with the new cement line being built by Solid that have been made or are to made to the Company by any subsidiary of CEMEX; and

- allow for certain loans taken by the Company with any CEMEX subsidiary to be paid with the proceeds from any equity fundraising activity of the Company without having to pay a prepayment fee to BDO under the Facility Agreement.

On June 30, 2020, the Company entered into an agreement with BDO to further amend the Facility Agreement, which provides compliance with certain financial covenants to commence at the later date of June 30, 2021.

As at December 31, 2020 and 2019, the Company is in compliance with the applicable restrictions and covenants of the Facility Agreement.

The reconciliation of opening and closing balances of bank loan follows:

	Bank Loan	Accrued Interest	Total
Balance as at January 1, 2019	P13,628,851,114	P132,906,955	P13,761,758,069
Interest expense	25,963,913	774,868,783	800,832,696
Payment of:			
Principal	(2,340,122,810)	-	(2,340,122,810)
Interest	-	(812,775,823)	(812,775,823)
Others	6,231,744	-	6,231,744
Balance as at December 31, 2019	11,320,923,961	94,999,915	11,415,923,876
Interest expense	25,963,912	541,138,961	567,102,873
Payment of:			
Principal	(640,122,810)	-	(640,122,810)
Interest	-	(567,030,406)	(567,030,406)
Balance as at December 31, 2020	**P10,706,765,063**	**P69,108,470**	**P10,775,873,533**

Accrued interest from this bank loan amounting to P69,108,470 and P94,999,915 as at December 31, 2020 and 2019, respectively, are recognized under "Accrued expenses and other payables" account in the separate statements of financial position.

The Company's exposures to liquidity risk and interest rate risk arising from its bank loan are disclosed in Note 15 to the separate financial statements.

10. Retirement Benefit Liability

The Company has a funded, noncontributory, defined benefit retirement plan covering substantially all of its regular and permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Company's latest actuarial valuation date was made on December 31, 2020. Valuations are obtained on an annual basis.

The retirement plan of the Company entitled a regular and permanent employee to avail of the "Normal Retirement, Early Retirement and Late Retirement Benefit" and "Voluntary Separation Benefit". In addition, the retirement plan also provides "Total and Permanent Disability and Death Benefit" for the qualified employees and beneficiaries.

Normal Retirement, Early Retirement and Late Retirement

The total benefit that will be received by a retired non-union member employee and a union member (**) employee is based on his final plan salary and years of service (YOS), which is summarized on the retirement benefit formula table below:

YOS	Retirement Benefit*
20 & Below	100% of the plan salary for every year of credited service
Above 20 & below 26	119% of the plan salary for every year of credited service
26 & above	139% of the plan salary for every year of credited service

**covering Normal, Early and Late Retirement*
***for YOS rendered before January 1, 2011*

The following retirement benefit formula table applies to a union member employee for services rendered on or after January 1, 2011:

YOS	Retirement Benefit*
20 & Below	110% of the plan salary for every year of credited service
Above 20 & below 26	130% of the plan salary for every year of credited service
26 & above	150% of the plan salary for every year of credited service

**covering Normal, Early and Late Retirement*

An employee may be entitled only to an early retirement benefit provided that he reached the age of fifty-five (55) and has completed at least ten (10) years of credited service, subject to the consent of the Company. The late retirement may be availed only beyond age sixty (60) but not beyond sixty-five (65), on a case-to-case and yearly extension basis and subject to the consent of the Company.

Voluntary Separation

The total benefit that will be received by a retired employee is based on his final salary and YOS, which is summarized on the retirement benefit formula table below:

YOS	Retirement Benefit
10 to less than 16	79% of the plan salary for every year of credited service
16 to less than 21	99% of the plan salary for every year of credited service
21 to less than 26	119% of the plan salary for every year of credited service
26 and above	139% of the plan salary for every year of credited service

Total and Permanent Disability and Death Benefit

In the event that a qualified employee dies or is required by the Company to retire due to total and permanent disability, his benefit should be equal to an amount based on the retirement benefit formula. In the case of disability, the employee should have completed at least three (3) years of credited service.

The plan is registered with the Bureau of Internal Revenue (BIR) as tax-qualified plan under RA No. 4917, as Amended. The control and administration of the retirement plan is vested in its BOT. The retirement plan's accounting and administrative functions are undertaken by BPI AMTG, and its duly appointed trust fund manager.

a) *Movement in Retirement Benefit Liability*

The following table shows reconciliation from the opening balances to the closing balances for retirement benefit liability and its components as at December 31:

		Present Value of Defined Benefit Obligation		Fair Value of Plan Assets		Retirement Benefit Liability	
	Note	2020	2019	2020	2019	2020	2019
				In Thousands of Peso			
Balance at January 1		**P209,702**	P174,077	**(P19,842)**	(P16,793)	**P189,860**	P157,284
Included in Profit or Loss							
Service costs:							
Current service cost		**14,444**	11,391	**-**	-	**14,444**	11,391
Interest cost, net		**10,174**	12,672	**(408)**	(443)	**9,766**	12,229
		24,618	24,063	**(408)**	(443)	**24,210**	23,620
Included in OCI							
Actuarial loss (gain) from:							
Change in financial assumptions		**(14,004)**	39,588	**-**	-	**(14,004)**	39,588
Change in demographic assumption		**(139)**	-	**-**	-	**(139)**	-
Experience adjustments		**(22,589)**	(7,134)	**-**	-	**(22,589)**	(7,134)
Return on plan assets excluding interest income		**-**	-	**1,326**	(893)	**1,326**	(893)
		(36,732)	32,454	**1,326**	(893)	**(35,406)**	31,561
Others							
Benefits paid		**(19,232)**	(23,586)	**-**	-	**(19,232)**	(23,586)
Net acquired obligation	5	**7,671**	2,694	**(3,011)**	(1,713)	**4,660**	981
		(11,561)	(20,892)	**(3,011)**	(1,713)	**(14,572)**	(22,605)
Balance at December 31		**P186,027**	P209,702	**(P21,935)**	(P19,842)	**P164,092**	P189,860

The Company acquired employees from Solid in 2020 and from both Solid and APO in 2019. The transfers resulted in net acquired obligation of P4,660,302 and P980,829 in 2020 and 2019, respectively (see Note 5).

b) *Plan Assets*

As at December 31, plan assets consisted of the following:

	2020	2019
Unit Investment Trust Fund (UITF):		
Equities	**P13,782,151**	P3,447,488
Fixed income	**1,015,230**	1,998,891
Money market	**344,196**	122,038
Government securities	**3,353,479**	1,003,115
Deposits	**1,523,728**	10,806,839
Mutual funds	**1,376,802**	623,900
Debt instruments	**488,848**	648,847
Trustee Fee	**(2,273)**	(1,263)
US sovereigns	**-**	630,813
Exchange traded fund	**-**	405,757
Others	**53,111**	155,703
	P21,935,272	P19,842,128

Equity UITF investments are placed in a concentrated portfolio of stocks listed in the PSE which are generally invested in holding firms, industrial companies, financial institutions, mining and real estate corporations. Fixed income UITF investments are placed mainly in portfolio of bonds and other similar fixed-income securities, such as short-term time deposits, and government securities from the BSP and treasury notes with weighted average term to maturity that varies depending on market outlook.

Mutual funds, on the other hand, are invested in listed equity instruments which are actively traded in globally developed markets. Other mutual funds are invested in debt instruments with terms generally ranging from five (5) to more than ten (10) years which were issued by low and middle income developing countries and are rated mostly at "BBB," "BB" and "B" by Standard and Poor's Financial Services.

The Domestic Fixed Income portfolio of the account holds government securities and corporate bonds. The portfolio is benchmarked against BPI Government Bond Index.

Government securities, categorized under direct securities, are debt obligations from the Philippine government that are denominated in local currency. Such securities are risk free because of extremely low probability that the government will default in its own debt.

US sovereigns include treasury bills, notes and bonds which are fixed income investments issued by the U.S. Department of the Treasury. Local and foreign currency debt instruments are financial instruments issued by the government or corporate entity in the domicile or country of origin. Local currency deposits and foreign currency time deposits were made to a reputable bank which is rated Baa2 based on Moody's credit rating.

The BOT reviews the level of funding required for the retirement fund with inputs from the Company's accredited actuary. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The objective of BPI AMTC is to manage the portfolio in accordance with the objectives set forth by both the Company and BPI AMTC, and to be able to provide and fund benefits as they fall due.

c) *Defined Benefit Obligation*

(i) *Assumptions*

The principal actuarial assumptions, at the reporting date, used to determine the retirement benefits are as follows (expressed as weighted averages):

	2020	2019
Discount rate	**3.49%**	4.78%
Future salary growth	**4.00%**	6.00%

The following are the turnover rate assumption in 2020:

Age	2020	2019
18 - 29	**10 to <18**	10 to <12
30 - 34	**7 to <10**	8 to <10
35 - 37	**6 to <7**	7 to <8
38 - 41	**5 to <6**	5 to <7
42 - 53	**4 to <5**	4 to <5
54 - 59	**1 to <5**	1 to <4

Mortality rates in 2020 are based on the "2017 Philippine Intercompany Mortality Table" from the Actuarial Society of the Philippines. Disability rate is based on "1952 Disability Study," Period 2, Benefit 5.

Sensitivity Analysis
Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation as at December 31 by the amounts shown below:

	2020		2019	
	Increase	**Decrease**	Increase	Decrease
Discount rate (0.5% movement)	**(P8,210,370)**	**P8,755,006**	(P9,067,591)	P9,693,937
Future salary increase rate (0.5% movement)	**9,116,986**	**(8,623,389)**	10,033,807	(9,471,189)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

These defined benefit plans expose the Company to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk.

Maturity Analysis
Maturity analysis of the benefit follow:

	Carrying Amount	Contractual Cash Flows	Within >1 Year	Within 1 - 5 Years	More than 5 Years
2020	**P186,027,372**	**P514,484,804**	**P6,500,502**	**P34,819,754**	**P473,164,548**
2019	P209,702,546	P714,545,893	P22,601,014	P34,706,548	P657,238,331

As at December 31, 2020 and 2019, the weighted average duration in years of the defined benefit obligation is 13 years and 14 years, respectively

Based on the latest study, the Company does not expect to contribute to its retirement benefit plan in 2021, subject, however to changes on any relevant actuarial assumptions or imminent impact from actuarial risks.

d) Retirement Benefit Expense

Retirement benefit expense is recognized in the following line items in the separate statements of comprehensive income (loss):

	Note	**2020**	2019
Cost of services	*12*	**P14,443,689**	P10,850,439
Operating expenses	*12*	**-**	540,946
Financial expense on retirement benefits		**9,765,736**	12,228,972
		P24,209,425	P23,620,357

11. Stockholder's Equity

As at December 31, 2020 and 2019, information on the Company's common stock is summarized as follows:

	Authorized			Paid, Issued and Outstanding		
	Number of Shares	Par Value	Amount	Number of Shares	Par Value	Amount
Balance at January 1, 2019/ December 31, 2019	5,195,395,454	P1	P5,195,395,454	5,195,395,454	P1	P5,195,395,454
Increase in authorized common stock	13,115,000,000	1	13,115,000,000	-	-	-
Common stock issued from the stock rights offer (SRO)	-	-	-	8,293,831,169	P1	8,293,831,169
Balance at December 31, 2020	**18,310,395,454**	**P1**	**P18,310,395,454**	**13,489,226,623**	**P1**	**P13,489,226,623**

On September 17, 2015, CASEC subscribed to 376,000 shares of stock of the Company at P100 par value. Of the agreed subscription price of P37,600,000, only P9,400,000 was paid in 2015 while the remainder of P28,200,000 was paid in 2016. In 2016, the Company's Board approved the amendment of and increase in the authorized capital stock of the Company from P150,400,000 divided into 1,504,000 common shares with par value of P100 per share, to P5,195,395,454 divided into 5,195,395,454 common shares with par value of P1 per share.

On May 20, 2016, the SEC approved the Company's application for the amendment of and increase in its ACS. Accordingly, the original subscription of CASEC changed from 376,000 common shares with par value of P100 per share to 37,600,000 common shares with par value of P1 per share. Furthermore, in connection with the increase in authorized capital stock, CASEC subscribed to an additional 2,819,867,500 shares at P1 par value per share or a total par value of P2,819,867,500 of which was fully paid. During the IPO, which culminated in the listing of all of the outstanding shares of stock of the Company on July 18, 2016, the Company issued additional 2,337,927,954 shares at P1 par value per share or a total par value of P2,337,927,954 at the offer price of P10.75 per share (see Note 1).

The Board and stockholders of the Company approved on April 2, 2019 and October 16, 2019, respectively, the amendment of the Seventh Article of the Amended Articles of Incorporation of the Company, to reflect an increase in the Company's ACS from P5,195,395,454, consisting of 5,195,395,454 common shares with a par value of P1 per share, to P18,310,395,454, consisting of 18,310,395,454 common shares with a par value of P1 per share.

In connection with the proposed ACS increase, the Company's Board on September 3, 2019 approved the conduct a SRO of up to U$250 Million. The shares subject of the SRO will come from an increase in the Company's ACS.

On December 11, 2019, the SEC issued a Notice of Confirmation of Exempt Transaction, confirming that the SRO is exempt from the registration requirements of the Securities Regulation Code of the Philippines, and the board of directors of the PSE approved the Company's application for listing of the shares to be offered in the SRO, subject to the fulfillment of certain listing conditions, such as but not limited to Company having obtained the SEC's approval of the increase in its ACS.

On January 6, 2020, the Company defined the final terms of the SRO which would involve 8,293,831,169 common shares which would be sourced from the increase in the Company's ACS, offered at an offer price of Php 1.54 per rights share during an offer period from January 20 to 24, 2020. The SRO offer period was concluded resulting in the full subscription of 8,293,831,169 common shares. Post-SRO and in view of the approval from the SEC of the Company's application for increase of authorized capital stock, the total number of issued and outstanding shares of CHP is 13,489,226,623 common shares.

On February 27, 2020, the SEC approved the increase in the Company's ACS from 5,195,395,454 common shares at P1 par value per share to 18,310,395,454 common shares at P1 par value per share.

Upon the approval by the SEC of the Parent Company's application for increase in ACS, the Company issued a total of 8,293,831,169 common shares in relation to the SRO. The issuance of common shares also resulted in the increase in common shares by P8,293,831,169 and additional paid-in capital (APIC) by P4,478,668,831. Total cost related to the SRO amounted to P224,319,548, P220,029,039 of which is direct share issuance cost charged as reduction against APIC, while the remaining portion of the total cost amounting to P4,290,509 was recognized under "Outside services" account in "Operating Expenses" in the separate statements of comprehensive income (loss).

12. Personnel Cost

Personnel cost consists of:

	Note	**2020**	2019
Salaries and allowances		**P335,655,060**	P424,076,993
Retirement benefit expense	*10*	**14,443,689**	11,391,385
		P350,098,749	P435,468,378

The amounts above are distributed as follows:

	2020	2019
Cost of services	**P350,098,749**	P434,087,084
Operating expenses	-	1,381,294
	P350,098,749	P435,468,378

13. Other Expenses

Other expenses for the years ended December 31, 2020 and 2019 are detailed as follows:

	2020	2019
Bank charges	**P42,449,113**	P13,902,116
COVID-19 related expenses	**301,207**	-
Reorganization expenses	**-**	4,073,322
Other expenses	**3,119**	-
	P42,753,439	P17,975,438

Covid-19 related expenses include sanitation supplies, financial assistance and employee transportation cost.

Reorganization expenses consist of severance and other post-termination benefit costs resulting from the cost reduction efforts of the Company.

14. Income Taxes

Income tax expense for the years ended December 31, 2020 and 2019 are presented below:

	2020	2019
Current income tax	**P15,559,370**	P72,181,895
Origination and reversal of temporary differences and recognition of tax benefit from NOLCO	**(3,067,769)**	34,921,700
	P12,491,601	P107,103,595

For the years ended December 31, 2020 and 2019, the income tax effects of the temporary differences that resulted in deferred income tax assets are presented below:

2020	Balance at January 1	Recognized in Profit or Loss	Recognized in OCI	Balance at December 31
NOLCO	P68,227,725	P36,603,610	P -	P104,831,335
Accrued retirement benefit expense	56,591,610	1,493,598	(10,621,906)	47,463,302
MCIT	18,813,196	15,559,369	-	34,372,565
Unrealized foreign exchange gain	(14,233,797)	(52,735,823)	-	(66,969,620)
Accrued documentary stamp tax	(10,249,947)	6,627,953	-	(3,621,994)
Other items	21,394,292	(4,480,938)	-	16,913,354
	P140,543,079	P3,067,769	(P10,621,906)	P132,988,942

2019	Balance at January 1	Recognized in Profit or Loss	Recognized in OCI	Balance at December 31
NOLCO	P64,902,204	P3,325,521	P -	P68,227,725
Accrued retirement benefit expense	48,098,169	(974,814)	9,468,255	56,591,610
MCIT	-	18,813,196	-	18,813,196
Unrealized foreign exchange loss (gain)	56,237,916	(70,471,713)	-	(14,233,797)
Unamortized documentary stamp tax	(14,015,513)	3,765,566	-	(10,249,947)
Other items	10,773,748	10,620,544	-	21,394,292
	P165,996,524	(P34,921,700)	P9,468,255	P140,543,079

The amount of tax losses for which deferred income tax assets have not been recognized as at December 31, 2019 amounted to P1,790,540,776, because the management assessed that it is not probable that future taxable income will be available against which the Company can utilize the benefits therefrom. As at December 31, 2020, deferred income tax assets are fully recognized.

As at December 31, 2020, the Company has NOLCO that can be claimed as deductions from future taxable income as follows:

Year Incurred	Valid Until	Amount	Additions During the Year	Expired/Utilized During the Year	Ending Balance
2020	December 31, 2025	P -	P108,377,037	P -	P108,377,037
2019	December 31, 2022	241,060,746	-	-	241,060,746
2017	December 31, 2020	1,776,905,780	-	(1,776,905,780)	-
		P2,017,966,526	**P108,377,037**	**(P1,776,905,780)**	**P349,437,783**

Pursuant to Section 4 (bbbb) of the Bayanihan to Recover as One Act or the RA 11494, net operating loss of the businesses for taxable years 2020 and 2021 shall be carried over as deduction from gross taxable income for the next five (5) consecutive taxable years immediately following the year of such loss.

As at December 31, 2020, the Company's MCIT credits that can be applied as tax credits against future RCIT liabilities, if any, are as follows:

Year Incurred	Valid Until	Amount	Additions During the Period	Expired/Utilized During the Period	Ending Balance
2020	December 31, 2023	P -	P15,559,369	P -	P15,559,369
2019	December 31, 2022	18,813,196	-	-	18,813,196
		P18,813,196	**P15,559,369**	**P -**	**P34,372,565**

The reconciliation of the income tax expense computed at statutory income tax rate to the income tax expense shown in the separate statements of comprehensive income (loss) follows:

	2020	2019
Profit before income tax	**P172,606,602**	P39,321,953
Expected tax at 30% for statutory rate	**P51,781,981**	P11,796,586
Additions to (reductions in) income tax resulting from the tax effects of:		
Nondeductible expenses	**1,892,812**	5,258,260
Deductible deferred share issuance costs	**(33,666,948)**	(28,531,382)
Changes in unrecognized deferred income tax assets	**(4,090,499)**	68,992,703
Interest income subjected to final tax	**(3,425,745)**	(3,781,271)
Foreign tax credits not claimable	**-**	53,368,699
	P12,491,601	P107,103,595

15. Financial Risk and Capital Management Objectives and Policies

This note presents information on the financial risk exposure of the Company relating to credit risk, foreign currency risk and liquidity risk; goals, policies and procedures of the Company to measure and manage such risks and the administration of the Company's resources.

The Company's management has overall responsibility for the development, implementation and monitoring of the conceptual framework and policies for an effective risk management.

The Company's risk management policies are intended to: a) identify and analyze the risks faced by the Company; b) implement appropriate risk limits and controls; and c) monitor the risks and the compliance with the limits. Policies and risk management systems are regularly reviewed to reflect changes in market conditions and in the Company's activities. By means of its policies and procedures for risk management, the Company aims to develop a disciplined and constructive control environment where all employees understand their roles and obligations.

Credit Risk

Credit risk is the risk of financial loss faced by the Company if a counterparty of a financial instrument does not meet its contractual obligations and originates mainly from cash in banks. The exposure to credit risk is monitored constantly according to the behavior of payment of the counterparty. The Company's management has established a policy which analyzes the creditworthiness of each counterparty.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at December 31 is as follows:

	Note	2020	2019
Cash	*4*	**P273,320,751**	P37,973,737
Due from related parties	*5*	**9,773,594,731**	38,300,978
Other current accounts receivable		**2,207,376**	2,289,010
Long-term time deposit	*9*	**302,462,217**	375,470,146
		P10,351,585,075	P454,033,871

The amounts above represent the gross carrying amount of these financial assets.

Other current accounts receivable consists of receivable from employees arising from personal loans and other miscellaneous receivables.

Impairment on cash and long-term time deposit has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that these financial assets have low credit risk as these are held with reputable banks and financial institutions. All other debt investments at amortized cost are considered to have low credit risk, because they have low risk of default as the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. Credit risk on these financial assets has not increased significantly since their initial recognition. Hence, the loss allowance calculated was therefore limited to 12 months expected losses. The Company has determined an insignificant amount of ECL on these financial assets because of the zero-instance of default from the counterparties and the effect of forward-looking information on macro-economic factors affecting the ability of the counterparties to settle the receivables were assessed to have an insignificant impact.

All of the Company's financial assets as at December 31, 2020 and 2019 are neither past due nor impaired. The Company's exposure to credit risk arises from default of the counterparty. As at December 31, 2020, the Company's credit risk is concentrated on its amounts due from related parties, while its credit risk is concentrated on its long-term time deposit as at December 31, 2019. Cash in bank and long-term time deposit are of high grade quality as these are deposited in reputable banks. Due from related parties and other current accounts receivable are also of high grade quality. High grade quality financial assets are those assessed as having minimal credit risk.

The credit qualities of financial assets are determined as follows:

- Cash in bank and long-term time deposit are based on credit standing or rating of the counterparty.
- Due from related parties and other current accounts receivable are based on a combination of credit standing or rating of the counterparty, historical experience and specific and collective credit assessment.

The management does not expect any counterpart to fail in meeting its obligations.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility in operations. The management of the Company ensures that sufficient cash is maintained to cover daily operational and working capital requirements. Management closely monitors the Company's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements. As necessary, cash advances are extended by related parties to ensure payments of currently maturing liabilities.

The following are the contractual maturities, including estimated interest payments, of financial liabilities:

	As at December 31, 2020				
	Carrying Amount	**Contractual Cash Flow**	**12 Months or Less**	**1 - 5 Years**	**Over 5 Years**
			(In Thousands of Peso)		
Trade payables	**P5,599**	**P5,599**	**P5,599**	**P -**	**P -**
Accrued expenses and other payables*	**144,215**	**144,215**	**144,215**	**-**	**-**
Long-term bank loan	**10,706,765**	**11,777,572**	**588,796**	**11,188,776**	**-**
Due to related parties	**3,821,100**	**3,821,100**	**3,821,100**	**-**	**-**
	P14.677,679	**P15,748,486**	**P4,559,710**	**P11,188,776**	**P -**

**Excludes government-related payables amounting to P21.16 million.*

	As at December 31, 2019				
	Carrying Amount	Contractual Cash Flow	12 Months or Less	1 - 5 Years	Over 5 Years
			(In Thousands of Peso)		
Trade payables	P32,324	P32,324	P32,324	P -	P -
Accrued expenses and other payables*	182,107	182,107	182,107	-	-
Long-term bank loan	11,320,924	13,305,483	736,880	12,568,603	-
Due to related parties	6,045,892	6,232,316	6,232,316	-	-
	P17,581,247	P19,752,230	P7,183,627	P12,568,603	P -

**Excludes government-related payables amounting to P24.88 million.*

The interest payments on floating rate bank loans and short-term deposit from Falcon reflect market forward interest rates at the reporting date and these amounts may change as market interest rates change. Except for these financial liabilities, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate in relation to changes in exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates to its operational and financing activities. The objective of foreign currency risk management is to manage and control exposures within acceptable parameters while optimizing the return. The Company's income and expenses are generated and settled mainly in Philippine Peso. The Company had an exposure arising from the dollar-denominated financial obligations to its related parties. Net unrealized foreign exchange gain in 2020 and 2019 amounted to P175,786,100 and P234,905,709, respectively.

As at December 31, 2020 and 2019, a summary of the quantitative information of the exposure of the Company due to foreign currencies on the basis of its risk management policy is as follows:

in U.S. dollar	**2020**	2019
Cash	**\$1,926,425**	\$88,182
Due from related parties	**1,482**	26,923
Trade payables	**(5,975)**	(201,901)
Due to related parties	**(78,875,824)**	(119,397,131)
	(\$76,953,892)	(\$119,483,927)

The applicable foreign exchange rates are as follows:

	2020		2019	
Currency	**Closing**	**Average**	Closing	Average
U.S. dollar	**P48.02**	**P49.94**	P50.64	P51.57

Sensitivity Analysis on Foreign Currency Risk
For the management of foreign currency risks, the Company intends to reduce the impact of short-term fluctuations in its income. The following table demonstrates the sensitivity to a reasonably possible change in U.S. dollar, with all other variables held constant, of the Company's profit before income tax and equity as at December 31, 2020 and 2019:

USD	Strengthening (Weakening) of Philippine Peso	Effect on Profit before Income Tax	Effect on Equity
2020	**+5.2%**	**P192,168,951**	**P134,518,266**
	-5.2%	**(192,168,951)**	**(134,518,266)**
2019	+3.7%	223,874,644	156,712,251
	-3.7%	(223,874,644)	(156,712,251)

Interest Rate Risk
As at December 31, 2020 and 2019, the Company is exposed to interest rate risk primarily on the floating interest rate tranche corresponding to P5.4 billion and P6.0 billion, respectively, of the long-term bank loan with BDO (see Note 9) and from its deposits from Falcon with a rate equivalent to the higher of WAILRF rate minus 10 basis points as at December 31, 2020 and 2019 (see Note 5).

Sensitivity Analysis on Interest Rate Risk
As at December 31, 2020 and 2019, a hypothetic 1% increase in interest rate, with all other variables held constant, profit for the years ended December 31, 2020 and 2019 would have decreased by approximately P42,031,605 and P52,750,054, net of tax, respectively. Conversely, a hypothetical 1% decrease in interest rate would have the opposite effect.

Fair Values of Financial Asset and Financial Liabilities
The fair values of the Company's cash, due from related parties, other current accounts receivable, trade payables, accrued expenses and other payables and due to related parties as at December 31, 2020 and 2019 approximate their carrying amounts due to the short-term nature of the said financial instruments.

The information about the fair value of the Company's long-term receivables from APO and Solid as at December 31, 2020 follows:

	Carrying Amount	Fair Value
Solid	**P8,139,022,033**	**P9,943,372,312**
APO	**890,982,285**	**1,143,640,305**

The fair value of the Company's long-term receivables from APO and Solid is based on the present value of expected cash flows using the discount rates based on current market rates of similar instruments and categorized as Level 2 of the fair value hierarchy.

The bank loan provided by BDO consists of a fixed rate and a floating rate tranche based on market rates plus spread. The following is the comparison of the carrying amount and fair value of bank loan:

Bank Loan	***Note***	**2020**	2019
Carrying amount	9	**P10,706,765,063**	P11,320,923,961
Fair value		**11,411,682,661**	12,888,098,669

The fair value of bank loan is based on the present value of expected cash flows using the discount rates based on current market rates of similar instruments and categorized as Level 2 of the fair value hierarchy.

As at December 31, 2020 and 2019, the Company has no other financial instruments measured at levels 1, 2 and 3 of the fair value hierarchy.

Capital Management

The Company's objectives when managing capital are to increase the value of shareholders' investment and maintain high growth by applying free cash flow to selective investments. The Company sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The Board has overall responsibility for the monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry. The Company's capital is defined as "Total Equity" as shown in the separate statements of financial position.

The Company is not subject to externally imposed capital requirements. The Company's net debt to equity ratio as at December 31, 2020 and 2019 are as follow:

	Note	**2020**	2019
Total liabilities		**P14,862,926,859**	P17,795,986,464
Less cash	4	**273,320,751**	37,973,737
Net debt		**P14,589,606,108**	P17,758,012,727
Total equity		**P43,670,653,476**	P30,931,699,136
Net debt to equity ratio at December 31		**P0.33:1**	P0.57:1

16. Relevant Information Regarding the Impact of the Landslide

On September 20, 2018, a landslide occurred in Sitio Sindulan, Barangay Tina-an, Naga City, Cebu, Philippines (the "Landslide"), a site located within an area covered by the mining rights of Apo Land and Quarry Corporation (ALQC) who is a principal raw material supplier of APO. The Parent Company does not own any equity stake (directly or indirectly) in ALQC or its parent company, Impact Assets Corporation. CASEC, an indirect subsidiary of CEMEX, S.A.B. de C.V. which is a majority shareholder of the Parent Company, owns a minority 40% stake in Impact Assets Corporation.

The Landslide prompted local and national authorities to order the suspension of the mining operations of ALQC[1]. Business continuity plans were put in place by APO and implemented to address the disruption in the supply arrangement with ALQC. As a result, APO incurred incremental costs of raw materials in production and other expenses.

On November 19, 2018, the Company and APO were served summons concerning an environmental class action lawsuit filed by 40 individuals and one legal entity (on behalf of 8,000 individuals allegedly affected by the Landslide) at the Regional Trial Court of Talisay, Cebu[2], against the Company, APO, ALQC, the Mines and Geosciences Bureau of the Department of Environment and Natural Resources, the City Government of Naga, and the Province of Cebu, for "Restitution of Damage of the Natural and Human Environment, Application for the Issuance of Environmental Protection Order against Quarry Operations in Cebu Island with Prayer for Temporary Protection Order, Writ of Continuing Mandamus for Determination of the Carrying Capacity of Cebu Island and Rehabilitation and Restoration of the Damaged Ecosystems". In the complaint, among other allegations, plaintiffs (i) claim that the Naga Landslide occurred as a result of the defendants' gross negligence; and (ii) seek, among other reliefs, (a) monetary damages in the amount of approximately 4.3 billion Philippine Pesos, (b) the establishment of a P500 million rehabilitation fund, and (c) the issuance of a Temporary Environment Protection Order against ALQC while the case is still pending. In the complaint, ALQC, APO and the Company are made solidarily liable for payment of monetary damages and establishment of a rehabilitation fund.

Among other defenses and based on a report by the Mines and Geosciences Bureau of the Department of Environment and Natural Resources, the Company, ALQC and APO hold the position that the landslide occurred due to natural causes and deny liability, fault and negligence. In the event a final adverse resolution is issued in this matter, plaintiffs will have the option to proceed against any one of ALQC, APO or the Company for satisfaction of the entirety of the potential judgement award, without the need to proceed against any other private defendant beforehand. Thus, ALQC's, APO's or the Company's assets alone could be exposed to execution proceedings.

In an order dated August 16, 2019, the Regional Trial Court denied plaintiffs' Application for Temporary Environment Protection Order. By denying such application, the Regional Trial Court found that the applicants did not sufficiently establish that they will suffer grave injustice and irreparable injury by the continued operations of ALQC while the proceedings are pending.

In an order dated September 30, 2019, the Regional Trial Court partially granted the affirmative defenses of the private defendants and ruled, among others, that the subject case against the Company and APO is dismissed for failure to state a cause of action. The court also ruled that: (i) the 22 plaintiffs who failed to sign the verification and certification against forum shopping are dropped as party-plaintiffs; (ii) the subject case is not a proper class suit, and that the remaining 17 plaintiffs can only sue for their respective claims, but not as representatives of the more than 8,000 alleged victims of the landslide incident; (iii) plaintiffs' cause of action against ALQC for violation of Section 19(a) of RA No. 10121 is dismissed; (iv) there is a misjoinder of causes of action between the environmental suit and the damage suit; and (v) the damage suit of the remaining plaintiffs will proceed separately upon payment of the required docket fees within 30 days from receipt of order, otherwise, the case for damages will be dismissed. The plaintiffs filed a motion for reconsideration of the court's order dated September 30, 2019, which remains pending as of the date of this report.

As of December 31, 2020, at this stage of the overall proceedings and considering all possible defenses that could be available, while the Company's management cannot assess with certainty the likelihood of an adverse result in the overall proceedings, the Company's management believes that a final adverse resolution in the overall proceeding is not probable, and, in turn, because the Company's management is not able to assess the outcome of the reconsiderations filed against the court's order, the Company's management is not able to determine if a final adverse resolution, if any, would have a material adverse impact on the Company's consolidated results of operations, liquidity and financial condition.

[1] As at September 30, 2020, local and national authorities have allowed ALQC to resume its mining operations in the affected areas.
[2] The records of the case were subsequently transferred to the Regional Trial Court of Cebu City Branch 23.

17. Impact of COVID-19

On March 11, 2020, the World Health Organization declared a pandemic the outbreak of the novel spread of the Coronavirus COVID-19 (the "COVID-19 Pandemic"), due to its rapid spread throughout the world, having affected as of such date more than 150 countries. In response to that, on March 16, 2020, the President of the Philippines issued Proclamation No. 929 declaring a state of calamity throughout the Philippines due to the COVID-19 Pandemic which resulted in the imposition of an Enhanced Community Quarantine ("ECQ") throughout Luzon starting midnight of March 16, 2020. The President announced several social distancing measures which were implemented including extension of suspension of classes in all levels in Metro Manila, prohibition of mass gatherings or events, imposition of community quarantine measures as necessary, restriction of mass public transport system (MRT, LRT, etc.), and most importantly, suspension of land, domestic air and domestic sea travel to and from the Metro Manila beginning March 15, 2020. On March 26, 2020, the Governor of Cebu Province announced the implementation of ECQ measures for the entire island of Cebu, effective March 30, 2020.

Beginning May 16, 2020, several cities and provinces (which included Metro Manila and Cebu City) were placed under modified enhanced community quarantine, while other cities and provinces (which included the Province of Rizal and other cities in the Province of Cebu) were placed under general community quarantine. By the second half of August 2020, Metro Manila and Cebu City, as well as the Municipalities of Minglanilla and Consolacion in the Province of Cebu, were among the areas which shifted to general community quarantine. On September 1, 2020, Cebu City, the Province of Cebu, and Rizal Province already shifted to modified general community quarantine with lesser quarantine restrictions. Effective on March 29, 2021, NCR, as well as 4 other provinces (i.e., Laguna, Rizal, Cavite and Bulacan), were placed under ECQ until April 5, 2021 due to the surge in COVID-19 cases in the Philippines and on April 3, 2021, the ECQ status was further extended to April 11, 2021.

Considering the implementation of ECQ in Luzon, the Company's subsidiary, Solid temporarily suspended the production and delivery of cement products in the third week of March. Solid Cement Plant resumed operations on May 20, 2020, in compliance with government regulations. Apo has remained operational, complying with all government regulations and the necessary hygiene and safety measures.

The various measures imposed to date by the Government and those that will be additionally implemented as a result of the COVID-19 Pandemic have and may further adversely affect the Company's workforce deployment and operations and the operations of the Company's main operating subsidiaries which are also its customers, and may negatively impact the Company's financial condition, results of operations and cash flows. The Company faces significant uncertainties arising from the impacts of the COVID-19 pandemic that may include prolonged restrictions on access to the Company's workforce, or similar limitations for the Company's customers and suppliers, which could have a material adverse effect on the Company's financial condition and results of operations. The degree to which the COVID-19 pandemic affects the Company's financial condition and results of operations will depend on future developments of the coronavirus situation in the country, which are highly uncertain and cannot be predicted, including, but not limited to, the duration and spread of the outbreak, its severity, the actions to contain the virus or treat its impact, government policy, and how quickly and to what extent normal economic and operating conditions can resume.

The implications negatively affected the results of operations of the Company's significant subsidiaries, Solid and APO, mostly during the second quarter of 2020. For the year ended December 31, 2020, additional expenses were incurred by the Company associated with measures designed to address the adverse impact of COVID-19 pandemic amounting to P301,207, which was presented as part of "Other expenses" under "Other Income (Charges)" account in the separate statements of comprehensive income (loss).

Even prior to the imposition of ECQ, the Company implemented, and has continued to implement, strict hygiene protocols in all its operations, so as to protect the health and safety of its employees and their families, customers and suppliers; and drastically reduce the possibility of contagion of the COVID-19 pandemic. The Company is undertaking and continues to explore temporary measures to address the adverse impact of the COVID-19 pandemic on its workforce and operations of its significant operating subsidiaries with the objective of re-aligning the organization's resources with the evolving conditions in the different markets in which the Company operates. The Company will continue to focus its efforts on managing the impact of the COVID-19 pandemic on its production, commercial, and financial activities. It will continue to carefully monitor this overall situation and expects to take additional steps, as could be required.

The degree to which the COVID-19 pandemic continues to affect the Company's and its subsidiaries' liquidity, financial condition and results of operations will depend on future developments, some of which are highly uncertain and cannot be predicted, including, but not limited to, the duration and continued spread of the outbreak, its severity, the actions to contain the virus or treat its impact, and to how fast and to which extent the economic and operational conditions can return, within a new normality with limited activities, until medicines, vaccines and other treatments against the virus are authorized, produced, distributed and accessible to the general public in the Philippines, and also to a degree, how much of the population is willing to receive the vaccines. Despite this, the Company projects that it will continue to have access to sufficient liquidity to meet its currently maturing debt.

18. Event After The Reporting Date

On March 26, 2021, the President of the Philippines has approved the Corporate Recovery and Tax Incentives for Enterprises or the CREATE Act, with nine (9) provisions vetoed by the President. Below are the salient features of the Act that are relevant to the Company:

a) Corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5,000 and with total assets not exceeding P100,000. All other domestic corporations and resident foreign corporations will be subject to 25% income tax. Said reductions are effective July 1, 2020.
b) MCIT rate is reduced from 2% to 1% effective July 1, 2020 to June 30, 2023.
c) The imposition of improperly accumulated earnings tax has been repealed.
d) Definition of reorganization for purposes of applying the tax-free exchange provision under Section 40(C)(2) is expanded. Prior BIR ruling or confirmation shall not be required for purposes of availing the tax exemption of the exchange.

The measure is set to take effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation. After which, the implementing rules and regulation will be issued by the tax authority.

The enactment of the CREATE Law is a non-adjusting subsequent event thus, the current and deferred income taxes as at December 31, 2020 are measured using the applicable income tax rates as at December 31, 2020.

The corporate income tax of the Company will be lowered from 30% to 25% for large corporations on which the Company would qualify, effective July 1, 2020. Using the rate under the CREATE Act, the Company estimates that its "Deferred income tax assets - net" account would amount to P107,959,738. This is calculated using the applicable new income tax rate multiplied to the tax base of the net future deductible expenses as at December 31, 2020. The Company also estimates a reduction in 2020 current income tax expense amounting to P3,889,842 which will be adjusted as a reduction to current income tax expense in 2021.

19. Supplementary Information Required Under Revenue Regulations No. 15-2010 of the BIR

In addition to the disclosures mandated under PFRSs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the separate financial statements, certain supplementary information for the taxable year. The amounts relating to such supplementary information may not necessarily be the same with those amounts disclosed in the separate financial statements which were prepared in accordance with PFRSs. Following are the tax information/disclosures required for the taxable year ended December 31, 2020:

A. VAT

	Amount
1. Output VAT	**P53,897,317**
Basis of the Output VAT: Vatable sales	**P449,144,310**

	Amount
2. Input VAT	
Balance from previous period	P470,116
Current year's domestic purchases:	
a. Goods for resale/manufacture or further processing/other than for resale or manufacture	8,361
b. Services lodged under cost of goods sold/under other accounts	6,803,277
c. Services rendered by non-residents	60,464
Total allowable input VAT	7,342,218
VAT payments for the year	46,555,099
Balance at the end of the year, net of Output VAT	P -

B. Documentary Stamp Taxes

	Amount
On loans	P92,521,391
On insurance premiums	1,620
	P92,523,011

C. Withholding Taxes

	Amount
Tax on compensation and other benefits	P95,256,207
Creditable withholding taxes	14,364,765
Final withholding taxes	10,379,832
	P120,000,804

D. Percentage Taxes

	Amount
VAT withholding from non-residents	P60,464

E. All Other Taxes (Local and National)

	Amount
Other taxes paid during the year shown under "Taxes and licenses" in the Separate Statement of Comprehensive Income (Loss)	
License and permit fees	P5,592,764

F. Tax Assessments and Cases

As at December 31, 2020, the Company is the subject of two separate tax investigations being conducted by the BIR, one covering VAT for the period January 1, 2018 to June 30, 2018 and the other covering all other national internal revenue taxes for the taxable year 2018.

On January 11, 2021, a Notice of Discrepancy was issued by the BIR to the Company covering the January 1 to June 30, 2018 VAT audit. The formal replies were submitted on February 10 and 25, 2021.

As at March 15, 2021, the BIR has not yet issued any preliminary audit findings or issues in connection with the audit of 2018 all internal revenue taxes (except VAT).

Information on amounts of custom duties, tariff fees, and excise taxes is not applicable since the Company has no transaction in 2020 that could be subjected to these taxes.