COVER SHEET

CS201518815
S.E.C. Registration Number

CEMEX HOLDINGS PHILIPPINES, INC.

34th Floor Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City

(Business Address : No. Street City / Town / Province)

JANNETTE VIRATA SEVILLA
Contact Person

8849-3600
Company Telephone Number

12 | **31**
Month *Day*
Fiscal Year

CHP's Annual Report (SEC Form 17-A) for 2021
FORM TYPE

First Wednesday of June
06 | **01**
Month *Day*
Annual Meeting

Issuer of Securities under SEC MSRD Order No. 9 series of 2016
Secondary License Type, If Applicable

MSR
Dept. Requiring this Doc.

Amended Articles Number/Section

29 (as of 31 Dec 2021)
Total No. of Stockholders

Total Amount of Borrowings

Domestic | Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes

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, 2021**

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.

₱2,809,285,843.34, based on the average market price of CHP common shares as at March 31, 2022

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 2021 consolidated financial statements of the Company which are attached as an exhibit to this Annual Report (SEC Form 17-A) 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 2021 Consolidated Financial Statements of the Company (with consolidated statements of financial position as at December 31, 2021 and 2020, and consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2021, 2020 and 2019) and Schedules***

Cautionary Statement Regarding Forward-Looking Statements

This Annual Report contains forward-looking statements. In some cases, these statements can be identified by the use of forward-looking words such as “may,” “assume,” “might,” “should,” “could,” “continue,” “would,” “can,” “consider,” “anticipate,” “estimate,” “expect,” “envision,” “plan,” “believe,” “foresee,” “predict,” “potential,” “target,” “strategy,” “intend” “aimed” or other similar words. These forward-looking statements reflect, as of the date such forward-looking statements are made, unless otherwise indicated, the Parent Company’s (as later defined) expectations and projections about future events based on the Parent Company’s (as later defined) knowledge of present facts and circumstances and assumptions about future events. These statements necessarily involve risks and uncertainties that could cause actual results to differ materially from the Parent Company’s (as later defined) expectations. Some of the risks, uncertainties and other important factors that could cause results to differ, or that otherwise could have an impact on the Parent Company (as later defined) and/or the Company (as later defined), include, but are not limited 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, the ability of operating facilities to operate at full or any capacity, supply chains, international operations, availability of liquidity, investor confidence and consumer spending, as well as availability of, and demand for, products and services;
- the cyclical activity of the construction sector;
- exposure to other sectors that impact the Company’s (as later defined) business and the business of the Company’s (as later defined) clients, such as, but not limited to, the energy sector;
- failure to achieve cost-savings with cost-reduction initiatives and to implement pricing initiatives for products;
- availability of raw materials and related fluctuating prices;
- competition in the markets in which the Company (as later defined) offers its products and services;
- general political, social, health, economic and business conditions in the markets in which the Company (as later defined) operates or that affect the Company’s (as later defined) operations, including any nationalization or privatization of any assets or operations, and any significant economic, health, political or social developments in those markets, as well as any inherent risks to international operations;
- the regulatory environment, including environmental, energy, tax, antitrust, labor, and acquisition-related rules and regulations;
- the Company’s (as later defined) ability to satisfy debt obligations and/or the ability of CEMEX (as later defined), the ultimate parent company of the Company’s (as later defined) major shareholder, to satisfy its obligations under its material debt agreements, the indentures that govern its notes and its other debt instruments and financial obligations;
- the availability of short-term credit lines or working capital facilities, which can assist in connection with market cycles;
- the impact of CEMEX’s (as later defined) below investment grade debt rating on its and/or the Company’s (as later defined) cost of capital and on the cost of the products and services purchased;
- the Company’s (as later defined) and/or the CEMEX Group’s (as later defined) ability to refinance their existing indebtedness;
- loss of reputation of the Company’s (as later defined) and/or the CEMEX Group’s (as later defined) brands;
- the Company’s (as later defined) and/or the CEMEX Group’s (as later defined) ability to consummate asset sales, fully integrate newly acquired businesses, achieve cost-savings

from cost-reduction initiatives, implement pricing initiatives for products and generally meet CEMEX's (as later defined) "Operation Resilience" strategy's goals;

- the increasing reliance on information technology infrastructure for operations, sales in general, sales invoicing, procurement, financial statements and other processes that can adversely affect sales and operations in the event that the infrastructure does not work as intended, experiences technical difficulties or is subjected to cyber-attacks;
- changes in the economy that affect demand for consumer goods, consequently affecting demand for the Company's (as later defined) products and services;
- weather conditions, including, but not limited to, excessive rain and snow, and disasters such as earthquakes and floods;
- trade barriers, including tariffs or import taxes and changes in existing trade policies or changes to, or withdrawals from, free trade agreements;
- terrorist and organized criminal activities as well as geopolitical events, such as war and armed conflicts, including the current conflict between Russia and Ukraine;
- declarations of insolvency or bankruptcy, or becoming subject to similar proceedings;
- natural disasters and other unforeseen events (including global health hazards such as COVID-19); and
- the other risks and uncertainties described under "Major Risks Affecting the Business" and elsewhere in this Annual Report.

Readers are urged to read this Annual Report and carefully consider the risks, uncertainties and other factors that affect the Company's (as later defined) business and operations. The information contained in this Annual Report is subject to change without notice, and the Parent Company (as later defined) is not obligated to publicly update or revise forward-looking statements after the date hereof or to reflect the occurrence of anticipated or unanticipated events or circumstances. Readers should review future reports filed or furnished by the Parent Company (as later defined) with the Securities and Exchange Commission of the Philippines.

This Annual Report also includes statistical data regarding the production, distribution, marketing and sale of cement, ready-mix concrete, clinker and aggregates. Some of this data was generated internally, and some was obtained from independent industry publications and reports that the Parent Company (as later defined) believes to be reliable sources. The Parent Company (as later defined) has not independently verified this data nor sought the consent of any organizations to refer to their reports in this Annual Report. Unless the context indicates otherwise, all references to pricing initiatives, price increases or decreases, refer to the Company's (as later defined) prices for products sold or distributed by the Company (as later defined).

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 the laws of the Republic of the Philippines 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., of which substantially all shares are indirectly owned by CEMEX, S.A.B. de C.V. ("CEMEX"), a publicly traded variable stock corporation (*sociedad anónima bursátil de capital variable*) incorporated in Mexico with address of its principal executive office at Avenida Ricardo Margáin Zozaya #325, Colonia Valle del Campestre, San Pedro Garza García, 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 (*Bolsa Mexicana de Valores*) 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 Annual Report (SEC Form 17-A) refers to CEMEX HOLDINGS PHILIPPINES, INC. without its subsidiaries. Unless the context clearly indicates otherwise, any reference in this Annual Report (SEC Form 17-A) to "the Company", "we", "us", or "our" refers to CEMEX HOLDINGS PHILIPPINES, INC. together with its consolidated subsidiaries. Unless otherwise indicated or the context otherwise requires, all references in this Annual Report (SEC Form 17-A) to "CEMEX Group" refer to CEMEX and its consolidated subsidiaries (other than the Company).

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 building materials 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 Parent 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. ("CABV") (in addition to CABV'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 39.85% 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 then 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 Parent Company's ACS.

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 ₱1.00 per share (the "Rights Shares") at an offer price of ₱1.54 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 (i) to fund the expansion of Solid Cement's plant in Antipolo City, Rizal, involving the construction and installation of a 1.5 million metric tons per year new integrated cement production line (the "Solid New Line Project"), including 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 CABV, as the lender (the "Solid Expansion Facility Agreement"), which facility agreement had been used primarily but not exclusively to fund the Solid New Line Project, and (ii) for other general corporate purposes, including 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 (as assignee to CEMEX Hungary KFT) (the "APO Operational Facility Agreement").

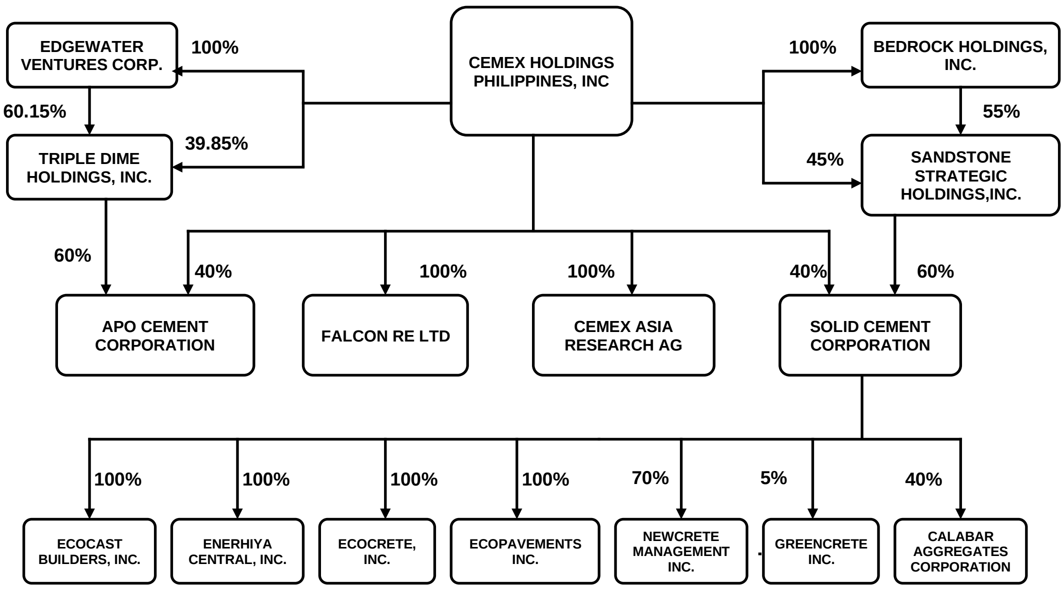
The offer period for the Stock Rights Offering was concluded on January 24, 2020. The total proceeds raised from the Stock Rights Offering amounted to ₱12,772,500,000.26.

On February 27, 2020, the SEC approved the Parent Company's application for increase of ACS and on March 4, 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 ACS, the Parent Company's issued and outstanding shares totaled 13,489,226,623 common shares at ₱1.00 par value per share or total par value of ₱13,489,226,623.

As of December 31, 2020, the shareholdings in the Parent Company owned by CASEC was 10,500,624,662 common shares, which corresponded to approximately 77.84% of the total issued and outstanding capital stock of the Parent Company. CASEC retained its shareholdings in the Parent Company as at December 31, 2021.

The following diagram provides a summary of the Company's organizational and ownership structure as of December 31, 2021:



(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. The following are Solid Cement's subsidiaries:

  - ***Ecocast Builders, Inc.*** Ecocast Builders, Inc. ("Ecocast") was incorporated in the Philippines on October 16, 2014 to primarily provide its customers with materials and solutions for cement-intensive housing and other structures. Solid Cement owns a 100% equity interest in Ecocast.

  - ***Ecopavements Inc.*** Ecopavements Inc. ("Ecopavements") was incorporated in the Philippines on October 16, 2014 to primarily provide its customers with materials and solutions for cement-intensive primarily provide its customers with materials and solutions for pavement, road and other pathway projects. Solid Cement owns a 100% equity interest in Ecopavements. Ecopavements' Board of Directors confirmed plans to close the business operations of the company effective on December 31, 2017. On August 31, 2018, the company's Board of Directors and Shareholders approved the shortening of the corporate term of the company to December 31, 2019. As at December 31, 2021, the company has not been able to obtain the approval of the SEC for the amendment of its articles of incorporation to reflect the shortened corporate term. Accordingly, the corporate existence of this company continues under its articles of incorporation.

  - ***Ecocrete, Inc.*** Ecocrete, Inc. ("Ecocrete") was incorporated in the Philippines on February 13, 2013 to primarily manufacture, develop and sell ready-mix concrete and other construction related products materials. Solid Cement owns a 100% equity interest in Ecocrete. Ecocrete's Board of Directors confirmed plans to close the business operations of the company effective on December 31, 2017. On August 31, 2018, the company's Board of Directors and Shareholders approved the shortening of the corporate term of the company to December 31, 2019. As at December 31, 2021, the company has not been able to obtain the approval of the SEC for the amendment of the company's articles of incorporation to reflect the shortened corporate term. Accordingly, the corporate existence of the company continues under its articles of incorporation.

  - ***Enerhiya Central Inc.*** Enerhiya Central Inc. ("Enerhiya") was incorporated in the Philippines on February 26, 2013, to primarily sell, broker market and/or aggregate electricity to industrial, commercial and institutional clients. Solid Cement owns a 100% equity interest in Enerhiya. Enerhiya has not yet started commercial operations.

  - ***Newcrete Management Inc.*** Newcrete Management Inc. ("Newcrete") 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. Solid Cement owns a 70% equity interest in Newcrete.

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

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

The following are brief descriptions of the Company's investment holding company subsidiaries:

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

- ***Bedrock Holdings, Inc.*** and ***Sandstone Strategic Holdings, Inc.*** Bedrock Holdings, Inc. ("Bedrock") was incorporated in the Philippines on October 30, 1998 and Sandstone Strategic Holdings, Inc. ("Sandstone") was incorporated in the Philippines on November 12, 1998. The Parent Company owns a direct 100% equity interest in Bedrock which is an investment holding company that owns a direct 55% equity interest in Sandstone which is also an investment holding company. The Parent Company directly owns the remaining 45% equity interest in Sandstone. Sandstone owns a direct 60% 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 ("CAC") was incorporated in the Philippines on January 31, 1991. CAC 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. On August 31, 2021, CAC's Board of Directors and Shareholders approved the shortening of the company's corporate term to December 31, 2022. On December 17, 2021, the SEC approved the amendment of CAC's articles of incorporation to reflect the shortened corporate term.

- ***Greencrete Inc.*** Greencrete Inc. ("Greencrete") was incorporated in the Philippines on November 14, 2012. The Parent Company owns an indirect 5% equity interest in Greencrete through its 100% equity interest in Solid Cement. Greencrete 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 2021.

(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, 2021. 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. Solid

[1] cement grinding capacity

Cement's plant principally serves the Luzon Region. The Solid New Line Project, consisting of the procurement, construction and installation of a 1.5 million metric tons per year new integrated cement production line at Solid Cement's plant, is ongoing. The Company currently estimates that the construction of the new production line should be completed by March 2024 and the start of its operations could commence in April 2024. A further discussion on developments regarding the Solid New Line Project is found under ITEM 2 of PART 1 of this Annual Report (SEC Form 17-A) (Properties).

The Company is dedicated to a customer-centric approach in the cement industry in the Philippines and is committed to providing building materials solutions that are convenient, reliable and efficient for our customers. Our direct sales model lies at the heart of our customer-centric approach. To support our direct sales model, we have established an extensive distribution system with a view to ensuring that our products are offered and made available close to our customers and we utilize various electronic or digital platforms and automated operating systems to improve overall efficiency in managing and supporting our operations. In October 2018, the Company launched CEMEX Go, an end-to-end integrated digital platform which was developed by CEMEX 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. 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, 2021, more than 97.3% of orders from the Company's on-boarded clients were placed using this digital platform. In 2021, the Company introduced its Electronic Authority to Withdraw (E-ATW) digital solution which, coupled with the online booking system, provided its customers a complete contactless experience for pick-up transactions.

The Company's customer-centric direct sales approach is also supported by a customer service call center and our customer information system. Our customer service center 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, Metro Manila. 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. In 2021, the Company sold a large proportion of its cement in bags which accounted for 76% of our total cement sales volume. Sales of cement and cement products accounted for 90.1% of consolidated net sales for 2021 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 or retailers such as hardware stores 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 C150:2020
	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 C150:2020
Masonry	Rizal Masonry Cement APO Masonry Cement	Type M masonry cements. Minimizes the carbon footprint of regular Portland cement by up to 32% and allows better moisture retention and adhesion strength.	PNS ASTM C91/ C91M:2019
Blended	Rizal Portland Super/Rizal Portland (Vertua Plus) APO Portland Premium/APO Portland (Vertua Plus)	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: 2020
	Rizal High Strength (Vertua Classic)	All-purpose General Cement Type 1P, formulated with natural minerals that add beneficial properties, such as increased early strength, suitable for high performance concrete requirements, and durability overtime. Used for general construction applications.	PNS 63:2019 ASTM C595: 2020
	APO High Strength (Vertua Classic)	All-purpose General Cement Type 1P, formulated with natural minerals that add beneficial properties, such as increased early strength, suitable for high performance concrete requirements, and durability overtime. Used for general construction applications and for structures requiring moderate sulfate resistance.	PNS 63:2019 ASTM C595: 2020
	Rizal Portland (Vertua Ultra)	All-purpose General Cement Type 1T (Ternary Blended Cement), formulated with natural minerals that add beneficial properties, such as increased strength and durability overtime. Use for general construction applications.	PNS 63:2019 ASTM C595: 2020
	APO Portland (Vertua Ultra)	All-purpose General Cement Type 1T (Ternary Blended Cement), formulated with natural minerals that add beneficial properties, such as increased strength and durability overtime. Use for general construction applications and for structures requiring moderate sulfate resistance.	PNS 63:2019 ASTM C595: 2020

In 2021, 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 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. The Company also launched in 2021 "Vertua®" branded cement products, giving its customers eco-friendly alternatives. The Vertua® line of products are specially formulated to reduce CO2 emissions during production, without compromising strength and quality. Rizal Portland Vertua® and APO Portland Vertua® fall under the classification of *Vertua Plus* applicable to products reducing CO2 emissions by at least 25% during production.

Others

The Company sold admixtures and building materials other than cement to third parties. In 2021, sales of admixture and building materials accounted to not more than 0.18% of consolidated net sales for the year. The Company also generated revenue from co-processing of waste materials or alternative fuel resources from third parties which accounted to not more than 0.13% of consolidated net sales for 2021.

(ii) Export Revenue

The export revenue for cement as of December 31, 2021 amounted to ₱74.6 million which is 0.4 % of total revenue of the Company for the year. The cement was exported to the Pacific Islands.

(iii) Distribution Methods

As at December 31, 2021, the Company's distribution infrastructure utilizes 1 jetty/marine terminal in Cebu, 5 other marine distribution terminals, and 23 land distribution centers/warehouses located in Central Luzon, Southern Luzon, Visayas, and Mindanao. 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, 2021, the Company leases 69 trucks for the distribution of bag and bulk cement, charters 13 marine vessels for the waterborne distribution of bag cement in the Philippines, and contracts 3 marine vessels for the distribution of bulk cement.

(iv) Product Development

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

(v) Competition

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.

As of December 31, 2021, the Company's major competitors in the Philippine cement market were Holcim Philippines, Inc., Republic Cement Group, Taiheiyo Cement Philippines, Inc., Northern Cement Corporation, Southern Concrete Industries Corp (previously Oro Cemento Industries Corp.), Goodfound Cement Corporation, Mabuhay FilCement Inc., Eagle Cement Corporation, and Big Boss Cement Inc., as well as importers that import cement primarily from Vietnam. 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, 15% in 2019 and 19% in the first half of 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. The amount of the duty is subject to regular review by the Department of Trade and Industry. This general safeguard measure was updated on December 5, 2020 in order to revise 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). The general safeguard duty imposed for the final year of the aforementioned three-year period (i.e., period from October 21, 2022 to October 21, 2023) was confirmed by the DTI to be ₱200 per metric ton or ₱8.00 per 40kg bag. The duty amount remains subject to regular review by the DTI.

Based on its preliminary determination that cement products have been dumped into the Philippines causing material injury to the Philippine cement industry, the Department of Trade and Industry issued an order dated November 29, 2021 imposing provisional anti-dumping duties for Type 1 and Type 1P cement originating from Vietnam (Department Administrative Order 21-07, Series of 2021). The period of the department's investigation for dumping covered import transactions from July 2019 to December 2020 while the period of investigation for injury considered relevant information from 2017 to June 2020. This order identifies certain exporters of Type 1 and Type 1P cement originating from Vietnam who are subject to the provisional duties which will be imposed in the form of cash bond and based on prescribed dumping margins computed at rates ranging from US$0.73 to US$12.79 per metric ton. This provisional measure is effective for four months from December 20, 2021, which is the date of the order of the Philippine Bureau of Customs implementing the same. The Tariff Commission of the Philippines is conducting its formal investigation on the alleged dumping for the purpose of making a final determination on the matter.

(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. The cost of such raw materials represented approximately 20%, 13%, 12% and 11% of the Company's consolidated costs of sales for 2021, 2020, 2019 and 2018, respectively.

The raw materials are customarily 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.

The Company sources 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. The electricity supply agreement between Solid Cement and SCPC will expire in December 2022. On the other hand, since the expiration of the supply agreement between APO Cement and SCPC in December 2020, APO

Cement has been purchasing grid electricity from Team (Philippines) Energy Corporation under an electricity supply arrangement which will expire in December 2023.

Regarding the in-house power generators at the Company's plants, the power generation plant at APO Cement plant has an installed capacity[2] of approximately 67.2 megawatts, while the power generation plant at Solid Cement plant has an installed 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 for a period of 15 years 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 with a rated capacity of approximately 4.5 megawatts of power. As of December 31, 2021, the installation of the waste-heat-to-energy facility at the APO Cement plant was completed and commissioning of the same was ongoing.

The Company's kilns are fired primarily with coal and, to a lesser degree, alternative fuels. The Company obtains substantially 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 seeks to optimize its fuel mix and contribute to the circular economy through the co-processing of available alternative fuels, such as refuse-derived fuel, waste rubber tires, waste plastic, industrial waste, rice husks and other biomass, and hazardous waste, among others. The use of alternative fuels reduces CO2 emissions from the displacement of coal needed to fire the kilns. In 2021, the usage of alternative fuels at Solid Cement plant and APO Cement plant amounted to approximately 39.4% and 21.6%, respectively, of the overall fuel used to fire the plant's kiln. On a combined basis, the alternative fuels usage at Solid Cement and APO Cement plants was at 27.9% of the overall fuel used to fire the plants' kilns.

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 concrete operators or manufacturers. 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 mostly used in a variety of private and public infrastructure projects. We believe 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.

[2] "installed capacity" refers to the sum of the individual rated capacity of all generators

(viii) Transactions with Related Parties

Refer to ITEM 12 of PART III of this Annual Report (SEC Form 17-A) (Certain Relationships and Related Party Transactions) and Note 13 - Balances and Transactions with Related Parties of the Notes to the Company's Audited 2021 Consolidated Financial Statements filed as part of this Annual Report (SEC Form 17-A).

(ix) Intellectual Properties

The Company relies on trademarks to establish and protect its business interests. As a subsidiary of a multinational corporation, substantially all of the trademarks and intellectual property of CEMEX Group, 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 other CEMEX trademarks in the Philippines pursuant to a *Trademark License Agreement* executed with CEMEX which took effect on January 1, 2016.[3] In exchange for the right to use the trademarks or brands owned by CEMEX, the Company incurred royalty fees payable to CEMEX for 2021 amounting to ₱27.9 million, which accounted for approximately 0.13% of the Company's consolidated revenue.

The Company also has license rights to use the "APO", "Island" and "Rizal" brands and the non-exclusive right to use, exploit and enjoy certain intangible assets, including but not limited to, know-how, processes, software and best practices, pursuant to a *Non Exclusive Use, Exploitation and Enjoyment of Assets License Agreement* executed with CEMEX Research Group AG which took effect on January 1, 2016[4]. 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. For 2021, in exchange for the intangible assets and tools made available to the Company under license agreements, as well as the right to use trademarks or brands, the Company incurred royalty fees payable to the licensor amounting to ₱824 million, which accounted for approximately 3.9% 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. The Company has been operating pursuant to

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[3] "Trademark License Agreement" between CEMEX, as Licensor, and CAR, as Licensee, effective as of January 1, 2016 (as from time to time amended and/or restated).

[4] "Non Exclusive Use, Exploitation and Enjoyment of Assets License Agreement" between CEMEX Research Group AG (a subsidiary of CEMEX) as Licensor, and CAR, as Licensee, effective as of January 1, 2016 (as from time to time amended and/or restated). CEMEX Research Group AG assigned and transferred its rights and obligations as Licensor under this license agreement to Cemex Innovation Holding Ltd. (another subsidiary of CEMEX based in Switzerland) with effect from 1 January 2021.

specific guidelines of the government issued due to the COVID-19 Pandemic, including those issued by Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF). 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 designed to achieve compliance 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, which is currently led by Cemex Innovation Holding Ltd 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. Research and development assumes a key role in CEMEX, as the CEMEX Group focuses on creating tangible value for its customers, intending to elevate and accelerate the industry's evolution to achieve greater sustainability, increase engagement in social responsibility and provoke an important leap in its technological advancement.

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 the *Non Exclusive Use, Exploitation and Enjoyment of Assets License Agreement* (as supplemented and amended from time to time), the Company is able to access the research and development capabilities of CEMEX through the Company's enjoyment and utilization in the Philippines of certain licensed trademarks and intangible assets. Any research and development activties that may be undertaken by the Company are done in close coordination with and under the supervision of Cemex Innovation Holding Ltd., which reimburses the Company for any costs that the latter may incur for such activities.

(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 2021, the Company incurred expenses amounting to ₱3.7 million for social development programs.

(xiv) Employees

As at December 31, 2021, the Company has a total of 759 full-time employees in the Philippines, while the Parent Company's foreign subsidiaries employed a total of [4] employees. A breakdown of the employees in the Philippines is shown below:

Area	Number of Employees
Corporate and Administration	222

Cement Business (commercial sales & administration, cement operations & technology, and logistics)	532
Other Businesses	5

As of December 31, 2021, 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 which expired on December 31, 2021 were renewed for another three years until December 31, 2024. 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 twenty years.

(xv) Major Risks Affecting the Business

We are subject to various risks, mainly resulting from economic, environmental, political, industry, business, regulatory, financial and climate conditions, as well as risks related to ongoing legal proceedings and investigations, The following risk factors are not the only risks we face, and any of the risk factors described below could significantly and adversely affect our business, liquidity, results of operations or financial condition, as well as, in certain instances, our reputation.

Substantially all of the Company's manufacturing business and assets are located in the Philippines. Accordingly, economic conditions in the Philippines may materially and adversely affect its business, prospects, financial condition and results of operations.
The results of the Company's operations can be affected by the performance of the Philippine economy. The Philippines has experienced periods of slow or negative growth, high inflation, significant depreciation of the Philippine Peso and the imposition of exchange controls.

The Company's growth prospects are directly related to the economic growth in the Philippines.

The Company's growth may be influenced 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 can be no assurance that an economic slowdown in the Philippines will not occur. Factors that may adversely affect the Philippine economy include, but are not limited to, the following:

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

- changes in applicable taxation policies and laws, as well as the enactment of new taxation policies and laws;
- the impact of pandemics, epidemics or outbreaks of infectious diseases, including the COVID-19 pandemic and its variants, which may adversely affect, among other matters, the ability of our operating facilities to operate at full or any capacity, supply chains, international operations, the availability of liquidity, investor confidence and consumer spending, as well as availability of, and demand for, our products and services;
- 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 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. The demand for the Company's products is also influenced by the aforementioned factors, among others, as the Philippine economy has a direct influence over the Company's sales and operations. If these economies were to suffer negative fluctuations during prolonged periods, it could materially and 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. Notwithstanding the foregoing, there can 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. A deterioration of economic or political conditions in the Philippines may 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 pandemics, epidemics or outbreaks of infectious diseases may result in, but not limited to: (i) temporary restrictions on, or suspended access to, or shutdown, or suspension or the halt of, the entirety or a part 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 business 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, as well as fluctuations in the price of such transport methods; (v) increased cost of materials, products and services on which the Company and its business depend, as well as the availability of such materials; (vi) 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 the cyclical activity of the construction sector; (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; (ix) the Company's inability to, if required, refinance its existing indebtedness on desired terms, if at all; (x) the increasing reliance on information technology infrastructure for our sales invoicing, procurement, financial statements and other processes that can adversely affect our sales and operations in the event that the infrastructure does not work as intended, experiences technical difficulties or is subjected to cyber-attacks; or (xi) declarations of insolvency or bankruptcy or becoming subject to similar proceedings.

On March 11, 2020, the World Health Organization declared as a pandemic the outbreak of the novel strain of the coronavirus identified in China in late 2019 (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 school classes in all levels in Metro Manila, prohibition of mass gatherings or events, imposition of community quarantine measures when 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. 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, also known as the Bayanihan Act, to effectively enact measures to address the pressing problems caused by the COVID-19 Pandemic. On March 26, 2020, the Governor of the Province of Cebu announced the implementation of ECQ measures for the entire island of Cebu, effective March 30, 2020. Beginning May 16, 2020, several cities and provinces, including Metro Manila and Cebu City, were placed under modified enhanced community quarantine, while other cities and provinces, including the Province of Rizal and other cities in the Province of Cebu, were placed under general community quarantine.

Consistent with the ECQ implementation in Luzon, the Company 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 the corresponding 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 as of the date of this Annual Report (SEC Form 17-A) in accordance with government regulations and the necessary hygiene and safety measures.

Since then, provinces and cities have been placed from time to time under different community quarantine levels with corresponding restrictions, respectively.

Subsequent to the recommendations of the Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF) in its Resolution No. 146-F (s. 2021) dated October 28, 2021, the President of the Philippines issued Executive Order No. 151 dated November 11, 2021 adopting the Alert Level System for all areas of the Philippines through a nationwide roll-out which was designed to allow the reinvigoration of the economy through the opening of more sectors, while protecting the people's health through the continuous observance of public health protocols and interventions and the heightened implementation of lockdowns in smaller areas, also known as granular lockdowns. Restrictions and/or limitations affecting intrazonal and interzonal movement as well as the level of operations and activities undertaken by establishments and persons in areas nationwide were defined depending on the applicable Alert Level Status (ranging from 1 to 5). At any level, minimum public health standards and precautions such as the wearing of face masks and social distancing protocols may be mandated. On December 15, 2021, it was announced that all areas of the Philippines would be under Alert Level 2 until December 31, 2021.[5]

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 Annual Report (SEC Form 17-A).

[5] The restrictions applicable under Alert Level 2 include, among others, the limitation in the operation of certain establishments to a maximum of 50% indoor venue capacity for fully vaccinated individuals and those below 18 years of age and 70% outdoor venue capacity. The activities undertaken at the Company's cement manufacturing plants were not subject to this capacity restriction.

Potential outbreaks of new variants of COVID-19, or any other infectious disease, not yet identified as a pandemic, and the responses from governmental authorities, could potentially cause the Company's operations to stop. No accurate assumptions can be made about the severity and impact of future outbreaks. The effects of any subsequent variant of COVID-19 and/or any new infectious disease could materially and adversely affect the Company's business, prospects, financial condition and results of operations.

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. Interruptions or delays in, or the termination of, public or private construction projects may materially and 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 investment in public infrastructure. There can be no assurance that the Philippine government will continue to promote public infrastructure spending. A reduction in public infrastructure spending in the Philippines would materially and 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, 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 materially and adversely impact private construction and, in turn, the Company's business, prospects, financial condition and results of operations.

The Company has a substantial amount of debt and the terms which govern the Company's indebtedness may impose restrictions and prevent us from obtaining additional financing on favorable terms or at all.

As of December 31, 2021, the Company has ₱10,755 million of outstanding debt, including ₱8,947 million of outstanding debt owed to BDO Unibank, Inc. ("BDO") pursuant to the BDO Facility Agreement[6], and ₱1,808 million of lease obligations according to PFRS 16.

The Company's indebtedness, and the terms which govern such indebtedness, could have significant adverse consequences, including, but not limiting to, 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 subsequently, the Company may be more vulnerable to general economic downturns and adverse developments in its business. If the Company incurs additional indebtedness, it could limit our ability to satisfy its payment obligations, increase its cost of capital, and could increase the severity of these risks. Pursuant to the BDO Facility Agreement, the Parent Company is required to comply with the following financial covenants since June 30, 2021 each of which is tested twice annually[7]:

[6] "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.

[7] 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.

- a ratio of Consolidated Total Debt (as defined in the BDO Facility Agreement) to Consolidated EBITDA (as defined in the BDO Facility Agreement) not exceeding 4.00x; and
- a ratio of Consolidated EBITDA (as defined in the BDO Facility Agreement) to Consolidated Interest Expense (as defined in the BDO Facility Agreement) not less than 4.00x.

On May 17, 2019, the Company signed an amendment to the BDO Facility Agreement and the 2017 Supplemental Agreement (as later defined in this Annual Report) that, among other changes, (i) conforms the BDO Facility Agreement with certain changes required due to PFRS 16 taking effect as of January 1, 2019, (ii) excludes from the calculation of certain financial covenants in the BDO Facility Agreement any principal and interest in an amount up to U.S.$250 million (or its Philippine peso equivalent) from certain subordinated loans and advances incurred in relation with the Solid New Line Project that have been made or are to be made to the Company by the CEMEX Group, and (iii) allows for certain loans taken by the Company from the CEMEX Group to be paid with proceeds from any equity fundraising activity conducted by the Parent Company without having to pay a prepayment penalty to BDO under the BDO Facility Agreement.

As of December 31, 2019, December 31, 2020 and December 31, 2021, the ratio of the Company's Consolidated Total Debt (as defined in the BDO Facility Agreement) to Consolidated EBITDA (as defined in the BDO Facility Agreement) was 3.5, 3.1 and 2.8, respectively. For 2019, 2020 and 2021, the ratio of the Company's Consolidated EBITDA (as defined in the BDO Facility Agreement) to Consolidated Interest Expense (as defined in the BDO Facility Agreement) was 3.7, 6.0 and 7.2 respectively. However, the Parent Company cannot give assurance that it will be able to comply with the restrictions and covenants contained in the BDO Facility Agreement. The Parent Company may need to seek waivers, amendments and/or further supplement the BDO Facility Agreement in the future. Even though the Parent Company has been able to supplement the BDO 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 and, if obtained or entered into, that they will be obtained or entered into on terms and conditions favorable to the Parent Company.

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 revenue obtained from the sales of its 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 predominantly with construction activity, while supply is determined by domestic production levels and imports.

Currently, the Philippine Government has imposed several safeguard measures, and there can be no assurance that the Philippine Government will not reduce or eliminate the safeguard measures duty prior to its expiration date or that they will be replaced with new import duties upon or after its expiration. Neither is there any assurance that the Philippine Government will sustain the imposition of anti-dumping duties for cement originating from Vietnam or that new duties will or will not be imposed to other markets. Any reduction or elimination of the safeguard measures duty, or elimination of anti-dumping duties 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.

Additionally, negative economic conditions in the countries in which we or our suppliers operate may have an adverse effect toward the fulfillment of our agreements, such as the agreements entered into in October 2018 by Solid Cement with CBMI Construction Co., Ltd of China, an affiliate of Sinoma

International Engineering Co., Ltd., which, in turn, is a company affiliated to China National Building Materials Group Co., Ltd. for the procurement, construction and installation of the new integrated cement production line of the Solid New Line Project. The decision to add this new production line 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 and general economic conditions in the Philippines and other countries with whom we perform business 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, located in Antipolo City, Rizal in Luzon, and the APO Cement plant, located in Naga City, Cebu in the Visayas. These plants are subject to the normal risks of industrial production, including, but not limited to, 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 substantially 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, could 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 materially and adversely affect the Company's business, prospects, financial condition and results of operations. For example, on September 20, 2018, a 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[8]. 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 Naga 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 materially and adversely affect the Company's business, prospects, financial condition and results of operations.

[8] By the third quarter of 2020, local and national authorities allowed ALQC to resume its mining operations in the affected areas.

The Company's operations depend on an adequate supply of raw materials and other production inputs. The limited availability or increased costs of these materials may adversely affect our business, prospects, financial condition and results of operations. The Company may fail to secure certain materials required to run its business.

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 these raw materials from third parties in and outside of the Philippines. 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 customarily 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 or require the Company to find alternative sources for these materials, which could have a material adverse effect on our business, financial condition, liquidity, results of operations and prospects. Additionally, any scarcity or decrease in the quality of natural resources (including water) could materially and adversely affect the Company's business, prospects, financial condition and results of operations.

Subsequently, any interruption to or a shortage in the supply of the raw materials and/or other production inputs or 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 could materially and adversely affect the Company's business, prospects, financial condition and results of operations.

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

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 a subsequent 25-year period. There can be no assurance that our leasing arrangements may be extended under favorable terms for the Company, or at all, 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's interests, such as modifying the pricing of our leases, or the necessity of executing new agreements, may cause the Company's business to be materially and adversely affected. Additionally, as the leases expire, the Company may be unable to negotiate renewals on favorable terms or at all. Even if the Company is able to renew existing leases, the terms of such renewals may not be as favorable 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 materially and 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 could 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 favorable 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 market share. Some may use aggressive competitive strategies based on imports and pricing that could be damaging to our industry's profitability and, therefore, our results of operations. In addition, asset optimization by buyers of the disposed assets could result in an operational cost advantage.

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 export 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 or see its pricing affected, its revenues could decline or grow at a slower rate and our business, prospects, financial condition and results of operations could be materially and 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.

No assurance can be made that demand for our products will remain at a favorable pace for the Company, and an increase in the supply of our products, accompanied by a decrease in the demand for construction materials, could potentially disrupt our operations. Such event could materially and adversely affect our business, financial condition, liquidity and results of operations.

Higher electricity and fuel costs, or the reduction or interruption in supply thereof, may materially and 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. Electricity and fuel prices and availability are unpredictable and are generally subject to market volatility fluctuations based on events that the Company cannot control, such as geopolitical developments, supply and demand for oil and gas, war and unrest in oil producing regions and weather concerns. Therefore, fluctuating prices and availability of electricity and fuels may have an adverse impact on the Company's costs and operating results. Increases in electricity and fuel costs or any interruption to or shortage in the supply of electricity and fuel could materially and adversely affect the Company's business, prospects, financial condition and results of operations.

Fluctuations in distribution costs, disruptions in transportation and our reliance on our third-party service providers may materially and 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 entails significant logistical difficulties given the geography of the Philippines. The Company cannot assure 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 materially and 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. Fluctuations in interest rates could materially and adversely impact the Company's business, prospects, 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, for example, 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.

In mid-December 2021, Typhoon Odette (International name: Rai) struck the central and southern part of the Philippines and disrupted the Company's operations in Cebu. While APO Cement's facilities experienced property damage due to Typhoon Odette, major plant equipment did not sustain damage. APO Cement's manufacturing plant was operational after the typhoon, but sales volumes were adversely impacted due to recovery efforts and infrastructure damage. Furthermore, the Company incurred inventory losses and incremental production and selling and administrative costs and expenses.

The development or implementation of the Company's various projects including the Solid New Line Project may not be completed on schedule, or at all, or within the allocated budget.
The time taken and the costs the Company incurs to complete the Solid New Line Project, 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 and the costs incurred in connection with the Solid New Line Project and the development of the Company's other projects may be affected by the following factors, among others, which are generally beyond our control:

- delays or inability to obtain 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, 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 Solid New Line Project, 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 completion of the Solid New Line Project, 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 New Line Project 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 Group in order to serve the Philippine market. A further delay in, or the slow development of, the Solid New Line Project would require the Company to rely on imported cement or clinker for longer than is currently anticipated. Any of the foregoing could materially and adversely affect the Company's business, prospects, financial condition and results of operations.

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.

We are not able to assure that new regulatory developments will not be enacted, and therefore, we are not currently able to provide an accurate assessment of the full effects such regulations could potentially have in the Company's cost of operations. Nevertheless, the enactment of new regulations could increase our costs, subsequently causing disruptions to our operations, which, in turn, could materially and adversely affect the Company's business, liquidity and results of 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.

Potential fluctuations in currency exchange rates may increase the Company's expenses and costs for previously incurred obligations, which could exponentially increase in a short period, causing a materially adverse effect on the Company's business, financial condition, liquidity and results of operations.

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 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 essentially self-insures 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 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. The Company's 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 materially and 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 would 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.

Ownership of land or mineral rights by the Company could cause major changes in its corporate structure, which will be required to comply with the provisions contained in the Philippine Constitution and other applicable regulations. Such restructuring may have a negative effect on investor confidence and consumer spending, as well as the demand for our products and services, potentially causing a materially adverse effect on our business, financial condition, liquidity and results of operations

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 fails 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.

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 an estimated 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 Solid Cement paid 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 Annual Report (SEC Form 17-A).

The outcome of the various legal proceedings and investigations involving the Company is uncertain and may affect 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 materially 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 Group'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 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 a material 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 are the equity capital in 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 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 Group resulting from services rendered under the agreements [See ITEM 12 of PART III of this Annual Report (SEC Form 17-A) (Certain Relationships and Related Party Transactions)], or comply with its future obligations.

As of the date of this Annual Report (SEC Form 17-A), the Parent Company does not expect that existing regulatory, legal and economic restrictions on its existing direct and indirect subsidiaries' ability to pay dividends and make loans and other transfers to it will materially and negatively affect its ability to meet its cash obligations. However, we are not able to assure that the jurisdictions of organization of the Parent Company's current direct or indirect subsidiaries, or of any future subsidiary, may impose additional and more restrictive regulatory, legal and/or economic limitations. In addition, the Parent Company's subsidiaries may not be able to generate sufficient income to pay dividends or make loans or other transfers to it in the future. Any material additional future limitations on our subsidiaries could adversely affect the Parent Company's ability to service its debt and meet its other cash obligations.

CEMEX's significant interest in the Company may result in conflicts of interest.
As of December 31, 2021, 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 increase 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 favorable to other shareholders. The Parent Company's Board of Directors includes and/or may at any given time include persons who are not and/or may not be independent from CEMEX. 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 Group;
- 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 Company may be in competition with CEMEX Group with respect to the Company's activities in the construction materials industry because CEMEX Group may engage in the same activities in which the Company engages. To address these potential conflicts and conflicts of interest in general, the Parent Company entered into a Framework Agreement with CASEC and CEMEX on March 9, 2016 (the "Framework Agreement"), which provides, among other things, that the CEMEX Group is generally restricted from competing with the Company in the Philippines. The Company and CEMEX Group are permitted to compete with each other anywhere else in the world; provided, however, that in any country where competition between CEMEX Group and the Company is not prohibited under the Framework Agreement, CEMEX Group has first priority right over any investment opportunity and the Company must refrain from taking advantage of any such investment opportunity in any such country without the prior consent of CEMEX and CASEC. This agreement shall be in place for as long as CEMEX owns more than 50% of the Parent Company's total voting power, or the Parent Company is consolidated with CEMEX under IFRS, or the Parent Company remains a subsidiary of CEMEX (as such term is defined in the Framework Agreement). Due to the significant resources of CEMEX Group, including financial resources and name recognition, CEMEX Group could have a significant competitive advantage over the 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 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 Annual Report (SEC Form 17-A) (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 or other of its subsidiaries, 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.

The Company's operations are subject to environmental laws and regulations.

The Company's operations are subject to a broad range of environmental laws and regulations in each of the jurisdictions in which we operate, and our direct and indirect subsidiaries operate. These laws and regulations impose stringent environmental protection standards regarding, among other things, [air emissions, land use and biodiversity, use of alternative fuels, water availability, wastewater discharges, the use and handling of hazardous waste or materials, waste management practices and the remediation of environmental impact of our operations. These laws and regulations expose us to the risk of substantial environmental costs and liabilities, including taxes, higher investment in equipment and technology, fines and other sanctions, the payment of compensation to third parties, remediation costs, business disruption and damage to reputation. Moreover, the enactment of stricter laws and regulations, stricter interpretation of existing laws or regulations or new enforcement initiatives, may impose new risks or costs on us or result in the need for additional investments, which could result in a material decline in the Company's profitability.

The Company is increasingly dependent on information technology and our systems and infrastructure, as well as those provided by third-party service providers, face certain risks, including cyber-security risks.

The Company increasingly relies on a variety of information technologies 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 these technologies and systems are critical to the efficient operation and management of our business, as well as for the sales generated by our business. Our technologies and systems 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 technologies and systems, as well as those provided by our third-party 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 there can be no assurance that the Company's safeguards will be effective against all risks to our information technology infrastructure and systems.

During 2020 and 2021, there was a global trend of an increase on security threats related to COVID-19, including, but not limited to, phishing and malware/ransomware campaigns, exploitation of video collaboration vulnerabilities, among other things. Furthermore, the increase in employees working from home in response to the COVID-19 pandemic increased cyber risk due to inadequate security configurations of domestic (home) networks and use of non-corporate devices.

Activities in our business can be hazardous and can cause injury to people or damage to property in certain circumstances.

The Company's cement manufacturing facilities require individuals to work with chemicals, equipment and other materials that have the potential to cause fatalities, harm and injury when used without due care. An accident or injury that occurs at our facilities could result in disruptions to our business and operations and could have legal and regulatory, as well as reputational, consequences. Other health and safety issues related to the Company's business include: burns arising from contact with hot cement kiln dust or dust on preheater systems; noise, including from chutes and hoppers, milling plants, exhaust fans and blowers; the potential for dioxin formation if chlorine-containing alternative fuels are introduced into kilns; plant cleaning and maintenance activities involving working at elevated heights or in confined or other awkward locations, and the storage and handling of coal, pet coke and certain alternative fuels, which, in their finely ground state, can pose a risk of fire or explosion; and health hazards associated with operating heavy vehicles or trucks. We may also be exposed to liability resulting from injuries or fatalities involving third-party service providers, such as drivers for our suppliers when delivering products or services to us. While the Company actively seeks to minimize the risk posed by these issues, personal injury claims may be made, and substantial damages awarded, against us, which could have a material adverse impact on the Company's reputation, business, financial condition, liquidity, and results of operations. Additionally, the Company may also be required to change its operational practices, involving material capital expenditure.

ITEM 2. PROPERTIES

(1) The Company does not own land. The Company's properties consist primarily of plant, building structures or facilities and equipment. A majority of the Company's properties are located in Naga City, Cebu; Antipolo City, Rizal; Batangas City, Batangas; and Tondo, Manila. The production plants and distribution infrastructure are strategically located to serve key markets in the Philippines.

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.

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 agreements for the Solid New Line Project (i.e., procurement, construction and installation of a 1.5 million metric tons per year new integrated cement production line) were entered into with CBMI Construction Co., Ltd. On February 1, 2019, the Board of Investments of the Philippines ("BOI") duly registered Solid Cement as a New Producer of Cement on a Pioneer Status but with Non-Pioneer Incentives for the Solid New Line Project. 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) 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. In a letter dated February 15, 2021 of the 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.

On December 7, 2021, Solid Cement issued its *Notice of Termination of the Construction Contract* due to the delay in the implementation of construction and installation works. Solid Cement has taken measures to address contingencies which have arisen due to this termination. As of the date of this Annual Report (SEC Form 17-A), Solid Cement has engaged Atlantic Gulf and Pacific Company of Manila, Inc. and Betonbau Phil., Inc. as the principal contractors to continue the construction and installation of the Solid New Line Project. The Company currently estimates that the construction of the new production line should be completed by March 2024 and the start of its operations could commence in April 2024. Solid Cement has applied with the BOI for a further amendment of the timetable for the registered project. The estimated total project cost is revised from US$235 million to US$323 million, while the estimated total interest capitalization for the project is adjusted to US$33 million. The additional investment requirements for this project could be sourced from one or any combination of the following options: free cash flow, debt from any subsidiary of CEMEX, and/or debt from one or more financial institutions.

(2) 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, 2021:

	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	53,292
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 ₱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 ₱58.2 million plus VAT were 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 2021, 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 Audited 2021 Consolidated Financial Statements filed as part of this Annual Report (SEC Form 17-A).

(3) The table below summarizes fixed assets and right-of-use assets portfolio of the Company as of December 31, 2021:

(In Thousand Pesos)	Amount (₱)
Buildings and improvements	6,550,585
Machinery and equipment	15,817,954
Construction in progress	10,307,386
Sub-total	32,675,925
Less: Accumulated depreciation, depletion, amortization and allowance for impairment loss	(9,887,906)
Total	22,788,019

(4) The Company's properties are not mortgaged or encumbered.

ITEM 3. LEGAL PROCEEDINGS

On September 20, 2018, the Naga Landslide occurred in Sitio Sindulan, Barangay Tina-an, Naga City, Cebu, Philippines, 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 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 the third quarter of 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[9], 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 around ₱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 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. 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 another order dated November 17, 2021, the Regional Trial Court denied plaintiffs' motion for reconsideration and also granted the motions of the Mines and Geosciences Bureau and the City Government of Naga and dismissed the subject case against them. On January 31, 2022, plaintiffs filed their Notice of Appeal with the Regional Trial Court, appealing the court's latest order to the Court of Appeals.

In the event that the court's latest order is reversed on appeal thereby 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

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

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 Annual Report (SEC Form 17-A), 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 appeal that may still be filed by plaintiffs to challenge the latest order of the Regional Trial Court, 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, the Company is 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. Although there is no guarantee for a favorable outcome, the Parent Company believes that it has made adequate provisions to cover both current and contemplated general and specific litigation risks. 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, 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 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.

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

The Annual Meeting of Stockholders of the Parent Company was held on June 2, 2021 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 24, 2020; (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 December 31, 2020; (d) ratification of actions of the Board of Directors and Management since June 24, 2020; (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 Parent Company for the fiscal year 2021.

No other matter was submitted to a vote of security holders, through the solicitation of proxies or otherwise, in 2021 (including the fourth quarter of 2021).

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

(1) Market information

The common stock of the Company is traded on the Philippine Stock Exchange (PSE). For the years ended December 31, 2021 and 2020[10], the high and low market prices for each quarter are shown below:

Quarter Period	High	Low
January to March 2020	₱ 2.18	₱ 0.90
April to June 2020	₱ 1.27	₱ 1.01
July to September 2020	₱ 1.66	₱ 0.86
October to December 2020	₱ 1.84	₱ 1.44
January to March 2021	₱ 1.64	₱ 1.08
April to June 2021	₱ 1.38	₱ 1.14
July to September 2021	₱ 1.46	₱ 1.19
October to December 2021	₱ 1.36	₱ 0.99

(2) Shareholders

As of December 31, 2021, 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 the Parent Company's stock transfer agent, the listed number of *stockholders of record* as of December 31, 2021 totaled 29. The *stockholders of record* of the Parent Company, including the number and percentage of total common shares outstanding held by each as of December 31, 2021 were as follows:

Names of Stockholders of Record	No. of Shares Held	% to Total Outstanding Shares
PCD Nominee Corporation (Non-Filipino)[(a)] [(d)]	8,671,317,133	64.283%
CEMEX ASIAN SOUTH EAST CORPORATION[(b)]	2,857,467,493	21.183%
PCD Nominee Corporation (Filipino) [(c)] [(e)]	1,957,147,194	14.509%
Sysmart Corporation [(f)]	1,000,000	nil
Cai Yu Xi	1,000,000	nil
Elvira M. Cruz or Bernardo A. Cruz [(f)]	362,000	nil
Sysmart Corporation	215,200	nil
Bob Dy Gothong	208,600	nil
Regina Capital Dev. Corp. 000351	181,741	nil
Tristan Q. Perper	100,000	nil
Miguelito C. De Guia &/Or Milagros D. De Guia	77,889	nil
Cherrubin Den Tee Chua	50,000	nil
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

[10] For the first quarter of 2022, the high and low market prices of the Company shares were ₱1.05 and ₱0.84, respectively.

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
Bartholomew Dybuncio Young	100	nil
Owen Nathaniel S. Au Itf: Li Marcus Au	10	nil
Joselito Tanwangco Bautista	1	nil
Botschaft N. Cheng Or Sevila Ngo	1	nil
Alfredo Panlilio	1	nil
Pedro Roxas	1	nil

[a] PCD Nominee Corporation is not related to the Parent Company. The beneficial owners of the shares held through a PCD participant are the beneficial owners thereof to the extent of the number of shares registered under the respective accounts with the PCD 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] CASEC, the majority stockholder of the Parent Company, is a corporation incorporated in the Philippines, but wholly-owned by a Netherlands company, and an indirect subsidiary of CEMEX. In addition to the 2,857,467,493 shares indicated in the table above, CASEC owned in scripless form 7,643,157,169 shares recorded under *PCD Nominee Corporation (Non-Filipino),* inclusive of 5 shares held as of December 31, 2021 by Sergio Mauricio Menéndez Medina, Ignacio Alejandro Mijares Elizondo, Alejandro García Cogollos, Antonio Iván Sánchez Ugarte and María García Villán, respectively. As of December 31, 2021, the total number of shares owned by CASEC was 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 PCD Participants Report (consolidated) of the Philippine Depository & Trust Corporation as of December 31, 2021 (the last trading day in December 2021), the *PCD Nominee Corporation (Non-Filipino)* and the *PCD Nominee Corporation (Filipino)* accounts included the following:

(1) BDO Securities Corporation – holding 5,742,590,811 shares
(2) The Hongkong and Shanghai Banking Corp. Ltd.- Clients' Acct – holding 2,415,594,124 _shares
(3) COL Financial Group, Inc. – holding 358,730,624 shares
(4) AB Capital & Investment Corp.- Trust & Investment Div. – holding 272,951,615 shares
(5) Abacus Securities Corporation – holding 204,536,631 shares

[e] See Note [d]
[f] The name appears twice in the table, each corresponding to separate share entries.

As of December 31, 2021, the total number of shares owned by CASEC was 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, 2021, an estimated 22.02% of the total outstanding shares of stock of the Parent Company was held by the public.

(3) Dividend Policy; Dividends declaration, if any

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 determined by the Board of Directors. 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 Company, working capital needs and long-term capital expenditures of the Company, and regulatory requirements on dividend payments, among others.

In view of the Company's substantial long-term capital expenditure needs, which include the cost for pursuing the Solid New Line Project, and level of indebtedness of the Company, the Parent Company's Board of Directors has not declared any dividends on the Parent Company's common equity during the previous years 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 concluded the offer period of the Stock Rights Offering involving 8,293,831,169 common shares of stock pursuant to a Notice of Confirmation of Exempt Transaction of the SEC 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). The total proceeds raised from the Stock Rights Offering amounted to ₱12,772,500,000.26.

On February 27, 2020, the SEC approved the Parent Company's application for increase of ACS and on March 4, 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 ACS, the Parent Company's issued and outstanding shares totaled 13,489,226,623 common shares at ₱1 par value per share or total par value of ₱13,489,226,623.

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 December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020, 2019 and 2018 and certain trends, risks and uncertainties that may affect the Company's business.

AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Results of Operations

Revenue
The consolidated revenue for the years ended December 31, 2021 and 2020 amounted to ₱20.9 billion and ₱19.7 billion, respectively. Revenue was generated mainly from sale of cement products as a result of the Company's ordinary activities.

Increase of 6.0% in 2021 was due to higher volume of product sold, as the Company was recovering from the adverse impact of the COVID-19 Pandemic in 2020 and supported by the easing of quarantine restrictions relevant to the Company's business and the markets that it served.

The breakdown of revenue after elimination of transactions between consolidated entities for the years ended December 31, 2021 and 2020 were as follows:

	For the year ended December 31, 2021		For the year ended December 31, 2020	
Segment	***Amount****	***%Revenue***	***Amount****	***%Revenue***
Cement	₱20,820	100%	₱19,669	100%
Other business	67	0%	38	0%
Total	₱20,887	**100%**	₱19,707	**100%**

**Amounts in millions*

Cost of Sales
Consolidated cost of sales for the years ended December 31, 2021 and 2020, amounted to ₱13.0 billion and ₱11.6 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 11.8% in 2021 was due to a 6.0% increase in volume sold and higher unitary cost of sales mainly from the purchase of additional clinker on an expected one-off basis to support production requirements and higher electricity rates.
Cost of sales as a percentage of revenue for the years ended December 31, 2021, and 2020, represented 62.2% and 58.9%, respectively.

Power and fuel represented approximately (i) 20.3% and 20.2%, respectively, of cost of sales in 2021, and (ii) 19.2% and 22.8%, respectively, of cost of sales in 2020.

Gross Profit
As a result of the above conditions, gross profit for the years ended December 31, 2021 and 2020, reached ₱7.9 billion and ₱8.1 billion, respectively. Gross profit as a percentage of revenue for the years ended December 31, 2021 and 2020, represented 37.8% and 41.1%, respectively.

Operating Expense
Operating expenses amounted to ₱6.0 billion and ₱6.3 billion, or 28.6% and 31.9% of revenue for the years ended December 31, 2021 and 2020, respectively. Operating expenses decreased by 4.9% in 2021 compared to 2020 due to lower distribution expenses. Operating expenses were mainly composed of administrative, selling, and distribution expenses.

Administrative and selling expenses amounted to ₱2.9 billion and ₱2.8 billion, or 13.7% and 14.1% of revenue in 2021 and 2020, respectively. These include: a) license fees amounting to ₱851.4 million and ₱747.0 million, respectively; b) insurance amounting to ₱186.7 million and ₱209.2 million, respectively; c) salaries and wages amounting to ₱796.3 million and ₱727.5 million, respectively; and d) administrative fees amounting to ₱544.3 million and ₱620.9 million, respectively. Total administrative and selling expenses increased by 3.2% year-over-year for 2021 mainly due to increase in central service and management fees from the increase in net sales and higher salaries and wages.

Distribution expenses amounted to ₱3.1 billion and ₱3.5 billion, which accounted for 14.9% and 17.8% of revenue, in 2021 and 2020, respectively. Total distribution expenses decreased by 11.2% year-over-year for 2021, mainly driven by lower delivered product volume as compared to pick-up product volume as well as 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 ₱1.9 billion and ₱1.8 billion in 2021 and 2020, respectively. These comprised 9.2% of revenue in both 2021 and 2020. *Operating Income before Other Expenses, Net* increased by 6.5% in 2021 compared to 2020.

Other Income (Expenses), Net
Other income (expenses), net for the years ended December 31, 2021 and 2020 were ₱1.9 million and (₱30.3) million, respectively. Significant movement in other expenses, net in 2021 are as follows: (a) increase of ₱33.9 million from the recovery of receivables previously written off, (b) incremental cost recognized in other income (expenses), net was lower by ₱27.3 million due to a change in recognition for recurring and non-recurring charges incurred by the Company related to the COVID-19 Pandemic and (c) (₱22.3 million) losses due to the impact of Typhoon Odette (International Name: Rai) which struck in mid-December 2021.

Financial and Other Financial Expenses, Net
Net financial expenses in 2021 and 2020 amounted to ₱274.7 million and ₱626.4 million, respectively. These expenses corresponded to 1.3% and 3.2% of revenue in 2021 and 2020, respectively. Decrease of 56.2% in 2021 compared to 2020 were attributable to lower outstanding loan balances and declining interest rates.

Foreign Exchange Gain (Loss), Net
Gain (loss) of (₱437.5) million and ₱170.2 million were reported in 2021 and 2020, respectively. Unfavorable movement in foreign exchange gain (loss), net amounting to ₱607.7 million is mainly due to declining Philippine Peso to U.S. dollar exchange rate from ₱48.02 in 2020 to ₱51.00 in 2021. Net foreign exchange gain (loss) was 2.1% and 0.9% of revenue in 2021 and 2020, respectively.

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

- On August 1, 2016, the Parent Company signed deposit agreements with Falcon and CAR, respectively, pursuant to which Falcon and CAR could deposit and withdraw the amount placed at any time and date, according to the conditions established in the deposit agreement. The agreements which were initially valid and binding until August 1, 2021 were subsequently amended to provide that these agreements would remain valid and binding until terminated by either of the respective parties thereto. The principal under the Falcon 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 CAR deposit agreement is subject to applicable safe-harbour interest rate published by the Swiss Federal Tax Administration ("SFTA"). The rate is revised by the SFTA annually. Historically for this deposit, the rates have been: 2.25% from August 2016 to June 2017; 2.5% per annum from July 2017 to February 2018; 3% per annum from March 2018 to February 2020; 2.25% per annum from March 2020 to December 2020; 1.25% per annum from January 2021 to date.
- On November 21, 2018, Solid Cement signed the Solid Expansion Facility Agreement with CABV allowing Solid to withdraw in one or several installments a sum of up to U.S.$75 million. The Solid Expansion Facility Agreement was amended on February 2019 to increase the facility to U.S.$100 million, and on November 28, 2019, further amendments were made to increase the facility to U.S.$160 million. The Solid Expansion Facility Agreement, which was subject to an initial interest rate of 8.2%, bore interest based on the Company's leverage ratio. On January 3, 2020, the loan was redenominated from U.S.$ to Philippine Peso using an exchange rate of ₱51.09 to U.S.$1.00. For additional details, refer to ITEM 12 of PART III of this Annual Report (SEC Form 17-A) (Certain Relationships and Related Party Transactions). The loan amount was paid in full in March 2020.

Income Tax
As a result of operations, the Company's income tax expense in 2021 and 2020 amounted to ₱489.5 million and ₱336.0 million, respectively.

Increase of 45.7% in 2021 compared to 2020 was mainly due to impact of the CREATE Act which includes a one-time reduction in current income tax by ₱46.5 million and net increase of ₱163.1 million of deferred income tax due to reduction of the valuation of deferred tax assets from 30% to 25% in the first quarter of 2021.

Income tax was 40.3% and 25.4% of profit (loss) before income tax in 2021 and 2020, respectively.

Net Profit
As a result of the abovementioned concepts, net profit for the years ended December 31, 2021 and 2020 amounted to ₱725.5 million and ₱985.1 million, respectively. Net profit in 2021 was 26.4% lower than the net profit in 2020. Net profit was 3.5% and 5.0% of revenue in 2021 and 2020, respectively.

Financial Position

Cash and Cash Equivalents
Cash and cash equivalents amounted to ₱5.8 billion and ₱6.1 billion as at December 31, 2021 and December 31, 2020, respectively. As at December 31, 2021, cash and cash equivalents of ₱5.8 billion included ₱2.2 billion cash in banks and ₱3.6 billion short-term investments which were readily convertible to cash. As at December 31, 2020, cash and cash equivalents of ₱6.1 billion included ₱1.9 billion cash in banks and ₱4.3 billion short-term investments which were readily convertible to cash. Net decrease in cash and cash equivalents was mainly due to payment of bank loans and investing activities (such as the Solid New Line Project).

Cash and cash equivalents accounted for 9.0% and 9.6% of the total assets as at December 31, 2021 and 2020, respectively.

Trade Receivables - Net
Trade receivables amounted to ₱696.9 million and ₱700.2 million as at December 31, 2021 and December 31, 2020, net of allowance for impairment losses amounting to ₱17.3 million and ₱26.7 million, respectively, which mainly pertain to receivables from customers.

Due from Related Parties
Related party balances amounted to ₱17.2 million and ₱3.8 million as at December 31, 2021 and December 31, 2020, respectively. The increase in the balances of receivables from related parties was mainly due to hedged diesel fuel for years 2022 to 2023.

Insurance Claims and Premiums Receivable
Insurance premiums receivable is related to non-damage business interruption insurance receivable from third party insurance company and represents premiums on written policies which are collectible within the Company's credit term. Insurance premiums receivable amounted to ₱91.8 million and ₱86.4 million as at December 31, 2021 and December 31, 2020, respectively. Claims from insurance amounted to nil and ₱1.1 million as at December 31, 2021 and December 31, 2020. *Insurance Claims and Premium Receivables* accounted for 0.1% and 0.1% of the total assets as at December 31, 2021 and 2020, respectively.

Other Current Accounts Receivable
Other accounts receivables amounted to ₱49.4 million and ₱43.7 million as at December 31, 2021 and December 31, 2020, respectively. These figures accounted for 0.1% of the total assets in 2021 and 2020. Movements primarily refer to receivables from contractors, short-term deposits, loan receivables, receivables from employees and others. Increase was mainly due to sublease transaction of APO Cement with a third party.

Inventories
Inventories amounted to ₱3.1 billion and ₱2.3 billion as at December 31, 2021 and December 31, 2020, respectively. Higher inventories in 2021 was mainly due to price increase and sourcing challenges. There was also a build-up of spare parts for the shutdown activities that have been scheduled for January 2022. Inventories accounted for 4.8% and 3.7% of the total assets as at December 31, 2021 and 2020, respectively.

Derivative assets
Derivative assets amounted to ₱12.5 million and ₱24.0 million as at December 31, 2021 and December 31, 2020, respectively. This account pertains to the market value of derivative transactions entered into by the Company to hedge against the volatility of diesel fuel prices and under which the Company bears all the benefits and the risks arising from the hedge arrangement. Movement refers to mark-to-market valuation of the hedge instrument.

Prepayments and Other Current Assets
Other current assets which amounted to ₱2.2 billion and ₱1.8 billion as at December 31, 2021 and December 31, 2020, respectively, pertained mainly to (i) prepayment of insurance of ₱646.5 million and ₱628.6 million, respectively, and (ii) prepayment of taxes of ₱1,471.0 million and ₱1,041.4 million, respectively. Movement in this account was primarily due to prepaid taxes and unamortized balance of prepaid NDBI and general liability insurance accounts. The aggregate of prepayments and other current assets accounted for 3.4% and 2.9% of the total assets as at December 31, 2021 and 2020, respectively.

Other Assets and Noncurrent Accounts Receivable
Other assets amounting to ₱436.2 million and ₱782.4 million as at December 31, 2021 and December 31, 2020, respectively, primarily consisted of long-term prepayments amounting to ₱27.9 million, long-term performance deposits of ₱301.6 million and ₱266.4 million, respectively, and debt reserve account and guarantee bonds used in operations amounting to ₱32.3 million and ₱407.8 million, respectively. The rest mainly referred to the noncurrent portion of the unamortized transportation allowances of employees and other long-term prepayments. In 2021, the debt service reserve accounts created under the BDO Facility Agreement ("DSRA") were released which is the mainly movement of this account. The aggregate of other assets and noncurrent accounts receivable accounted for 0.7% and 1.2% of the total assets as at December 31, 2021 and 2020, respectively.

Property, Machinery, Equipment and Assets for the Right-of-Use
Property, machinery and equipment had a balance of ₱21.2 billion and ₱19.9 billion as at December 31, 2021 and December 31, 2020, respectively. For the years ended December 31, 2021 and 2020, ₱464.6 million and ₱274.5 million, respectively, were incurred for maintenance capital expenditures and ₱2.3 billion and ₱3.3 billion, respectively, for strategic capital expenditures.

Assets for the right-of-use amounted to ₱1.6 billion and ₱1.8 billion as at December 31, 2021 and December 31, 2020, respectively. For the years ended December 31, 2021 and 2020, additions to assets for the right-of-use amounted to ₱359.5 million and ₱558.2 million, respectively.

Property, machinery, equipment and assets for the right-of-use accounted for 35.4% and 34.0% of the total assets as at December 31, 2021 and 2020, 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 the new production line of the Solid New Line Project, which is presented under noncurrent assets in the consolidated statements of financial position. As at December 31, 2021, and December 31, 2020, the balance of this account amounted to ₱0.5 billion and ₱1.1 billion, respectively. Aside from the application of advances against progress billings for the Solid New Line Project, there was also a recovery of advances to the contractor amounting to ₱379.4 million following the termination of the construction contract for the Solid New Line Project in December 2021. The amounts corresponding to *Advances to Contractors* accounted for 0.7% and 1.8% of the total assets as at December 31, 2021 and 2020, respectively.

Deferred Income Tax Assets - Net
The Company's deferred income tax assets amounted to ₱0.8 billion and ₱1.1 billion as at December 31, 2021 and December 31, 2020, 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 ₱1.4 million and ₱0.9 million as at December 31, 2021 and December 31, 2020, respectively. Deferred income tax assets net of deferred tax liability accounted for 1.3% and 1.7% of the total assets as at December 31, 2021 and 2020, respectively.

Goodwill
The Company's goodwill arose from the business combinations when the Parent Company acquired its subsidiaries in 2016. As of December 31, 2021, no impairment to goodwill is recognized. *Goodwill* accounted for 43.3% and 43.7% of the total assets as at December 31, 2021 and 2020, respectively.

Trade Payables
Trade payables as at December 31, 2021 and December 31, 2020 amounted to ₱5.0 billion and ₱4.3 billion, respectively. Higher trade payables of ₱774.7 million or 18.1% in 2021 as compared from 2020 was mainly due to increase on payables on fuels, contractors, raw materials and spares inventory. *Trade Payables* accounted for 7.9% and 6.7% of the total liabilities and equity as at December 31, 2021 and 2020, respectively.

Due to Related Parties
Short-term payables to related parties had a balance of ₱2.2 billion and ₱1.5 billion as at December 31, 2021 and December 31, 2020, respectively. Increase of ₱684.5 million or 45.3% primarily refers to purchases of coal, raw materials, royalties, and administrative fees with related parties. The balances of Due to Related Parties accounted for 3.4% and 2.4% of the total liabilities and equity as at December 31, 2021 and 2020, respectively.

Contract Liabilities, Unearned Income, Other Accounts Payable, Accrued Expenses, and Income Tax Payable
Contract liabilities, unearned income, other payables and accruals which amounted to ₱1.7 billion and ₱1.6 billion as at December 31, 2021 and December 31, 2020, 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. The increase was mainly due to significant movement in contract liabilities. These figures accounted for 2.6% and 2.5% of the total liabilities and equity in 2021 and 2020, respectively.

Lease Liabilities
Current portion of finance lease liabilities amounted to ₱404.7 million and ₱628.3 million as at December 31, 2021 and December 31, 2020, respectively. Noncurrent portion of finance lease liabilities amounted to ₱1.4 billion as at December 31, 2021 and December 31, 2020. Decrease of ₱258.2 million or 12.5% was due to payments of leases in the fourth quarter of the year. Lease Liabilities accounted for 2.8% and 3.2% of the total liabilities and equity as at December 31, 2021 and 2020, respectively.

Retirement Benefit Liability
Retirement benefit liability amounting to ₱544.4 million and ₱653.9 million as at December 31, 2021 and December 31, 2020, respectively, pertains to the provision recognized by the Company associated with employees' defined benefit pension plans. Decrease of ₱109.5 million or 16.7% as compared 2021 from 2020 was due to contribution in the retirement fund. *Retirement Benefit Liability* accounted for 0.8% and 1.0% of the total liabilities and equity as at December 31, 2021 and 2020, respectively.

Long-term Bank Loan
The total outstanding balance of the BDO Facility Agreement amounted to ₱8.9 billion and ₱10.8 billion as at December 31, 2021 and December 31, 2020, respectively. The unamortized debt issuance cost of this long-term bank loan, amounting to ₱54.1 million and ₱80.1 million, was deducted from the total loan liability as at December 31, 2021 and December 31, 2020, respectively. Short-term portion of the bank loan amounted to ₱3.4 billion and ₱0.1 billion as at December 31, 2021 and December 31, 2020, respectively. Decrease of ₱1.8 billion or 16.9% was due to payments in 2021. The balance of the bank loan *net of* debt issuance cost accounted for 13.8% and 16.8% of the total liabilities and equity as at December 31, 2021 and 2020, respectively.

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. *Other Equity Reserves* accounted for 0.8% and (0.1%) of the total liabilities and equity as at December 31, 2021 and 2020, respectively.

The movement of ₱570.8 million or more than 100% for 2021 compared from 2020 was mainly attributable to the currency translations of the foreign subsidiaries of the Parent Company.

Retained Earnings
Retained earnings of ₱4.0 billion and ₱3.2 billion as at December 31, 2021 and December 31, 2020 respectively, included the Company's cumulative net results of operations. The increase of ₱725.5 million or 22.4% pertains to the consolidated profit for the year ended December 31, 2021. These figures accounted for 6.2% and 5.1% of the total liabilities and equity as at December 31, 2021 and 2020, respectively.

AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Results of Operations

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 mainly 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.

Cost of sales as a percentage of revenue for the years ended December 31, 2020 and 2019, represented 58.9% and 59.0%, respectively.

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, or 31.9% and 31.1% of revenue, for the years ended December 31, 2020 and 2019, respectively. Operating expenses decreased by 14.4% in 2020 compared to 2019. Operating expenses were composed of administrative, selling, and distribution expenses. Operating expenses amounted to ₱6.3 billion and ₱7.3 billion, or 31.9% and 31.1% of revenue, for the years ended December 31, 2020 and 2019, respectively. Operating expenses decreased by 14.4% in 2020 compared to 2019. 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% year-over-year for 2020 mainly 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, mainly 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 9.2% and 9.9% of revenue in 2020 and 2019, respectively. *Operating Income before Other Expenses – Net* decreased by 22.8% in 2020 compared to 2019.

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. Change 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. These expenses corresponded to 3.2% and 5.5% of revenue in 2020 and 2019, respectively. Decrease of 52.0% in 2020 compared to 2019 was mainly attributable to lower outstanding loan balances and declining interest rates. The Company disbursed around ₱7.9 billion for the repayment of debt owed to CABV 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 the Solid Expansion Facility Agreement 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.

Net foreign exchange gain in 2020 was 62.4% lower than the net foreign exchange gain in 2019. Net foreign exchange gain was 0.9% and 1.9% of revenue in 2020 and 2019, respectively.

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

- On August 1, 2016, the Parent Company signed deposit agreements with Falcon and CAR, respectively, pursuant to which Falcon and CAR could deposit and withdraw the amount placed at any time and date, according to the conditions established in the deposit agreement. The agreements which were initially valid and binding until August 1, 2021 were subsequently amended to provide that these agreements would remain valid and binding until terminated by either of the respective parties thereto. The principal under the Falcon 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 CAR deposit agreement is subject to applicable safe-harbour interest rate published by the Swiss Federal Tax Administration ("SFTA"). The rate is revised by the SFTA annually. Historically for this deposit, the rates have been: 2.25% from August 2016 to June 2017; 2.5% per annum from July 2017 to February 2018; 3% per annum from March 2018 to February 2020; 2.25% per annum from March 2020 to December 2020.
- On November 21, 2018, Solid Cement signed the Solid Expansion Facility Agreement with CABV allowing Solid Cement to withdraw in one or several installments a sum of up to U.S.$75 million. The Solid Expansion Facility Agreement was amended on February 2019, increasing the facility to U.S.$100 million, and on November 28, 2019, further amendments were made to increase the facility to U.S.$160 million. The Solid Expansion Facility Agreement, which was subject to initial interest rate of 8.2%, bore an interest based on the Company's leverage ratio. On January 3, 2020, the loan was redenominated from U.S.$ to Philippine Peso using an exchange rate of ₱51.09 to U.S.$1.00. The loan amount was paid in full in March 2020. For additional details, refer to ITEM 12 of PART III of this Annual Report (SEC Form 17-A) (Certain Relationships and Related Party Transactions).

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.

Income tax was 25.4% and 14.6% of profit before income tax in 2020 and 2019, respectively.

Net Profit

As a result of the abovementioned concepts, net profit for the years ended December 31, 2020 and 2019 amounted to ₱985.1 million and ₱1,279.6 million, respectively. Net profit in 2020 was 23.0% lower than the net profit in 2019. Net profit was 5.0% and 5.4% of revenue in 2020 and 2019, 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 ₱4.2 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 Parent Company's Stock Rights Offering concluded in 2020, net of payments of loans from related parties.

Cash and cash equivalents accounted for 9.6% and 2.4% of the total assets as at December 31, 2020 and 2019, respectively.

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. *Trade Receivables – Net* accounted for 1.1% and 1.5% of the total assets as at December 31, 2020 and 2019, respectively.

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 Receivable
Insurance premiums receivable is related to non-damage business interruption insurance receivable from third party insurance company and represents premiums on written policies which are collectible within the Company's credit term. Insurance premiums receivables amounted to ₱86.4 million and ₱437.0 million as at December 31, 2020 and December 31, 2019, respectively, reflecting a decrease which was mainly due to Falcon's higher collection rate of insurance premiums earned in 2020 as compared to 2019. Claims from insurance amounted to ₱1.1 million and ₱8.5 million as at December 31, 2020 and December 31, 2019, respectively. *Insurance Claims and Premium Receivables* accounted for 0.1% and 0.8% of the total assets as at December 31, 2020 and 2019, respectively.

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. These figures accounted for 0.1% of the total assets in 2020 and in 2019. Movements primarily refer to receivables 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. *Inventories* accounted for 3.7% and 5.1% of the total assets as at December 31, 2020 and 2019, respectively.

Derivative assets
Derivative assets amounted to ₱24.0 million and nil as at December 31, 2020 and December 31, 2019, respectively. This account pertains to the market value of derivative transactions entered into by the

Company to hedge against the volatility of diesel fuel prices and under which the Company bears all the benefits and the risks arising from the hedge arrangement. Movement refers to mark-to-market valuation of the hedge instrument.

Prepayments and Other Current Assets
Other current assets which amounted to ₱1.8 billion and ₱1.7 billion as at December 31, 2020 and December 31, 2019, respectively, pertained primarily to (i) prepayment of insurance of ₱628.6 million and ₱508.8 million, respectively, and (ii) prepayment of taxes of ₱1,041.4 million and ₱645.0 million, respectively. Movement in this account was primarily due to unamortized balance of prepaid NDBI and general liability insurance accounts. The aggregate of prepayments and other current assets accounted for 2.9% and 2.8% of the total assets as at December 31, 2020 and 2019, respectively.

Investment in an Associate and Other Investments
Investments in associates cover minority equity investments in Greencrete and CAC. This account remained at ₱14 million.

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 a lower balance in the DSRA. The aggregate of other assets and noncurrent accounts receivable accounted for 1.2% and 1.4% of the total assets as at December 31, 2020 and 2019, respectively.

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 years ended December 31, 2020 and 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 years ended December 31, 2020 and 2019, additions to assets for the right-of-use amounted to ₱558.2 million and ₱362.4 million, respectively.

Property, machinery, equipment and assets for the right-of-use accounted for 34.0% and 33.9% of the total assets as at December 31, 2020 and December 31,2019, 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 the new production line of the Solid New Line Project 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 application of advances against progress billings for the Solid New Line Project. These advances accounted for 1.8% and 2.7% of the total assets as at December 31, 2020 and 2019, respectively.

Deferred Income Tax Assets - Net
The Company's deferred income tax assets 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. Deferred income tax assets *net of* deferred tax liability accounted for 1.7% and 1.8% of the total assets as at December 31, 2020 and 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. *Goodwill* accounted for 43.7% and 47.4% of the total assets as at December 31, 2020 and 2019, respectively.

Trade Payables
Trade payables as at December 31, 2020 and December 31, 2019 amounted to ₱4.3 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. *Trade Payables* accounted for 6.7% and 8.2% of the total liabilities and equity as at December 31, 2020 and 2019, respectively.

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. The balances of payables *Due to Related Parties* accounted for 2.4% and 4.6% of the total liabilities and equity as at December 31, 2020 and 2019, respectively.

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. These figures accounted for 2.5% and 3.3% of the total liabilities and equity in 2020 and 2019, respectively. 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, respectively. *Lease Liabilities* accounted for 3.2% and 3.7% of the total liabilities and equity as at December 31, 2020 and 2019, respectively.

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. *Retirement Benefit Liability* accounted for 1.0% and 1.4% of the total liabilities and equity as at December 31, 2020 and 2019, respectively.

Long-term Bank Loan
The total outstanding balance of the BDO Facility Agreement 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. The balance of the bank loan *net of* debt issuance cost accounted for 16.8% and 19.3% of the total liabilities and equity as at December 31, 2020 and 2019, respectively.

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

Common Stock
As at December 31, 2020 and December 31, 2019, the total ACS 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. These figures accounted for 21.2% and 8.8% of the total liabilities and equity as at December 31, 2020 and 2019, respectively.

Additional paid-in capital
As at December 31, 2020 and December 31, 2019, the additional paid-in capital amounted to ₱26.2 billion and ₱22.0 billion, respectively. The considerations received in excess of the par value of shares issued are recognized in this account. These figures accounted for 41.1% and 37.3% of the total liabilities and equity as at December 31, 2020 and 2019, respectively.

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 of the Parent Company. *Other Equity Reserves* accounted for (0.1%) and 0.4% of the total liabilities and equity as at December 31, 2020 and 2019, respectively.

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. These figures accounted for 5.1% and 3.8% of the total liabilities and equity as at December 31, 2020 and 2019, respectively.

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 mainly attributable to higher sales volume, increased raw materials costs resulting from the Naga Landslide and higher fuel and power costs.

Cost of sales as a percentage of revenue for the years ended December 31, 2019, 2018, and 2017, represented 59.0%, 60.8%, and 56.6%, respectively.

Power and fuel represented approximately (i) 19.1% and 20.6%, respectively, of cost of sales in 2019 (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 years 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 losses from the Naga Landslide in 2018 amounting to ₱71.7 million. Lower *other expenses*, net in 2018 compared to 2017 was primarily attributable to 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. These figures corresponded to 5.5%, 4.8% and 4.8% of revenue, respectively. Increase of 17.2% in 2019 compared to 2018 and increase of 6.2% in 2018 compared to 2017 were mainly attributable to higher debt level to fund the Solid New Line 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) the Solid Expansion Facility Agreement; and (c) appreciation of Philippine peso against U.S. dollar in 2019 from ₱52.58 to U.S.$1.00 exchange rate as at December 31, 2018 to ₱50.64 to U.S.$1.00 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.

Net foreign exchange gain was 1.9% of revenue in 2019. Net foreign exchange loss was 1.6% and 0.3% of revenue, in 2018 and 2017, respectively.

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

- On August 1, 2016, the Parent Company signed deposit agreements with Falcon and CAR, respectively, pursuant to which Falcon and CAR could deposit and withdraw the amount placed at any time and date, according to the conditions established in the deposit agreement. The agreements which were initially valid and binding until August 1, 2021 were subsequently amended to provide that these agreements would remain valid and binding until terminated by either of the respective parties thereto. The principal under the Falcon 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 CAR deposit agreement is subject to applicable safe-harbour interest rate published by the Swiss Federal Tax Administration ("SFTA"). The rate is revised by the SFTA annually. Historically for this deposit, the rates have been: 2.25% from August 2016 to June 2017; 2.5% per annum from July 2017 to February 2018; 3% per annum from March 2018 to date.
- On February 1, 2017, the Parent Company signed the BDO Facility Agreement with BDO for an amount of up to the Philippine Peso equivalent of U.S.$280 million, to refinance a majority of the Parent Company's outstanding long-term loan facility with NSH. During the first quarter of 2017, the foregoing long-term loan with NSH was fully repaid.
- On November 21, 2018, Solid Cement signed the Solid Expansion Facility Agreement with CABV allowing Solid Cement to withdraw in one or several installments a sum of up to U.S.$75 million. The Solid Expansion Facility Agreement was amended on February 2019, increasing the facility to U.S.$100 million, and on November 28, 2019, further amendments were made to increase the facility to U.S.$160 million. The Solid Expansion Facility Agreement, which was subject to initial interest rate of 8.2%, bore an interest based on the Company's leverage ratio. For additional details, refer to ITEM 12 of PART III of this Annual Report (SEC Form 17-A) (Certain Relationships and Related Party Transactions).

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.

Income tax was 14.6% and 17.0% of profit before income tax in 2019 and 2017, respectively. For 2018, income tax of ₱953.7 million was significantly higher than the ₱17.0 million loss before income tax of the same period.

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.

Net profit was 5.4% and 2.9% of revenue in 2019 and 2017, respectively. For 2018, net loss was 4.1% of revenue.

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. *Cash and Cash Equivalents* accounted for 2.4%, 3.1% and 1.8% of the total assets as at December 31, 2019, 2018 and 2017, respectively.

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 mainly due 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. The amounts corresponding to *Trade Receivables – Net* accounted for 1.5%, 1.2% and 1.5% of the total assets as at December 31, 2019, 2018 and 2017, respectively.

Increase of 26.0% in 2019 compared to 2018 was primarily 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 Receivable
Insurance premiums receivable is related to non-damage business interruption insurance receivable from third party insurance company and represents premiums on written policies which are collectible within the Company's credit term. Insurance premiums receivable amounted to ₱437.0 million, ₱604.9 million and nil as at December 31, 2019, 2018 and 2017, respectively. 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 Naga Landslide.

Insurance Claims and Premiums Receivable accounted for 0.8%, 1.6% and nil of the total assets as at December 31, 2019, 2018 and 2017, respectively.

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 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 current accounts receivable 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. *Other Current Accounts Receivable* accounted for 0.1% of the total assets as at December 31, 2019, 2018 and 2017, respectively. 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 spare parts while the increase of 7.1% in 2018 from 2017 was attributable mainly to ₱0.4 billion increase in inventory in transit. *Inventories* accounted for 5.1%, 6.0% and 6.0% of the total assets as at December 31, 2019, 2018 and 2017, respectively.

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 (i) prepayment of insurance, ₱508.8 million, ₱529.8 million and ₱542.7 million, respectively, (ii) prepayment of taxes, ₱645.0 million, ₱525.3 million and ₱548.9 million, respectively, and (iii) advances to suppliers, ₱367.8 million, ₱444.9 million and ₱116.8 million, respectively. *Prepayments and Other Current Assets* accounted for 2.8%, 2.9% and 2.6% of the total assets as at December 31, 2019, 2018 and 2017, 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, CAC and others. In 2018, the Company sold its rights pertaining to a proprietary membership share for ₱2.1 million which caused the decline in this account 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. *Other Assets and Noncurrent Accounts Receivable* accounted for 1.4%, 1.4% and 1.3% of the total assets as at December 31, 2019, 2018 and 2017, respectively. Increase in 2018 from 2017 was primarily attributable to the increase in the balance of the DSRA.

Advances to Contractors for Plant Construction
In November 2018, the Company made a down payment to a third party for the construction and installation of the new production line of the Solid New Line Project and is presented under noncurrent assets in the consolidated statements of financial position amounting to 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. The amounts corresponding to *Advances to Contractors for Plant Construction* accounted for 2.7%, 3.6% and nil of the total assets as at December 31, 2019, 2018 and 2017, respectively. Movement was due to the application of advances against progress billings for the Solid New Line 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 the Solid New Line 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.

The aggregate figures corresponding to *Property, Machinery and Equipment and Assets for the Right-of-use – Net* accounted for 33.9%, 30.6% and 32.8% of the total assets as at December 31, 2019, 2018 and 2017, respectively.

Deferred Income Tax Assets
The Company's deferred income tax assets 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. *Deferred Income Tax Assets* accounted for 1.8%, 1.3% and 2.0% of the total assets as at December 31, 2019, 2018 and 2017, respectively. 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
The Company's goodwill arose from the business combinations when the Parent Company acquired its subsidiaries in 2016. *Goodwill* accounted for 47.4%, 48.0% and 51.5% of the total assets as at December 31, 2019, 2018 and 2017, respectively.

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 mainly related to purchases of raw materials and other goods, and services provided by third parties. *Trade Payables* accounted for 8.2%, 8.5% and 4.3% of the total liabilities and equity as at December 31, 2019, 2018 and 2017, respectively. Increase in 2018 from 2017 was primarily attributable to longer payment terms with suppliers, purchase of imported clinker and cement due to the Naga Landslide, and costs related to the initial stages of the Solid New Line 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 balances of payables *Due to Related Parties* accounted for 13.8%, 9.0% and 6.2% of the total liabilities and equity 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 under the revolving facility agreement of the Company with CABV.

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. These figures accounted for 0.5%, 0.6% and 0.8% of the total liabilities and equity as at December 31, 2019, 2018 and 2017, respectively.

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. *Lease liabilities* accounted for 3.7%, 4.1% and 4.3% of the total liabilities and equity as at December 31, 2019, 2018 and 2017, respectively. Decline in 2019 from 2018 was mainly 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. These figures accounted for 1.4%, 1.2% and 1.4% of the total liabilities and equity as at December 31, 2019, 2018 and 2017, respectively.

Increase of 11.0% in 2019 as against 2018 was primarily 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 BDO Facility Agreement 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 an unamortized basis, was deducted from the total loan liability as at December 31, 2019, 2018 and 2017, respectively. Short-term portion of the bank loan amounted to ₱140.1 million 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. The balance of the bank loan *net of* debt issuance cost accounted for 19.3%, 23.5% and 25.4% of the total liabilities and equity as at December 31, 2019, 2018 and 2017, respectively.

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 ACS of the Parent Company 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. These figures accounted for

8.8%, 8.9% and 9.6% of the total liabilities and equity as at December 31, 2019, 2018 and 2017, respectively.

Additional paid-in capital
As at December 31, 2019, 2018 and 2017, the additional paid-in capital amounted to ₱22.0 billion and accounted for 37.3%, 37.8% and 40.6% of the total liabilities and equity, respectively. The considerations received in excess of the par value of shares issued are recognized in this account.

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. *Other Equity Reserves* accounted for 0.4%, 1.0% and 0.4% of the total liabilities and equity as at December 31, 2019, 2018 and 2017, respectively.

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. These figures accounted for 3.8%, 1.7% and 3.6% of the total liabilities and equity as at December 31, 2019, 2018 and 2017, respectively.

Company Performance Indicators and Liquidity

Key Performance Indicators
As of December 31, 2021, the Company tests 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, 2021, 2020, 2019 and 2018.

Key Financial Indicators	**Formula**	**2021**	**2020**	**2019**	**2018 (As restated)**
Current Ratio	Current Asset/Current Liabilities	**0.9:1**	**1.4 : 1**	**0.7 : 1**	**0.8 : 1**
Solvency Ratio	Profit + Depreciation and Amortization/Total Liabilities	**0.1:1**	**0.2 : 1**	**0.1 : 1**	**0.0 : 1**
Net debt to Equity Ratio	Debt*/Total Equity	**0.3:1**	**0.3 : 1**	**0.9 : 1**	**1.0 : 1**
Asset to Equity Ratio	Total Assets/Total Equity	**1.5:1**	**1.5 : 1**	**2.0 : 1**	**2.0 : 1**

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

Key Financial Indicators	Formula	2021	2020	2019	2018 (As restated)
Interest Rate Coverage Ratio	Operating income before other income (expenses) – net/ interest	**9.8:1**	**3.6 : 1**	**1.9 : 1**	**1.4 : 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, 2021, 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 a liquidity management program pursuant to which it invests excess liquidity and has certain flexibility to undertake borrowings (intragroup or with CEMEX Group) 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 2022

The Company has budgeted for 2022 about ₱6,210 million for capital expenditures and investments which substantially consist of the following: (i) ₱1,450 million – maintenance and other CAPEX and (ii) ₱4,760 million – the new cement production line of the Solid New Line Project. The Company expects to fund these capital expenditures through a combination of available cash from the proceeds raised during the Stock Rights Offering conducted in January 2020 and revenue or cashflow from operations, and/or loans from related parties or one or more financial institutions.

Bank Loan

On February 1, 2017, the Parent Company signed the BDO Facility Agreement with BDO for a loan amount of up to the Philippine peso equivalent of US$280 million, the proceeds of which were applied to refinance a majority of its borrowings from NSH. 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, and BDO, entered into a supplemental agreement to the BDO Facility Agreement (the "2017 Supplemental Agreement") pursuant to which it was agreed that (i) the commencement date for compliance with certain financial covenants under the BDO Facility Agreement would be on June 30, 2020; (ii) the DSRA would be created; and (iii) additional debt incurrence restrictions would 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 Consolidated EBITDA (as defined in the BDO Facility Agreement) and is measured by dividing Consolidated EBITDA by the

Consolidated Interest Expense (as defined in the BDO Facility Agreement).

On December 14, 2018, the Parent Company, together with APO Cement and Solid Cement, and BDO, entered into another supplemental agreement to the BDO Facility Agreement that provides an option, only in case of certain potential events of default occurring under the BDO Facility Agreement, for CEMEX Group, to pay all amounts outstanding under the BDO Facility Agreement before they can be declared due and payable prior to their specified maturity.

On May 17, 2019, the Company entered into an agreement with BDO to amend the BDO Facility Agreement and the 2017 Supplemental Agreement to, among other changes, (i) conform the BDO Facility Agreement with certain changes required due to PFRS 16 taking effect as of January 1, 2019, (ii) exclude from the calculation of certain financial covenants in the BDO Facility Agreement any principal and interest in an amount up to U.S.$250 million (or its Philippine peso equivalent) from certain subordinated loans and advances incurred in relation with the new cement line of the Solid New Line Project that have been made or are to be made to the Company by the CEMEX Group, and (iii) allow for certain loans taken by the Company from CEMEX Group to be paid with proceeds from any equity fundraising activity conducted by the Parent Company without having to pay a prepayment penalty to BDO under the BDO Facility Agreement. On June 26, 2020, the Parent Company, APO Cement and Solid Cement reached an agreement with BDO further amending the BDO Facility Agreement so that the Parent Company would be required to comply with certain financial covenants commencing on June 30, 2021 and not on June 30, 2020.

On August 25, 2021, BDO and the Parent Company terminated the 2017 Supplemental Agreement and BDO released the DSRA created thereunder, in accordance with the terms of the said agreement.

None of the foregoing amendments and supplements had the effect of increasing the debt level, maturity date, or interest cost under the BDO Facility Agreement.

As of December 31, 2021, 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 BDO Facility Agreement. The Parent Company may need to seek waivers, amendments and/or further supplement the BDO Facility Agreement in the future. Even though the Parent Company has been able to supplement the BDO 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 and, if obtained or entered into, that they will be obtained or entered into on terms and conditions favorable to the Parent Company.

Trends, Events or Uncertainties Affecting Recurring Revenues and Profits

COVID-19 Pandemic

The various measures imposed to date by the Philippine Government and those that could 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 COVID-19 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 emergence of COVID-19 variants ,the actions to contain the virus or treat its impact, government policy, and how quickly and to what extent normal or pre-COVID-19 economic and operating conditions can resume.

The Company implemented, and continues to implement, hygiene protocols in 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 during the COVID-19 Pandemic. 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 put further emphasis on the use of the CEMEX Go platform for a digital, contactless and/or limited contact experiences for customers, and enable additional online channels to promote engagement, manage communications and facilitate transactions with customers. 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, 2021, consolidated revenues decreased by 16.5% 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% for the years ended December 31, 2021 and 2020, respectively, , because of reduced operations but also considering the strict control of expenditures. In 2021, the Company recorded an increase in consolidated revenue by 6.0% from the previous year, due to higher volume of product sold as the Company was recovering from the adverse impact of the COVID-19 Pandemic in 2020 and supported by the easing of quarantine restrictions relevant to the Company's business and the markets that it served. In 2021, the cost of sales increased by 11.8% as compared to 2020 due to a 6.0% increase in volume sold, higher unitary cost of sales which was mainly from the purchase of additional clinker on a one-off basis to support production requirements, and higher electricity rates. The operating expenses decreased by 4.9% in 2021 compared to 2020 mainly due to lower distribution expenses resulting from lower delivered product volume (versus pick-up product volume) as well as initiatives to increase operational and cost efficiency. For the year ended December 31, 2021, additional expenses were incurred by the Company associated with measures designed to address the adverse impact of COVID-19 Pandemic amounting to ₱22.3 million and ₱22.4 million presented under "Operating expenses and cost of sales" and "Other income (expenses) - net", respectively. In 2020, the corresponding additional expenses of ₱49.7 million were presented in "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 risks to meet the Company's short-term obligations.

Other than as disclosed elsewhere in this Annual Report (SEC Form 17-A) or in the Company's Audited 2021 Consolidated Financial Statements filed as part of this Annual Report (SEC Form 17-A), the Parent Company is not aware of any trends, uncertainties, demands, commitments or events for the year ended December 31, 2021 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 Annual Report (SEC Form 17-A).

ITEM 7. FINANCIAL STATEMENTS

The Audited 2021 Consolidated Financial Statements of the Company (with consolidated statements of financial position as at December 31, 2021 and 2020, and consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2021, 2020 and 2019) and Schedules are filed as part of this Annual Report (SEC Form 17-A).

ITEM 8. INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS

(A) External Audit Fees and Services

The independent or external auditor of the Company is R.G. Manabat & Co. (the "Firm") who was reappointed as external auditor for fiscal year 2021 during the annual meeting of stockholders held on June 2, 2021.

The Firm's signing partner for the Company is Mr. Enrico E. Baluyut whose term began for the audit of 2021. He succeeded Ms. Emerald Anne C. Bagnes who was the signing audit partner since 2015. The change in the signing partner is consistent with Article 6 (A)(v) of the Parent Company's Revised Manual of Corporate Governance of March 22, 2018 (the "Manual of Corporate Governance") which provides that either (i) the external auditor shall be rotated or changed every five (5) years or earlier or (ii) the signing partner of the external auditing firm assigned to the corporation, should be changed with the same frequency.

The Firm and Mr. Baluyut both have existing and valid Certificates of Accreditations issued by the Professional Regulatory Board of Accountancy ("PRBOA") and the Philippine SEC under the Group A category. These continuing accreditations have been granted to them based on their compliance with professional and operational requirements set by the PRBOA and the SEC pursuant to the Accountancy Act 2004 and the Securities Regulation Code and their implementing rules and regulations, respectively.

The fees billed for professional services rendered to the Company by the Firm (exclusive of out-of-pocket expenses) since 2018 consisted of the following:

Nature of Work	2021	2020	2019	2018
(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	₱6,058,500
(a)(2) Other audit-related services	₱2,941,000	₱6,748,000	₱4,095,000	₱2,469,000
(b) Other non-audit related services (e.g., for tax accounting, compliance, advice, planning and other form of tax services)	₱ -	₱ -	₱ -	₱ -

In accordance with the Manual of Corporate Governance, the Audit Committee is mandated, among others, to perform oversight functions over the Parent Company's external auditors. The Audit Committee is authorized to discuss with the external auditor the nature, scope and expenses of the audit. Furthermore, the Audit Committee shall evaluate and determine the non-audit work, if any, of the external auditor, and review periodically 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. The Audit Committee has the authority to disallow any non-audit work that will conflict with the external auditor's duties as an external auditor or may pose a threat to their independence.

(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 for the year ended December 31, 2021 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 Audited 2021 Consolidated Financial Statements filed as part of this Annual Report (SEC Form 17-A).

Since the Firm's appointment, there has been no disagreement with the Company with regard to any matter relating to accounting principles or practices, financial statement disclosures or auditing scope or procedure.

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 at December 31, 2021 including directorships held in reporting companies, if any, are provided below.

Members of the Board of Directors[11]

The *independent* directors of the Parent Company are Pedro Roxas, Alfredo S. Panlilio and Eleanor M. Hilado. The *non-executive* directors of the Parent Company are Sergio Mauricio Menéndez Medina (Chairman of the Board), Antonio Iván Sánchez Ugarte and María García Villán[12]. The *executive* directors of the Parent Company are Ignacio Alejandro Mijares Elizondo (President & Chief Executive Officer) and Alejandro García Cogollos.

A. Independent Directors

Pedro Roxas. 65 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. and its operating subsidiaries, namely: Central Azucarera Don Pedro, Inc., San Carlos Bioenergy, Inc., and RHI Agri-Business Development Corporation. He is likewise the Executive Chairman of Roxas & Co., Inc. and was the company's President and CEO until 2016; the Chairman of the Philippine Sugar Millers Association (PSMA); the Vice Chairman of the ASEAN Sugar Alliance; and the President of Club Punta Fuego Inc. and Fundación Santiago. Mr. Roxas has extensive experience serving as an independent director for companies such as Manila Electric Co. ("Meralco"), Mapfre Insular Insurance Corporation, and Metro Pacific Investments Corporation. He is a board member of Brightnote Assets Corporation; and a Trustee of Philippine Business for Social Progress (PBSP) and Roxas Foundation, Inc. Mr. Roxas serves as an independent member of the Board of Directors of the Parent Company. He was initially elected to the Board of Directors on June 3, 2016 and assumed office effective from July 14, 2016. He was re-elected as independent member of the Board of Directors during the Parent Company's annual stockholders' meetings held on June 7, 2017, June 6, 2018, June 6, 2019, June 24, 2020 and June 2, 2021, respectively. Mr. Roxas is the Chairman of the Parent Company's Audit Committee and is a Member of the Nomination Committee.

Alfredo S. Panlilio. 58 years old, Filipino citizen. Alfredo S. Panlilio holds a Bachelor of Science Degree in Business Administration (Computer Information Systems) from San Francisco State University. He obtained his Master in Business Administration at J. L. Kellogg School of Management of Northwestern University and the Hongkong University of Science and Technology. He served as Senior Vice President of PLDT from May 2001 to December 2010, and he was the President of PLDT Global Corporation from June 2004 to December 2010. From September 2010 to June 2019, Mr. Panlilio was the Senior Vice President and Head of Customer Retail Services and Corporate Communications at Meralco and held designations in Meralco's subsidiaries including those involved in renewable energy, multi-channel payments processing. On July 1, 2019, Mr. Panlilio returned to PLDT as its Chief Revenue Officer of PLDT. He has been a member of the Board of Directors, President and Chief Executive Officer of PLDT since June 8, 2021 and Smart Communications, Inc. (a subsidiary of PLDT) since August 8, 2019. He is also an Advisor

[11] The list reflects the members of the Board of Directors of the Parent Company as at December 31, 2021.

[12] In its Form 17-C dated February 21, 2022, the Parent Company informed that Ms. María García Villán tendered her resignation as a member of the Board of Directors and Audit Committee effective on March 1, 2022.

of the Data Privacy and Information Security Committee, Advisor of the Governance, Nomination and Sustainability Committee, and Member of the Technology Strategy Committee of the PLDT Board of Directors. Within the PLDT Group, Panlilio holds leadership positions in subsidiaries involved in ICT, data center operations, digital banking, and more. A sports advocate, Mr. Panlilio sits as President of the MVP Sports Foundation, Second Vice President of FIBA Asia Central Board, First Vice President of the Philippine Olympic Committee and Chairman of the FIBA Basketball World Cup 2023 local organizing committee. He is also the Governor of the Meralco Bolts Team under the Philippine Basketball Association (PBA) and President of Samahang Basketbol ng Pilipinas (SBP). Mr. Panlilio is the Treasurer of the National Golf Association of the Philippines (NGAP) and Manila Golf Country Club, Inc., and a member of the Management Association of the Philippines (MAP). Mr. Panlilio is an independent director on the Board of Directors of the Parent Company. He was initially elected to the Board of Directors on June 3, 2016 and assumed office effective from July 14, 2016. He was re-elected as independent member of the Board of Directors during the Parent Company's annual stockholders' meetings held on June 7, 2017, June 6, 2018, June 6, 2019, June 24, 2020 and June 2, 2021, respectively. Mr. Panlilio is a Member of the Parent Company's Nomination Committee and the Audit Committee.

Eleanor M. Hilado. 58 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 SEC 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 spearheaded the implementation of various award-winning capital markets transactions. 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. Hilado 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' meetings on June 24, 2020 and June 2, 2021, respectively. She is a Member of the Parent Company's Audit Committee and the Chairman of the Nomination Committee.

B. Other Directors

Sergio Mauricio Menéndez Medina. 51 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 Tecnológico 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, Middle East, Africa & Asia and became a member of the Executive Committee of CEMEX. Mr. Menéndez is currently the President of CEMEX's operations in Europe, Middle East, Africa & Asia region. Mr. Menéndez serves as the Parent Company's Chairman of the Board of Directors, a position he has held since April 2, 2020. He was re-elected as a Board member during the Parent Company's annual stockholders' meetings held on June 24, 2020 and June 2, 2021, respectively, and was elected as Chairman of the Board of Directors during the organizational meetings of the Board of Directors that followed the annual stockholders' meetings.

Ignacio Alejandro Mijares Elizondo. 47 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 GCC, S.A.B. de C.V. (previously Grupo Cementos de Chihuahua, S.A.B. de C.V.) (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 appointed as the Company's President and Chief Executive Officer, a position that he continues to occupy. He was re-elected as a Board member during the Parent Company's annual stockholders' meetings held on June 6, 2018, June 6, 2019, June 24, 2020 and June 2, 2021, respectively. Mr. Mijares is also the Chairman of the Board of Directors of the following subsidiaries of the Parent Company: APO Cement, Solid Cement, Triple Dime, Edgewater, Sandstone, Bedrock, Ecocrete, Enerhiya, Ecocast, Ecopavements, and Newcrete. Mr. Mijares is the Chairman of the Board of Directors and President of CASEC 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* García *Cogollos. 47 years old, Spanish citizen. Alejandro García 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. García joined CEMEX Spain in 1999. He became the Controllership Manager of various subsidiaries of CEMEX 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 CEMEX UAE. Mr. García was initially elected as a member of the Parent Company's Board of Directors and as Vice President for Planning and Administration on April 25, 2018. He was re-elected as a Board member during the Parent Company's annual stockholders' meetings held on June 6, 2018, June 6, 2019, June 24, 2020 and June 2, 2021, respectively.

Antonio Iván Sánchez Ugarte. 51 years old, Spanish citizen. Antonio Iván Sánchez 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. Sánchez joined CEMEX as International Legal Counsel in 2001 based in Madrid, Spain. He is the Vice President of Legal in CEMEX's Europe, Middle East, Africa and Asia region. Mr. Sánchez was initially elected as a member of the

Board of Directors on December 6, 2017, which election was effective on January 1, 2018. He was re-elected as a Board member during the Parent Company's annual stockholders' meetings held on June 6, 2018, June 6, 2019, June 24, 2020 and June 2, 2021, respectively. Mr. Sánchez is a member of the Parent Company's Nomination Committee.

María García Villán. 49 years old. Spanish citizen. María García Villán 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. Following the resignation of Mr. Larry Jose Zea Betancourt from the Board of Directors and Audit Committee of the Parent Company, the Board of Directors elected Ms. García 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. She was re-elected as a Board member during the Parent Company's annual stockholders' meeting held on June 2, 2021 and was a member of the Parent Company's Nomination Committee.

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[13]

Irma D. Aure. 46 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.

Adrian V. Bancoro. 44 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 Accounting. 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 of the Company, a position he has held since February 29, 2016.

[13] The list reflects the incumbent principal executive officers of the Parent Company as at December 31, 2021. The President & CEO (Mr. Ignacio Alejandro Mijares Elizondo) and Vice President for Planning and Administration (Mr. Alejandro Garcia Cogollos) are both members of the Board of Directors; their respective information is found in the previous section. The following principal executive officers left the organization in 2021: Mr. Carlos Alberto Palero Castro resigned as Vice President of Cement Operations and Technical effective on January 7, 2021; Mr. Everardo Sánchez Banuet resigned as Vice President for Commercial (Distribution Segment) effective on September 30, 2021; and José Mauro Gallardo Valdés resigned as Director for Enterprise Risk Management effective on November 1, 2021.

Romeo Guilder Bringas. 45 years old, Filipino citizen. Mr. Bringas has a Bachelor of Science in Commerce Major in Computer Applications and Information Science from San Beda College (Mendiola, Manila). He started his career in CEMEX Philippines in 2002 and was an Area Sales Manager handling various areas and regions from Bicol, NCR, South Luzon, as well as Offshore VisMin markets. In 2018, he assumed the role of Commercial Manager for Bicol, Eastern Visayas, & South Luzon Offshore. He has attended various internal training programs including CEMEX - CONNECT Leadership Development Program, and he is also a certified Sandler Ambassador. On October 27, 2021 the Board of Directors appointed Mr. Bringas as the Company's Director for Commercial (Institutional Segment), with retroactive effect from October 15, 2021.

Pierre Ignatius C. Co, 32 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.

Christer James Ray A. Gaudiano. 38 years old, Filipino citizen. Mr. Gaudiano has a Bachelor of Arts degree major in Legal Management and a Juris Doctor degree from the University of Santo Tomas (UST). He likewise holds an international certification from Harvard University-edX Program and from the International Air Transport Association. Mr. Gaudiano is currently taking up his International Master of Laws degree with International Business and Commercial Law track at the Ateneo de Manila University. He started his career in Divina Law, and thereafter, in the Office of the Solicitor General. After that , he held various positions in the Department of Tourism from 2011 to 2016 where he last served as Regional Director for the National Capital Region and concurrently, as Deputy Chief of Staff of the Tourism Secretary. Before joining CEMEX Philippines, he was the Legal & Aero-political Affairs Director of a seaplane and general aviation company in the Philippines. He joined CEMEX Philippines in July 2018 as Legal Manager and handled transactions and projects in labor, procurement, supply chain, contracts, litigation and account receivables, and government affairs. On June 2, 2021, Mr. Gaudiano was appointed by the Board of Directors as the Company's Director of Public Affairs. Following the resignation of Mr. José Mauro Gallardo Valdés as Director for Enterprise Risk Management, the Board of Directors appointed Mr. Gaudiano as the Company's Director for Enterprise Risk Management, Corporate Communications and Public Affairs on October 27, 2021, effective from November 1, 2021.

Ma. Virginia Lacson-Del Rosario. 53 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 the evaluation transactional risks. On October 24, 2017, Ms. Del Rosario was appointed by the Board of Directors as the Company's Customer Experience Director.

Edwin P. Hufemia. 50 years old, Filipino citizen. 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 of the Parent Company: APO Cement, Solid Cement, Triple Dime, Edgewater, Sandstone, Bedrock, and a member of the Board and President of the other subsidiaries—Ecocast, Ecocrete, Enerhiya, Ecopavements, and Newcrete. Mr. Hufemia is a member of the Board of Directors of CASEC 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, Albatross Holdings, Inc., and CAC.

Roberto Martin Z. Javier, 47 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. On October 27, 2021, the Board of Directors transferred Mr. Javier to the position of Vice President for Commercial-Distribution Segment, with retroactive effect on October 15, 2021. He is also a member of the Board of Directors of the following subsidiaries of the Parent Company: APO Cement, Solid Cement, Triple Dime, Edgewater, Sandstone, Bedrock, Ecocast, Ecocrete, Enerhiya, Ecopavements, and Newcrete. Mr. Javier is also a member of the Board of Directors of CASEC, Cemex Strategic Philippines, Inc., an affiliate of the Parent Company which is in the process of winding-up, and CAC.

Erlinda Cari Lizardo. 55 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 the Company, 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 Company as Corporate Communications Director.

Santiago Ortiz García. 45 years old, Mexican citizen. Santiago Ortiz García holds a Bachelors degree in Industrial Engineering and Manufacturing Administration. He obtained his Masters degree in Occupational Risk Prevention at the Universidad a Distancia de Madrid, Spain and also a Master of Science in Production and Cement & Concrete Technology at Universidad Regiomontana, Mexico. Joining CEMEX in 1997, Mr. Ortiz' assignments exposed him to several cement production processes and he has worked in numerous cement plants within the organization. His extensive operational experience made him Production Manager holding the position for 8 years. He joined CEMEX Philippines last 2017 as Operations and Technical Manager and was promoted to Process and Quality Director for CEMEX's Asia, Middle East and Africa region in July 2019. Since January 2020, he has been the plant director of the cement plant of SOLID Cement Corporation located in Antipolo, Rizal and is responsible for the overall plant operations. On June 2, 2021, Mr. Ortiz was appointed by the Board of Directors as Director of the Solid Cement plant, Operations & Technical, reporting directly to the President & CEO.

Gery L. Rota. 47 years old, Filipino citizen. Gery L. Rota is a licensed Mechanical Engineer. He obtained his Bachelor of Science in Mechanical Engineering from the University of San Jose Recoletos. Mr. Rota completed the Cement Master Class in Monterrey, Mexico in year 2008 and the Management Development Program for Executives at the Asian Institute of Management in year 2017. Mr. Rota joined CEMEX Philippines in 1997 as a field engineer at the cement plant of APO Cement in Naga, Cebu and later assumed leadership roles of various teams in the cement operations. He became the Manager of the clinker group in year 2010 and later appointed as Production Manager. Since November 2013 to date, he is the plant director of the APO Cement plant, and is responsible for the overall plant operations. Mr. Rota has also represented CEMEX Philippines in various global networks for cement operations in CEMEX. On June 2, 2021, Mr. Rota was appointed by the Board of Directors as Director of the APO Cement plant, Operations & Technical, reporting directly to the President & CEO.

Dino Martin W. Segundo. 50 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 the Company 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 of the Parent Company: APO Cement, Solid Cement, Triple Dime, Edgewater, Sandstone, Bedrock, Enerhiya, Ecocast, and Ecopavements. He is also a member of the Board of Directors of CASEC and Cemex Strategic Philippines, Inc., an affiliate of the Parent Company which is in the process of winding-up.

Jannette Virata Sevilla. 59 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 the various subsidiaries of the Parent Company. She is a member of the Board of Directors of Solid Cement. Ms. Sevilla is also a member of the Board of Directors and the Corporate Secretary of CASEC and Cemex Strategic Philippines, Inc., an affiliate of the Parent Company which is in the process of winding-up.

Juan Carlos Soto Carbajal. 46 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[14], 47 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

[14] In its Form 17-C dated March 15, 2022, the Parent Company informed that Mr Rolando S. Valentino tendered his resignation as Internal Auditor effective on April 15, 2022.

International) before joining Solid Cement in 1997. Throughout his career of over 20 years with the Company, 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. 55 years old, Taiwanese 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 a member of the Board of Directors of Solid Cement and Ecocrete. He is also Treasurer, Chief Financial Officer and Business Services Organization Director of various subsidiaries of the Parent Company, CASEC, 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, 2021, 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, 2021, 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, 2021, 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 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.

For 2021, the total director's compensation received by each of the members of the Board of Directors is below:

Name of Board Member	Total Director's Compensation (honorarium/per diem)
1. Pedro Roxas *(lead 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 García Cogollos	0
7. Antonio Iván Sánchez Ugarte	0
8. María García Villán	0
Grand Total	₱ 1,890,000.00

The total director's compensation for 2021 did not exceed ten (10%) percent of the net income before income tax of the Parent Company during the preceding year.

(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[15] *(in millions of Philippine Pesos)*	Other Compensation *(in millions of Philippine Pesos)*
CEO and NEOs 1. Ignacio Alejandro Mijares Elizondo - President and CEO 2. Arturo Manrique Ramos - Vice President for Cement Operations & Technical 3. Alejandro García Cogollos - Vice President for Planning & Administration 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

[15] 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. Carlos Alberto Palero Castro - Vice President for Cement Operations & Technical 3. Alejandro García Cogollos - Vice President for Planning & Administration. 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 García Cogollos Vice President for Planning & Administration 5. Irma del Mundo Aure – Vice President for Human Resources & Capital Organization	Actual 2021	₱60	₱35.6	₱21.3
CEO and NEOs 1. Ignacio Alejandro Mijares Elizondo - President and CEO 2. . Edwin P. Hufemia - Vice President for Supply Chain 3. Roberto Martin Z. Javier – Vice President for Commercial-Distribution Segment 4. Irma del Mundo Aure – Vice President for Human Resources & Capital Organization 5. Juan Carlos Soto Carbajal – Procurement Director	Projected 2022	₱56.7 estimated	₱45 estimated	₱14.6 estimated
All other executive officers as a group unnamed.	Actual 2019	₱65.9	₱18.9	₱24.38
	Actual 2020	₱65.9	₱18.1	₱17
	Actual 2021	₱65.4	₱201	₱26.6
	Projected 2022	₱60.1 estimated	₱25.8 estimated	₱23.3 estimated

Certain executive officers of the Parent Company or its subsidiaries have received compensation in the form of CEMEX'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, 2021, the Parent Company has no special employment contracts with CEO and NEOs.

(4) Warrants and Options Outstanding

As of December 31, 2021, 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, 2021, 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, 2021, 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]	CEMEX ASIAN SOUTH EAST CORPORATION	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	1,028,159,964	7.63%
PCD Nominee Corporation (Filipino) [d]	PCD Participants and clients	Filipino	1,957,147,194	14.50%

[a] 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 PCD participant are the beneficial owners thereof to the extent of the number of shares registered under the respective accounts with the PCD 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 December 31, 2021 by Sergio Mauricio Menéndez Medina, Ignacio Alejandro Mijares Elizondo, Alejandro García Cogollos, Antonio Iván Sánchez Ugarte and

María García Villán, respectively. As of December 31, 2021, 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.

[d] See Note [b]

(2) Security Ownership of Management

The number of shares owned of record and/or beneficially owned as at December 31, 2021 by the current 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 S. Panlilio	Same as record owner	1,001	Filipino	nil
Common	Eleanor M. Hilado	Same as record owner	776,700	Filipino	nil
Common	Sergio Mauricio Menéndez 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)	6,397,818 (includes 1 director's qualifying share)	Mexican	nil
Common	Alejandro García Cogollos	Same as record owner (except 1 share beneficially owned by CEMEX ASIAN SOUTH EAST CORPORATION)	1,521,456 (includes 1 director's qualifying share)	Spaniard	nil
Common	Antonio Iván Sánchez Ugarte	CEMEX ASIAN SOUTH EAST CORPORATION	1 (director's qualifying share)	Spaniard	nil
Common	María García Villán	CEMEX ASIAN SOUTH EAST CORPORATION	1 (director's qualifying share)	Spaniard	nil
Common	Edwin P. Hufemia	Same as record owner	2,379,144	Filipino	nil
Common	Roberto Martin Z. Javier	Same as record owner	1,490,760	Filipino	nil
Common	Irma del Mundo Aure	Same as record owner	965,029	Filipino	nil
Common	Juan Carlos Soto Carbajal	Same as record owner	1,257,599	Spaniard	nil

(3) Voting Trust Holders of 5% or More

As of December 31, 2021, 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

Throughout 2021, CASEC retained its beneficial ownership of 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

The Parent Company entered into the Framework Agreement to avoid conflicts of interest between the Company and CEMEX Group. The Framework Agreement became effective upon commencement of trading of the Parent Company's shares on the PSE in July 2016, and may be amended by written agreement between CEMEX, CASEC and the Parent Company, provided that any amendment 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 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 Group'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 CEMEX Group) are mentioned or referenced to in the Company's Audited 2021 Consolidated Financial Statements filed as part of this Annual Report (SEC Form 17-A).

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.)[16] ("CEMEX Operaciones"), pursuant to which CEMEX Operaciones, directly or through its contractors, provides Solid Cement with various services necessary for the operation of the Solid Cement business (the "Solid Services"). 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 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. These Solid Services were previously performed by CEMEX Central, S.A. de C.V. pursuant to a certain service agreement dated June 1, 2009 entered into by Solid Cement with CEMEX Asia Pte.

[16] Pursuant to an agreement dated August 1, 2019, CEMEX Operaciones, 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.

Ltd. (through its regional headquarters in the Philippines) which agreement was terminated effective on December 31, 2017.

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, directly or through its contractors, provides APO Cement with various services necessary for the operation of the APO Cement business (the "APO Services"). 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. These APO Services were previously performed by CEMEX Central, S.A. de C.V. 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.

For 2021, the Company incurred under these services agreements service fees payable to CEMEX amounting to a total of ₱189.7 million, which accounted for approximately 0.938% of the Company's consolidated revenue.

- <u>*Trademark License Agreement and Non-Exclusive Use, Exploitation and Enjoyment of Assets License Agreement*</u>

Pursuant to separate license agreements entered into by CAR with CEMEX[17], 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.

For 2021, the Company incurred under these license agreements royalty fees payable to CEMEX amounting to a total of ₱851. 9 million, which accounted for approximately 4.03% of the Company's consolidated revenue.

[17](1) "Trademark License Agreement" between CEMEX, as Licensor, and CAR, as Licensee, effective as of January 1, 2016 (as from time to time amended and/or restated), and (2) the "Non-Exclusive Use, Exploitation and Enjoyment of Assets License Agreement" between CEMEX Research Group AG (a subsidiary of CEMEX) as Licensor, and CAR, as Licensee, effective as of January 1, 2016 (as from time to time amended and/or restated). Pursuant to a notice dated December 15, 2020, CAR was notified that CEMEX Research Group AG assigned and transferred its rights and obligations as Licensor under this Non-Exclusive Use, Exploitation and Enjoyment of Assets License Agreement to Cemex Innovation Holding Ltd. (another subsidiary of CEMEX based in Switzerland) with effect from January 1, 2021.

- *Loan Facility Agreements*

a) On November 21, 2018, Solid Cement, as borrower, entered into the Solid Expansion Agreement with CABV for a principal amount of up to US$75 million. The borrowings under the 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.

The Solid Expansion Facility Agreement was amended in February 2019, to increase the available principal amount to US$100 million. In November 2019, the Solid Expansion Facility Agreement was further amended to increase the amount available under the facility to US$160 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 the APO Operational Facility Agreement with CEMEX Hungary KFT (now CEMEX España, S.A.)[18], as lender, with a principal amount of up to US$40.0 million, which was assigned by CEMEX Hungary KFT to CABV on January 2016. In September 2017, the parties amended the APO Operational Facility Agreement 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, the 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 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;

[18] 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.

- 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.

Notably, APO Cement and Solid Cement purchase the majority of their respective limestone, pozzolan and clay requirements from ALQC[19] and IQAC[20] 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. 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 Audited 2021 Consolidated Financial Statements filed as part of this Annual Report (SEC Form 17-A).

Save for transactions with affiliated companies or other related parties of the Parent Company (including CEMEX Group) mentioned or referenced to in herein discussions or in the Company's Audited 2021 Consolidated Financial Statements filed as part of this Annual Report (SEC Form 17-A), 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

[19] 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.

[20] 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.

PART IV – CORPORATE GOVERNANCE

ITEM 13. BASIC CORPORATE GOVERNANCE POLICIES

(1) *Manual of Corporate Governance*

The Parent Company adopted its Manual of Corporate Governance on March 7, 2016. This manual was amended on October 25, 2016, May 10, 2017, February 6, 2018 and March 22, 2018. The Parent Company's policy of corporate governance is principally based on the Manual of Corporate Governance. The Manual of Corporate Governance lays down the principles of good corporate governance that are to be followed in the entire organization. The Manual of Corporate Governance 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.

There are currently three independent directors on the Board of Directors of the Parent Company namely, Eleanor M. Hilado, Pedro Roxas and Alfredo S. Panlilio. During the organizational meeting of the Board of Directors held on June 2, 2021, Mr. Roxas was designated as the Lead Independent Director, whose functions shall include, among others, serving as an intermediary between the Board Chairman and other independent directors, when necessary, and shall chair meetings among non-executive directors.

The Manual of Corporate Governance embodies the Parent Company's policies on disclosure and transparency, and mandates communication and training programs on corporate governance. The Manual of Corporate Governance further provides for certain rights of shareholders and for the protection of the interests of minority shareholders.

The Manual of Corporate Governance provides that any material amendment or revision to the provisions defining the (i) royalty/license fee or service fee, as applicable, payable to CEMEX Group 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 Group or the service agreements with CEMEX Group shall require the affirmative vote of two independent directors.

The Manual of Corporate Governance 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 of Corporate Governance. On January 30, 2019, the Board of Directors adopted a *Framework for a Self-Rating Performance System* which requires, among others, that every January of every year, separate performance assessments of the Board of Directors and the board committees shall be conducted using the criteria and rating system formalized in the questionnaires to be prepared and circulated for the performance assessments. The members of the Board of Directors and board committees completed their internal assessments for years 2018, 2019, 2020 and 2021, respectively. 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 of Directors and the board committees, the Parent Company engaged the services of an external facilitator, i.e., the Institute of Corporate Directors ("ICD"), to perform the evaluation exercise which was conducted in January through February 2021. The results of the assessment of 2020's performance, as well as the recommendations from ICD, were presented and discussed at the meeting of the Board of Directors held on April 7, 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 Board of Directors. The questionnaires are for the Board, the Committees, the Chairperson, and the Individual Directors. Meanwhile, the Individual Director Interviews allowed the directors to share their insights, comments, and ideas on how the Board of Directors 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 next externally-facilitated evaluation exercise should be conducted for the assessment of the 2023's performance of the Board of Directors and the board committees.

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

Further to the Company's commitment under the Manual of Corporate Governance to provide continuing training opportunities, the Company arranged for members of the Board of Directors[21] along with principal executive officers of the Company to attend a 4-hour corporate governance training seminar entitled "Advanced Corporate Governance Training" on November 16, 2021 which was conducted on-line by ICD.

Through the Investor Relations team and the Corporate Communications team, the Parent Company communicates with its stockholders and other stakeholders and keeps the 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 2021, the relevant conference calls and webcast presentations were held on February 15, April 30, July 30 and October 29. The Public Affairs team conducted its annual stakeholders' meetings in 2021 from November 17 to 25 with community leaders and representatives of barangays in Antipolo City, Rizal and in Naga City, Cebu, the principal areas in which the Company operates. The Public Affairs 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 development 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 in any material respect.

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

[21] Mr. Alfredo S. Panlilio, who is also a member of the Board of Directors and principal executive officer of another publicly-listed company (*PLC*), attended the 2021 in-house corporate governance training of the *PLC* held on November 12, 2021.

On June 1, 2021, the Parent Company released its Integrated Corporate Governance Report for 2020 (SEC Form I-ACGR) with the Summary of Material Related Party Transactions for 2020 and the corresponding attestation on the organization's internal audit, control and compliance system. Based on the criteria established under the Company's *Policy on Material Related Party Transactions*, the submitted Summary of Material Related Party Transactions for 2020 contained the terms and conditions of the Revolving Master Loan Facility Agreement dated March 3, 2020 between the Parent Company and Solid Cement, with the following salient features:

(i) Type/Nature of Transaction: Revolving Master Loan Facility Agreement between the Parent Company, as lender, and Solid Cement, as borrower; 7-year tenor under a revolving framework
(ii) Amount/Contract Price: Up to ₱12,725,000,000
(iii) Percentage of the Contract Price to the Total Assets of the Parent Company: 21.64% (based on total assets per audited consolidated financial statements of the Parent Company for year ending December 31, 2019)
(iv) Corporate Approvals: The transaction was approved by the Board of Directors during the board meeting held on December 5, 2019 (following the review and favorable endorsement by the Audit Committee to the Board). Board members who voted favorably for the transaction comprised all of the members who were present during the meeting and constituted more than 2/3 of the board membership, including a majority of the independent directors: Joaquín Miguel Estrada Suárez (Chairman), Pedro Roxas (Lead Independent Director), Eleanor M. Hilado (Independent Director), Ignacio Alejandro Mijares Elizondo, Alejandro García Cogollos, Antonio Iván Sánchez Ugarte.
(v) Maturity Date: March 3, 2027
(vi) Interest: Advances or borrowings under the loan facility will bear a fixed interest rate of 10.02% per annum
(vii) Subordinated Feature: The loan shall be subordinate to the BDO Facility Agreement (as supplemented), upon the occurrence of any of the events considered as an event of default under said BDO Facility Agreement.

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

The Company is bound by the Code of Ethics and Business Conduct of CEMEX ("Code") which was established to ensure that all employees, board members and other stakeholders of CEMEX and its subsidiaries worldwide abide by the same high standards of conduct in their daily interactions, including the principal executive officer, principal financial officer and principal accounting officer of CEMEX, as well as third parties, and other stakeholders. This Code is designed to govern the Company's relationships with all of its stakeholders regarding workplace safety, health, human rights, harassment, diversity and inclusion, customer relations, supplier relations, government relations, community relations, environmental responsibility, antitrust compliance, anti-corruption, preventing money laundering, data privacy and protection, conflicts of interest, gifts and hospitalities, use of CEMEX's assets, political activities, insider trading, intellectual property, communication and use of social media, and financial controls and records. 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, among others. The Code and the various implementing global policies of CEMEX are periodically evaluated and, where deemed necessary or appropriate, updated.

In 2021, the officers and employees of the Company received training on various topics governed by the Code, dedicating at least 8,877 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 officers and employees were also conducted for other functional and technical topics and focus areas.

(3) ***Material Related Party Transactions Policy***
The Company has 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 Company; (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 and applicable to the international group of companies of which the Company is a member.

The MRPT Policy requires each and every Material Related Party Transaction ("Material RPT") be approved under the following procedure:

(a) the Audit Committee shall review and evaluate the Material RPT, and endorse the same to the Board of Directors for approval; and

(b) the Material RPT shall require the approval of at least two-thirds (2/3) vote of the members of the Board of Directors, with at least a majority of the independent directors voting to approve the Material RPT.

A Material RPT means any Related Party Transaction individually, or set of Related Party Transactions in aggregate over a twelve (12)-month period with the same Related Party, which meets the Materiality Threshold defined as at least ten percent (10%) of the Company's total consolidated assets, based on its latest audited financial statement. In the event that the vote of a majority of the independent directors is not secured, the Material RPT may be ratified by the vote of the stockholders representing at least two- thirds (2/3) of the outstanding capital stock of the Parent Company. For aggregate Related Party Transactions within a twelve (12)- month period with the same Related Party that reaches the Materiality Threshold, the review and approval requirement above-described is required for the Related Party Transaction/s.

Material changes in the terms and conditions of a Material RPT shall be reviewed and must be approved in accordance with the same procedure above described. Material changes shall include, but are not limited to, changes in the price, interest rate, maturity date, payment terms, commissions, fees, tenor and collateral requirement of the Material RPT. Transactions meeting the Materiality Threshold that were entered into with an unrelated party that subsequently becomes a Related Party are excluded from the special review and approval process; however, any alteration to the terms and conditions, or increase in exposure level, related to these transactions after the non-related party becomes a Related Party shall require the special review and approvals.

In 2021, the Company did not enter into or execute any new Material RPT.

(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 2, 2021, 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 María García Villán[22].

The members of the Audit Committee and the Board of Directors of the Parent Company are informed about the internal controls and procedures 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) provide 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 2, 2021, the Board of Directors appointed the following board members as members of the Nomination Committee: Eleanor M. Hilado (Chairman), Pedro Roxas, Alfredo S. Panlilio and Antonio Iván Sánchez Ugarte.

ITEM 14. SUSTAINABILITY REPORT

The Company's Sustainability Report for 2021 is attached as an integral part of this Annual Report (SEC Form 17-A).

[22] Ms. García resigned as Member of the Board of Directors and the Audit Committee effective on March 1, 2022. During a meeting on April 7, 2022, the Board of Directors elected Mr. Francisco Javier García Ruiz de Morales as a member of the Board of Directors and member of the Audit Committee at a meeting where all remaining board members were present.

ITEM 15. ATTENDANCE OF DIRECTORS IN 2021

Members of the Board of Directors	Date of Election [initial date / re-election date(s)]	No. of **Board** Meetings Held during the Director's effective tenure in 2021	No. of **Board** Meetings Attended
Sergio Mauricio **Menéndez** Medina (Chairman)	2 April 2020/24 June 2020/2 June 2021	7	7
Pedro **Roxas (Lead Independent Director)**	3 June 2016 /7 June 2017/ 6 June 2018/ 9 June 2019/24 June 2020/2 June 2021	7	7
Alfredo S. **Panlilio** (Independent Director)	3 June 2016 /7 June 2017/ 6 June 2018/ 6 June 2019/24 June 2020/2 June 2021	7	5
Eleanor M. **Hilado (Independent Director)**	6 June 2019/24 June 2020/ 2 June 2021	7	7
Ignacio Alejandro **Mijares** Elizondo	4 July 2017/6 June 2018 / 6 June 2019/ 24 June 2020/ 2 June 2021	7	7
Alejandro **García** Cogollos	25 April 2018/ 6 June 2019/ 24 June 2020/ 2 June 2021	7	7
Antonio Iván **Sánchez** Ugarte	6 December 2017 (effective on 1 January 2018)/ 6 June 2018/6 June 2019/ 24 June 2020/ 2 June 2021	7	7
María **García** Villán	2 December 2020/ 2 June 2021	7	6

Members of the Audit Committee	No. of Audit Committee Meetings Held during the Member's tenure in 2021	No. of Committee Meetings Attended
Pedro **Roxas** (Chairman)	6	6
Alfredo S. **Panlilio**	6	4
Eleanor M. **Hilado**	6	6
María **García** Villán	6	6
Members of the Nomination Committee	**No. of Nomination Committee Meetings Held during the Member's tenure in 2021**	**No. of Committee Meetings Attended**
Eleanor M. **Hilado** (Chairman)	1	1
Pedro **Roxas**	1	1
Alfredo S. **Panlilio**	1	1
Antonio Iván **Sánchez** Ugarte	1	1

During the meeting of the Board of Directors held on December 13, 2021, the preliminary calendar of meetings of the Board and Board Committees for 2022 was presented and discussed. The calendar was prepared taking into account the feedback received from the directors and would be subject to changes depending on contingencies affecting the availability of any of the directors.

PART V - EXHIBITS AND SCHEDULES

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

(a) Exhibits

A -Audited 2021 Consolidated Financial Statements of the Company (with consolidated statements of financial position as at December 31, 2021 and 2020, and consolidated statements of comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2021, 2020 and 2019) and Schedules

B -Audited 2021 Separate Financial Statements of the Parent Company (with separate statements of financial position as at December 31, 2021 and 2020, 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, 2021 and 2020).

C - SEC Form 17-Q for Quarter Ended March 31, 2021 (1^{st} Quarter 2021)

D - SEC Form 17-Q for Quarter Ended June 30, 2021 (2^{nd} Quarter 2021)

E - SEC Form 17-Q for Quarter Ended September 30, 2021 (3^{rd} Quarter 2021)

(b) Reports on SEC Form 17-C

List of Disclosures under SEC Form 17-C for the period from January 1, 2021 to December 31, 2021:

SUBJECT MATTER	DATE
Update on APO Cement's Plant in Naga, Cebu	December 23, 2021
Update on Solid Cement's New Line Project	December 7, 2021
Use of SRO Proceeds with Letter to PSE – 52^{nd} Report	December 3, 2021
Use of SRO Proceeds with Letter to PSE – 51^{st} Report	November 8, 2021
Use of SRO Proceeds with Letter to PSE – 50^{th} Report	November 3, 2021
Investors' Briefing Materials for 3^{rd} Quarter 2021	October 29, 2021
Organizational Changes	October 27, 2021
Notice of Investors' Briefing for 3^{rd} Quarter 2021	October 22, 2021
Use of SRO Proceeds with Letter to PSE – 49^{th} Report	October 19, 2021
Use of SRO Proceeds with Letter to PSE –Quarterly Progress Report 3Q2021	October 15, 2021
Use of SRO Proceeds with Letter to PSE – 48^{th} Report	October 6, 2021
Use of SRO Proceeds with Letter to PSE – 47^{th} Report	September 20, 2021
Use of SRO Proceeds with Letter to PSE – 46^{th} Report	September 16, 2021
Use of SRO Proceeds with Letter to PSE – 45th Report	September 10, 2021
Resignation of Vice President for Commercial (Distribution Segment)	September 8, 2021
Use of SRO Proceeds with Letter to PSE – 44th Report	August 27, 2021
Use of SRO Proceeds with Letter to PSE – 43^{rd} Report	August 23, 2021
Use of SRO Proceeds with Letter to PSE – 42^{nd} Report	August 9, 2021
Use of SRO Proceeds with Letter to PSE – 41^{st} Report	August 2, 2021
Investors' Briefing Materials for 2^{nd} Quarter 2021	July 30, 2021
Notice of Investors' Briefing for 2^{nd} Quarter 2021	July 23, 2021
Use of SRO Proceeds with Letter to PSE – 40^{th} Report	July 15, 2021
Use of SRO Proceeds with Letter to PSE –Quarterly Progress Report 2Q2021	July 14, 2021
Use of SRO Proceeds with Letter to PSE – 39th Report	July 13, 2021
Use of SRO Proceeds with Letter to PSE – 38th Report	July 9, 2021
Use of SRO Proceeds with Letter to PSE – 37th Report	June 30, 2021
Use of SRO Proceeds with Letter to PSE – 36th Report	June 29, 2021
Use of SRO Proceeds with Letter to PSE – 35th Report	June 28, 2021
Use of SRO Proceeds with Letter to PSE – 34th Report	June 17, 2021
Use of SRO Proceeds with Letter to PSE – 33rd Report	June 11, 2021

Results of the Organizational Meeting of the Board of Directors	June 2, 2021
Results of the Annual Meeting of Stockholders	June 2, 2021
Use of SRO Proceeds with Letter to PSE – 32nd Report	May 12, 2021
Use of SRO Proceeds with Letter to PSE – 31st Report	May 7, 2021
Use of SRO Proceeds with Letter to PSE – 30th Report	April 30, 2021
Investors' Briefing Materials for 1st Quarter 2021	April 30, 2021
Notice of Investors' Briefing for 1st Quarter 2020	April 23, 2021
Amendment to Investors' Briefing Materials for 4th Quarter 2020	April 22, 2021
Use of SRO Proceeds with Letter to PSE – 29th Report	April 20, 2021
Use of SRO Proceeds with Letter to PSE – 28th Report	April 16, 2021
Use of SRO Proceeds with Letter to PSE –Quarterly Progress Report 1Q2021	April 14, 2021
Use of SRO Proceeds with Letter to PSE – 27th Report	April 12, 2021
Use of SRO Proceeds with Letter to PSE – 26th Report	April 7, 2021
Use of SRO Proceeds with Letter to PSE – 25th Report	March 31, 2021
Use of SRO Proceeds with Letter to PSE – 24th Report	March 30, 2021
Use of SRO Proceeds with Letter to PSE – 23rd Report	March 10, 2021
Use of SRO Proceeds with Letter to PSE – 22nd Report	March 2, 2021
Use of SRO Proceeds with Letter to PSE – 21st Report	February 23, 2021
Amendment of BOI Approval for SOLID's New Line	February 22, 2021
Investors' Briefing Materials for 4th Quarter 2020	February 15, 2021
Use of SRO Proceeds with Letter to PSE – 20th Report	February 11, 2021
Notice of Annual Meeting of Stockholders for 2021	February 10, 2021
Use of SRO Proceeds with Letter to PSE – 19th Report	February 10, 2021
Use of SRO Proceeds with Letter to PSE - 18th Report	February 8, 2021
Notice of Investors' Briefing for 4th Quarter 2020	February 5, 2021
Use of SRO Proceeds with Letter to PSE - 17th Report	January 25, 2021
Use of SRO Proceeds with Letter to PSE - 16th Report	January 18, 2021
Use of SRO Proceeds with Letter to PSE – Quarterly Progress Report 4Q2020	January 15, 2021
Amendment of 13th Report on Disbursement of SRO Proceeds	January 14, 2021
Amendment of 10th Report on Disbursement of SRO Proceeds	January 14, 2021
Use of SRO Proceeds with Letter to PSE - 15th report	January 8, 2021
Resignation of Vice President for Cement Operations and Technical	January 7, 2021

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code, this Annual Report (SEC Form 17-A) for 2021 is signed on behalf of CEMEX HOLDINGS PHILIPPINES, INC. by the undersigned, thereunto duly authorized, in the City of Makati on APR 2 1 2022.

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

MAKATI CITY

SUBSCRIBED AND SWORN to before me on APR 2 1 2022 in Makati City, Metro Manila, affiant(s) exhibiting to me the following documents:

NAMES	IDENTIFICATION DOCS	PLACE/DATE OF ISSUE
Ignacio Alejandro Mijares Elizondo	[redacted]	[redacted]
Steve Kuansheng Wu	[redacted]	[redacted]
Jannette Virata Sevilla	[redacted]	[redacted]

Doc. No. 137;
Page No. 27;
Book No. 99;
Series of 2022.

ATTY. JOSHUA P. LAPUZ
Notary Public Makati City
Until Dec. 31, 2023
Appointment No. M-019-(2022-2023)
PTR No. 8852510 Jan. 3, 2022 / Makati
IBP Lifetime No. 04897 Roll No. 45790
MCLE Compliance No. VI-0016565
G/F Fedman Bldg., 199 Salcedo St.
Legaspi Village, Makati City

CEMEX HOLDINGS PHILIPPINES, INC. (CHP) SUSTAINABILITY REPORT 2021

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 building materials 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, 2021 – December 31, 2021
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. 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

At CEMEX HOLDINGS PHILIPPINES (CHP), we have defined a series of steps to determine which Sustainability topics are most relevant 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 have 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 have 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 in which we have operations 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 have identified relevant impacts to the economy, environment, and society. We also highlighted key impacts relevant to the sustainable development issues we previously identified. 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 impact 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. 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. In cement, for tonner bags packaging and bulk loading, the material is extracted directly from the cement silo. In either case, it can be transported via trucks or vessels thru the port facilities.

Additionally, 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 early 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 our stakeholder feedback that has been collected 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

Table 1

DISCLOSURE	AMOUNT (in thousands)	CURRENCY
Direct Economic Value Generated (Revenue and Other Income)	20,940,328	PhP
Direct Economic Value Distributed:		
a. Operating Costs and Other Expenses	15,689,274	PhP
b. Employee Wages and Benefits	1,244,710	PhP
c. Interest Payments to Loan Providers	618,665	PhP
d. Taxes to Government	638,929	PhP
e. Investments to Community (e.g. Donations, CSR)	3,822	PhP

Total Economic Value Distributed = 18.2 B PhP or 87% 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	75%	%

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 impact 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 2021, we estimate that we more than 20.9 B PhP of economic value. 18.2 B PhP or 87% 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 2021, around 75% of our revenue (15.7 B PhP) flowed to our suppliers of goods and services, some SMEs, whose economic activities also support their own employees and suppliers. Also, around 75% 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 contributes to their ability to provide social services to its citizens. In 2021, we paid around 638.9 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 could be impacted by various risks. Thus, we take an effort to systematically identify these risks, understand its implications to our business, look that they are adequately managed and mitigation plans are define. Among the risks are the following:

Table 3

KEY BUSINESS RISKS	DESCRIPTION
High Dependence of Business to Philippine Economic Performance	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. 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 occur. Any deterioration of the economic environment in the Philippines could materially and 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 and spread of the disease. The effects of the COVID-19 Pandemic and/or any other infectious disease, which cannot be easily predicted, could materially and adversely affect the Company's business, prospects, financial condition and results of operations.
A Reduction or Delay in Public or Private Construction Projects	The Company's principal business is reliant on public and private construction activity in the Philippines. Significant interruptions or delays in, or the termination of, public or private construction projects may materially and 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 with Restrictive Terms	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. All of this could materially and adversely affect the Company's business, prospects, financial condition and results of operations.
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. 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.
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 and policy changes 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, typhoons, or other natural calamities, communal unrest or acts of terrorism, may disrupt our operations, damage our cement plants, inventories and could materially and 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. All of this could materially and adversely affect the Company's business, prospects, financial condition and results of operations.
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. These fluctuations could increase the Company's cost of capital and, in turn, materially and adversely affect the Company's business, prospects, financial condition and results of operations.
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 materially and adversely affected by regulations applicable to it or to 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 aiding an equitable flow of economic value to our stakeholders. The aforementioned risks, as well as the other 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, 2021 filed to the SEC (the "2021 Annual Report"), are not the only risks we face, and any of the risks described above and in the 2021 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

At CEMEX HOLDINGS PHILIPPINES we have put in place an Enterprise Risk Management (ERM) framework to maximize the sustainable value creation to our stakeholders. This proactive and structured approach aims to prevent and/or minimize the impact of potential risks and capitalize on opportunities.

It provides a structured approach designed to manage all important risks including, but not limited to, 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 designed to 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 and review of local, regional, and international news and economic information from traditional and non-traditional sources. • Monitoring of public and private construction information from publicly available sources.	• 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 and its variants. • Monitoring of official statements and news releases made by World Health Organization (WHO), Centers for Disease Control and Prevention (USA),the Department of Health (Philippines), and other reputable research groups.	• 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 • Promotion of the importance of vaccination and booster shots employees, contractors, community, and clients.

		• 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 from traditional and non-traditional sources • Monitoring of public and private construction information from publicly available sources.	• 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 from traditional and non-traditional sources • Monitoring of public and private construction information from publicly available sources. • 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 from publicly available sources. • 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 Corporate Headquarters' 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	• Adopting high health and safety standards 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 to identify recurring root

	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 • Conduct of Operational Risk Management Assessment	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 • Enforcement 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 promotion 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

		• Incorporation of compliance-related initiatives in the management of third parties

Approaches to Optimize our Economic Impacts

We continue to strive 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 are designed 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 may affect 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 2021, 87% 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 aim to offer inclusive employment opportunities to local community members. Whenever possible, we aim to 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 strive to 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 look to 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 203% 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's 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 external tax advisory firms. This combined external and internal tax-related knowledge and capability help ensure that the Company is timely 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 engage qualified tax advisors who expressly abide by our Anti-Bribery policies and who themselves have established their own anti-bribery controls. We have in place 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 advisor, 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 agreed with the tax consultants prior to the start of engagement. Finally, in instances where we have engaged tax advisors to represent us in tax audit cases, there is no success-fee based remuneration for advisors.

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, health and safety needs, as well as livelihood programs which create economic opportunities for the community.

Opportunities and Management Approach

While we have put in place measures designed 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 applicable to ourselves. As a management approach, we 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 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 75% of our revenue flows to our supplier of goods and services.

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 materially and 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.

In mid-December 2021, Typhoon Odette (International name: Rai) struck the central and southern part of the Philippines and disrupted the Company's operations in Cebu. While APO Cement's facilities experienced property damage due to Typhoon Odette, major plant equipment did not sustain damage. APO Cement's manufacturing plant was operational after the typhoon, but sales volumes were adversely impacted due to recovery efforts and infrastructure damage. Furthermore, the Company incurred inventory losses and incremental production and selling and administrative costs and expenses.

Climate-related 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.

Refer to section on "AIR EMISSION – GREENHOUSE GASES (GHG)" in this report for more information on our climate action programs.

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	57[2]	%

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 2021, we did not identify any incidence of corruption. This was determined by reviewing our records consisting of 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 could be subject to corruption risks. Hence, employees involved in such functions receive training on anti-corruption and anti-bribery policies, including third parties who interact with the Company's employees.

[2] *In 2021, 429 out of 759 employees (57%) 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 CEMEX's Code of Ethics and Business Conduct (our "Code"). It expressly declares that CEMEX rejects all forms of corruption. It is designed to govern our relationships with all of the Company'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 shall not 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. Before dealing with any third party, the Company must first analyze if it is reputable, confirm it has agreed to comply with our Code, 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 and CEMEX'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. The Company's Legal Department reviews contracts and agreements with any third party. If the Company requires material deviations therefrom, these are to be reviewed by its 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 party to disciplinary action.

Detection and Action. Our Code describes the process for investigating any potential violations of our Code, including its implementing policies like the CEMEX Global 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 intend to 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, including third parties, 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, so 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, we determine and implement consequences if our Code 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

<table>
<tr><th>INPUT RESOURCES</th><th>PROCESSES</th><th>ENVIRONMENTAL IMPACT</th></tr>
<tr><td rowspan="2">Materials
• Limestone
• Clay
• Pozzolan
Energy
• Liquid Fuel</td><td>1. Quarrying of Raw Materials
Note: This process is carried out by a third-party supplier.</td><td>• Biodiversity
• Fugitive Dust Emissions
• Noise
• Vibration</td></tr>
<tr><td>2. Transporting the Raw Materials
Note: This process is carried out by a third-party supplier.</td><td>• Fugitive Dust Emissions from Hauling
• Emissions from Truck Exhaust</td></tr>
<tr><td>Materials
• Limestone
• Clay
• Pozzolan
• Alternative Raw Material
Energy
• Electricity</td><td>3. Crushing</td><td rowspan="3">• Dust and Gas (SO_x, NO_x) Emissions
• Noise</td></tr>
<tr><td>Materials
• Mixed Grade Limestone
• Pyrite /Iron Concentrate
Energy
• Electricity</td><td>4. Pre-homogenization</td></tr>
<tr><td>Materials
• Mixed Grade Limestone
• Pyrite /Iron Concentrate
• Mineralizers
• Decarbonated Raw Materials
• Alternative Raw Material
• Water (cooling)
Energy
• Electricity</td><td>5. Raw Material Grinding</td></tr>
<tr><td>Materials
• Fine Raw Meal
Energy
• Electricity</td><td>6. Raw meal Homogenization</td><td>• Dust and Gas (SO_x, NO_x) Emissions</td></tr>
</table>

Materials • Kiln Feed • Water (cooling and dust management) Energy • Primary Fuels • Alternative Fuels • Electricity	7. Calcination	• CO2 Emissions • Major Air Emissions (mainly SO_x, NO_x and dust) • Noise
Material • Clinker • Gypsum • Alternative Raw Material • Water (cooling and dust management) Energy • Electricity	8. Cement Milling	• Dust and Gas (SO_x, NO_x) Emissions • Noise
Materials • Cement • Cement Bag Energy • Liquid Fuel • Electricity	9. Cement Packaging 10. Cement Delivery	• Dust and Gas (SO_x, NO_x) Emissions • Cement Sweeping • Hardened Cement

The following sections provide CHP’s 2021 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[3]	Units	Quantity in GJ	
Energy Consumption (Bunker Fuel)	5,762	K li	232,316	Cement Production, Power Generation
Energy Consumption (Diesel)	16,950	K li	348,691	Power Generation
Energy Consumption (Special Fuel Oil)	7,329	K li	189,039	Cement Production
Energy Consumption (Primary Fuels)	314,215	t	8,912,781	Cement Production
Energy Consumption (Alternative Fuels)[4]	138,859	t	3,570,185	Cement Production
Energy Consumption (Electricity)	495,891	MWh	1,785,207	Cement Production

Reduction of Energy Consumption

During the year, we implemented initiatives in our cement plants to improve our energy efficiency. This resulted in reductions 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 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. **Thermal efficiency in our kiln.** 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 9,567 GJ of energy and avoided 4,061 tCO2e.

3. **Reduction in specific power consumption.** Increasing efficiency through optimization of operational parameters, use of grinding aids, and maintenance to support condition of equipment. As a result, we saw savings in certain equipment amounting to a total of 6,118 MWh of power and avoided 7,004 tCO2e.

[3] *This consumption covers operations owned and controlled by CHP and does not include supply chain consumption.*
[4] *Includes fossil-based waste*

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	EQUIVALENT GHG REDUCTION (in tCO_2e)
Thermal efficiency in our kiln (Fuel)	9,567 GJ	4,061
Reduction in specific power consumption (Electricity)	6,118 MWh	7,004

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 to keep our emissions within regulatory compliance.

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 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 third-party audit firm.

Opportunities and Management Approach

We continue to aim to improve the frequency and extent of data we 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 would also provide immediate feedback on operational settings that is intended to yield 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[5]		
• Renewable[6]	-	-
• Non-renewable		
Main Raw Materials[7]	9,599,964	T
Recycled/Alternative Raw Materials[8]	898,199	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 could 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 customarily 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 strive to recognize and anticipate risks relevant to these hazards that could disrupt operations and cause damage to the facilities. We look for our suppliers to put procedures in place designed to deal with these hazards have been put in place by our suppliers in order to mitigate their

[5] *Additives included in Recycled/Alternative Raw Materials*
[6] *Cement is the basic ingredient of concrete. Concrete can be recycled as aggregate for other applications, including as a base material or in the production of ready-mix concrete, helping to avoid carbon emissions and costs associated with its disposition, or with the extraction and transport of raw materials.*
[7] *Main Raw Materials considered are conventional Raw Materials used for Clinker and Cement Production*
[8] *Recycled/Alternative Raw Materials considered are non-conventional Raw Materials used for Clinker and Cement Production*

impacts. Company-wide drills are conducted to ensure employees know what to do in case any of these hazards occur.

We recognize that the extraction of raw materials has inherent impacts on 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. We have been working with our principal raw material suppliers, i.e. Island Quarry and Aggregates Corporation and APO Land & Quarry Corporation, to put in place measures to ensure responsible quarry operations on their part. We have worked, and continue to work, with our suppliers as they undergo their respective certification processes for Integrated Management System (IMS) in accordance with ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018. We actively monitor their compliance with applicable regulatory requirements. 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 are 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 done in the mine sites to manage dust.

Beyond the quarry sites of our third-party suppliers, we look for 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 work on to reduce clinker factor includes:

1. Use of CEMEX-patented admixture to substitute 6% of clinker without compromising strength and quality.

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. This is done in coordination with CEMEX's Global R&D department.

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 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	 42.1	 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 precautions designed to ensure that there be no harm in the biodiversity of 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 21,050 trees were planted from the year habitat restoration have started up to the year 2021. 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 in order to restore biodiversity. 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 regularly 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	1,582,878	Cubic meters
Water Consumption	1,574,814	Cubic meters
Water Recycled and Reused	13, 632	Cubic meters

Effluents

Table 13

DISCLOSURE	QUANTITY	UNITS
Total Volume of Water Discharges	8,064	Cubic meters
Percent of Wastewater Recycled[9]	2.06	%

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 Cement's cement plant (Solid Plant) obtains its water from the water utility serving the location, who also sources surface water from Angat Dam. APO Cement's cement plant (Apo Plant) sources water from six 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 six 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.

[9] *Number is based on APO 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 are evaluating an investment in a rainwater catchment basin for APO Plant which can store a significant amount of water to augment our water needs and reduce our dependence from our deep wells. We have conducted a study for the proposed pilot project of around 10,944 square meter area. Reduction of deep well operations saves both electricity and ground water withdrawal. Natural source of water is preserved and contained in a water basin. This is used in the water sprinkling of the roads.

AIR EMISSION – GREENHOUSE GASES (GHG)

Table 14

DISCLOSURE	QUANTITY	UNITS
Direct (Scope 1) GHG Emissions	3,010,760	tCO2e
Energy indirect (Scope 2) GHG Emissions[10]	413,315	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)	5,762	K li	77.4 kg CO2/GJ	17,981
Energy Consumption (Diesel)	16,950	K li	74.1 kg CO2/GJ	25,838
Energy Consumption (Special Fuel Oil)	7,329	K li	77.4 kg CO2/GJ	14,632
Energy Consumption (Primary Fuels)	314,215	t	96.0 kg CO2/GJ	999,274
Energy Consumption (Alternative Fuels)	138,859 [11]	t	69.6 kg CO2/GJ[12]	248,490
Energy Consumption (Electricity)	495,891	MWh	APO: 0.887 tCO2e/MWh Solid: 0.97 tCO2e/MWh	413,315 [13]

GHG EMISSIONS

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

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.

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.

Consistent with the priorities of CEMEX, we believe that climate change is one of the biggest challenges of our time and support 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

[10] *This is based on external power consumption of APO Plant and Solid Plant.*
[11] *Includes fossil-based waste*
[12] *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.*
[13] *CO2 emissions stated only includes Scope 2, that is, the CO2 of the external power consumption.*

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.

Globally, CEMEX launched its climate action program, called “Future in Action”, in the second quarter of 2021, to significantly reduce its carbon footprint. Together with its goal to be Net-Zero CO2 in concrete by 2050, CEMEX announced updated targets to reduce CO2 emissions per ton of cement by 35 percent in 2025 and more than 40 percent in 2030 compared to CEMEX’s 1990 baseline.

CEMEX’s 2030 global carbon emissions targets were validated by the Science Based Targets initiative according to the Well Below 2 Degree Celsius Scenario, the most ambitious pathway currently available to our industry.

Aligned to its Future in Action campaign, CEMEX joined The Race to Zero initiative, a global effort backed by the United Nations by which governments and the private sector come together to create a carbon neutral economy by 2050.

CEMEX is a founding member of the World Economic Forum's "First Movers Coalition". This initiative unites leading companies to foster demand for cutting-edge climate action technology.

The Company is doing its part to reduce CO2 emissions in our operations and support CEMEX’s goals.

Management Approach for Impacts and Risks

We believe that the transition to a low-carbon economy requires a combination of different pathways. 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. Extend 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. **Develop novel types of cement.** In 2021, we launched "Vertua®", CEMEX's family of sustainable products, giving our customers high-quality eco-friendly alternatives. These products have less clinker content, which helps us deliver on our promise of providing sustainable products and achieving reductions in CO2, reducing carbon emissions by at least 15-40% compared with the Global Cement and Concrete Association's baseline for regular Ordinary Portland Cement. For the year, we produced low carbon cements which had an equivalent GHG avoidance of 28,530 tCO2e.

2. **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 helps reduce the energy and carbon footprint of producing a metric ton of cement. In 2021, our Solid Plant and APO Plant achieved operational milestones related to clinker factor reduction. These efforts resulted in energy savings of 176,555 GJ and 45,968 tCO2e avoidance for the year.

3. **Optimize our energy efficiency.** Refer to previous section on "RESOURCE MANAGEMENT – ENERGY" in this report for more information.

4. **Increase use of alternative fuels (AF).** CHP contributes to the circular economy through the co-processing of plastics and inorganic waste. We actively collaborate with local governments, organizations, and communities to help with one of society's most pressing issues: waste management. The ability of cement plants to use waste as alternative fuel not only reduces fossil fuel consumption, it also reduces the amount of waste deposited in landfills where it produces methane, a greenhouse gas that is 80 times more harmful to the environment than CO2. We have been recycling more waste than we have generated in our operations.

   During the third quarter of 2021, our Solid Plant was recognized by the Department of Environment and Natural Resources for its "Small Scale – Waste to Energy for Co-processing of Residual Wastes".

   CHP optimizes its fuel mix with available alternative fuels such as refuse-derived fuel, waste rubber tires, waste plastics, rice husk, among others. The use of AF reduces GHG emissions from the displacement of coal needed to fire the kilns. In 2021, about 39.4**%** of the fuel used in Solid Plant kilns is sourced from AF, while in APO, AF used accounts for 21.6%. On the average, AF use is at 27.9%. In 2021**,** about 60,956 tCO2e have been avoided as a result of AF.

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. The Company has entered into a similar arrangement with SINOMA to implement a second waste-heat-to-energy facility in APO Plant with a rated capacity of 4.5 megawatts by 2022.

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	EQUIVALENT CARBON REDUCTION (in tCO2e)
Develop novel types of cement	105,650 GJ	28,530
Extensive use of traditional and innovative clinker substitutes	176,555 GJ	45,968
Increase use of Alternative Fuels (AF)	n/a	60,956

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 lower environmental impact. We aim to have 100% of our cement sales under our Vertua® line of products in 2021. We look to further increase our use of alternative fuels and search for more suppliers of waste we can use in our fuel mix. These wastes could include refuse-derived fuel, industrial waste, rice husk & biomass, hazardous waste, and treated & processed medical waste. We are exploring opportunities to source part of our power requirement from solar energy. We continue evaluating the use of alternative raw materials for clinker production.

AIR EMISSION – POLLUTANTS

Table 17

DISCLOSURE	QUANTITY (Concentration)	UNITS	ABSOLUTE QUANTITY	UNITS
NO_x	211	mg/Nm^3	569	t
SO_x	23	mg/ Nm^3	143	t
Persistent organic pollutants (POPs) – Dioxins and Furans	0.0021	$ng/TEQ/ Nm^3$	-	t
Volatile organic compounds (VOCs)	41	mg/ Nm^3	2	t
Hazardous air pollutants (HAPs) - Benzenes	0.13	mg/ Nm^3	0.00001	t
Particulate matter (PM)	85	mg/ Nm^3	145	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 practices that we regularly execute 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. Seeking 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 existing regulations across its operations. The Company observes a protocol to shut-down operations and implement corrective action in cases of exceedance of emission limits.

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 could further improve our ability to contain air pollutants.

WASTE MANAGEMENT

Solid Waste

Table 18

DISCLOSURE	QUANTITY	UNITS	% SHARE
Total solid waste generated	871,972	kg	100%
• Reusable / Recyclable	814,246	kg	93.38%
• Composted	9,695	kg	1.11%
• Co-processed	48,031	kg	5.51%
• Residuals/Landfilled	0	kg	0%

Hazardous Waste

Table 19

DISCLOSURE		QUANTITY (in kg)		
HW No.	**Hazardous Waste Generated in 2021**	**APO**	**SOLID**	**TOTAL**
I101	Used Oil	41,791	45,400	87,191
I101	Sludge (Oil/Water Mixture)	20,119	16,611	36,730
I102	Used Vegetable Oil	595	75	670
I103	Tallow	-	265	265
I104	Oil Contaminated Materials (Oily Rags, Oil Filter, Oil Separator, Spill Mat, Eco Drain)	569	4,134	4,703
D402	LED Fluorescent Bulbs / Tubes	76	-	76
D406	Used Lead Acid Batteries	91	25	116
D407	Fluorescent Bulbs / Tubes	4	4	8
D407	Mercury (Liquid) and Mercuric Chloride Powder	2	2	4
F601	Solvent	-	1,085	1,085
F603	Ink Formulation	-	233	233
G704	Free Lime Washings / Filter Paper from Free Lime	879	-	879
H802	Used Grease	5,116	11,404	16,520
J201	Contaminated Containers (Empty IBCs/ Empty Chemical Gallons / Paint Cans)	9,724	6,379	16,103
M501	Pathological Waste (Clinic Waste and PPEs and Used Face Mask)	75	4,740	4,815
M506	Waste Electrical/Electronic Equipment	-	4,174	4,174
Total weight of Hazardous Waste Generated		**79,041**	**94,531**	**173,572**
Total weight of Hazardous Waste Transported[14]		**19,912**	**36,790**	**56,702**
Total weight of Hazardous Waste Co-processed		**50,470**	**0**	**50,470**
Total weight of Hazardous Waste on Storage		**8,659**	**57,741**	**66,400**

[14] *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.*

WASTE MANAGEMENT

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

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 procure that 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 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 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 intend to encourage our employees to use more reusable items and stay away from disposables. We expect to study how to shift to recyclable packaging to reduce the residual component of our wastes that end up in landfills. Increasing use of recyclables could 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 2021, APO received a Notice of Violation (NOV) from the Department of Environment and Natural Resources - Environmental Management Bureau for Region 7 (EMB7). The notice was served seeking clarification about a possible non-conformity in relation to the emission of pollutants (PM-10) that are not compliant with the applicable ambient air quality standard. A technical conference was conducted last October 6, 2021 and a resolution letter was issued by EMB7 stipulating that the Notice of Violation dated September 21, 2021 is RECONSIDERED and SET ASIDE, without prejudice to future monitoring of the company's compliance to the terms and conditions of its ECC and all environmental laws, rules and regulations. 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. Lists laws and regulations applicable to the Company and is reviewed and updated every May and November of the year.

2. A Matrix of Permit Conditions. Lists conditions provided in permits and is reviewed twice a year along with the Matrix of Compliance Obligations.

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

4. Incidence, Non-Conformity and Corrective Actions Procedure. During the compliance reviews, the reviewer is expected to 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 should 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 intend to continue to strengthen our compliance procedures, seeking that all existing and newly hired 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

Philippine Employee Data

Table 22

DISCLOSURE	QUANTITY	UNITS
Total Number of Employees	759	Employees
• Number of Female Employees (23%)	174	Employees
• Number of Male Employees (77%)	585	Employees
Attrition Rate[15]	5.4%	Rate
Ratio of Lowest Paid Employee Against Minimum Wage[16] • Antipolo • Cebu • Metro Manila	353% 203% 284%	Rate

Philippine 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 and hires as of April 1, 2021, onwards can apply for this benefit. The rest are entitled to unlimited sick leave credit. Low availment shows that sick leave credits provided by the company are sufficient to cover sick days.
Maternity Availment		3.4%	n/a	Female employees are covered by this benefit upon pregnancy regardless of type of delivery (miscarriage, normal or caesarian).
Calamity Loans Availment		0.0%	1.3%	Only employees whose barangay has been declared under calamity can apply for this type of loan. The number indicates that only a few employees were affected by a calamity.
Loans Availment		9.2%	10.8%	
PhilHealth	Y	5.7%	3.4%	All employees are covered as provided by law. Only employees who undergo a

[15] *Attrition rate = No. of turnover for the year / Total headcount at the end of the year*

[16] *The lowest paid employees account for an exceedingly small fraction of the total employee population. Antipolo = 2/253; Cebu =5/291; Metro Manila: 4/209*

				procedure or get admitted can avail themselves of this benefit. The number indicates only a few employees and/or dependents underwent a procedure or were admitted in 2021.
Pag-IBIG Contribution	Y	100%	98.8%	Certain employees are exempted from paying Pag-IBIG Premium.
Loans Availment		1.1%	4.8%	
Parental Leaves	Y			All relevant employees are covered.
Solo Parent Leave		1.1%	0.2%	This is on top of vacation and sick leaves of relevant employees.
Maternity Leave		2.9%	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	86.8%	87.8%	Unutilized vacation leave credit at the end of the year can be carried over up to 1st quarter of the following year.
Sick Leaves Availment	Y	36.2%	28.2%	Cash conversion is provided for certain employees who did not avail of sick leave, based on specific conditions.
Medical Benefits (aside from PhilHealth)	Y			
HMO		48.9%	52.3%	All employees are enrolled upon hiring; their dependents are enrolled upon regularization.
Critical Illness		2.3%	1.2%	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	3.4%	21.5%	Housing is offered for employees based in Luzon and Visayas-Mindanao.
Retirement Benefit Availment (aside from SSS)	Y	0.0%	1.5%	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	63.2%	15.2%	This is available to all Makati office-based employees (except for Sales).

Flexible-Working Hours [17]	Y	63.2%	15.2%	Makati-based employees have 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	0.0%	0.0%	All employees are enrolled upon hiring. The number indicates no availment.
Transportation Benefit	Y	32.9%	28.2%	This is applicable to relevant employees.
Meal Allowance	Y	100%	98.8%	This is applicable to relevant employees.
Rice Allowance	Y	100%	98.8%	This is applicable to relevant employees.
Medicine Allowance	Y	100%	98.8%	This is applicable to relevant employees.
Uniform Allowance	Y	88.5%	90.1%	This is applicable to relevant employees.

Diversity and Equal Opportunity

Table 24

DISCLOSURE	QUANTITY	UNITS
% of Female Workers in the Workforce[18]	23	%
% of Male Workers in the Workforce	77	%
Employees from Indigenous Communities and/or Vulnerable Sectors	1	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 providing 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 with 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 23%, females make up 40% in our main offices and support areas.

We strive to 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 those 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.

[17] *For the 2021 report, compressed workweek is no longer considered under flexible-working hours.*

[18] *This percent is based on total headcount covering plant-based employees and corporate office employees. For corporate office and support areas, females comprise 40%.*

Our lowest paid employees are receiving higher rates versus the minimum wage at 353% in Antipolo, 203% in Cebu, and 284% in Metro Manila. We also compare our rates with the family living wage published by Ibon Foundation, Inc., a development institution that undertakes the study of socio-economic issues in the Philippines. In 2021, living wage for a family of five in NCR is Php 25,091 per month. Overall, the compensation of 676 of 759 employees or 89% 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 representatives. 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 HMO coverage and their dependents are also enrolled upon regularization. We also provide them with opportunities to acquire their own home, which is fundamental to their family's security. We fully understand the importance of competitive compensation and benefits packages in improving employee experience, and in managing attrition and its relevant costs. In addition, mental health & wellbeing initiatives was one of the core and important strategies in reinforcing the company's drive for safety and security for its employees this year.

CEMEX has been supportive of not just physical health but of the over-all wellbeing of our workers. In 2021, the Company facilitated COVID-19 vaccination and booster shots for employees, dependents, and contractors as part of the campaign against COVID-19 through the Behaviors That Save Lives program. CEMEXtra Care Package was also distributed to our frontline employees in order to provide them with basic PPE, alcohol, and medical supplements to boost their protection against COVID-19 while on-field or at the work site. Outside of the response against the pandemic, the Company continued the implementation of various health and safety programs to promote wellness. We continued with our flu-vaccinations. With distancing measures, and in compliance with the Inter Agency Task Force for the Management of Emerging Infectious Diseases (IATF) regulations, we started opening some of our exercise facilities for non-contact sports like our badminton and tennis courts. By leveraging technology in our current work-from-home schemes, webinars, and orientations about mental health and Digital Citizenship guidelines were conducted. These helped strengthen positive work principles across the group.

In 2021, we implemented 3 quarterly employee surveys to assess our Employee Net Promoter Score (eNPS). The eNPS survey measures the employee engagement level, career growth feedback, work environment, and employee empowerment. This year's results sustained "Excellent" remarks which is translated as, "*Very strong engagement. Employees are likely to bring up employment at the company as a good opportunity without being prompted and expound on the positives of employment*."

Opportunities and Management Approach

Moving forward, we aim to improve our approach in evaluating the effectiveness of our employee's benefits structure and the over-all employee experience. For 2021, 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. eNPS Results of the survey have been one of the strong bases of HR initiatives to provide employees an over-all positive work experience.

EMPLOYEE TRAINING AND DEVELOPMENT

Table 25

DISCLOSURE	QUANTITY	UNITS
Total Training Hours Provided to Employees		
• Female Employees	7,189	Hours
• Male Employees	13,875	Hours
Average Training Hours Provided to Employees		
• Female Employees[19]	41	Hours/employee
• Male Employees	24	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 great emphasis and attention on continuous learning and development opportunities for our people. In 2021, challenges brought about by the COVID-19 Pandemic were still apparent but as restrictions were gradually lifted and people became more accustomed to a hybrid work arrangement, more training and development initiatives were delivered to our people. For the health and safety of our employees, training programs were still delivered remotely or in an online or virtual set-up. To avoid online learning fatigue or the overwhelming sense of exhaustion, anxiety, stress, or burnout employees feel due to constant online meetings, hours were shortened for each training without sacrificing quality in learning content.

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. Training is 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 a 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.

Development plans are implemented in three ways: classroom training, learning from colleagues, and on-the-job training. Monitoring progress is customarily 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 others. In 2021, additional training topics were implemented to support our employees' needs to cope with

[19] *In 2021, due to the challenges of the COVID-19 Pandemic, focus on the plants, terminals and warehouses was more on the practice of health protocols and safety of employees, as well as operational continuity. However, with the use of technology and as more employees were becoming accustomed to the use of virtual meeting applications, employees can participate in online training even if they are based in the corporate office, plants, terminals, or warehouses. We will continue to make efforts to deliver more training and gender-balanced training hours for all employees.*

the COVID-19 Pandemic and the changes in working arrangements. New initiatives were also launched in 2021 to further strengthen the learning and development of employees. *GetAbstract* was promoted where employees can access a wide range of online compressed business-related and self-development book reviews and summaries. An *External Certifications Program* was also implemented by the later part of 2021 where employees are given the opportunity to take industry-standard qualifications and become certified in programs that could contribute to their professional development. Moveover, *CemexUniversity,* an internal online training management database, has been instrumental in providing more essential and relevant online training programs to the employees. The adaptation to online training programs has been more stable and effective as employees are now adept to online training.

After 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 expect to 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 to better address our employees' needs for accessibility and flexibility in taking trainings.

We also expect to 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 instructor-led (classroom-type) learning. We also expect to continue to improve our performance on providing equal training opportunities for all employees while using a more individual approach in providing these development opportunities for the personal and professional growth of every employee.

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	14	#

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 strive to 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. This year, we successfully concluded our CBA Negotiation within 3-days, due to what we believe is a good Labor-Management relationship between Company & the Union.

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). Discussions usually involve matters regarding 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 addressed by the plant management.

Full collective bargaining agreements (CBA) negotiation usually happens every 5 years. Economic provisions are usually 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 strive to strengthen our culture and values to align all our stakeholders to a common goal. We also work to 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	1.5 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

During the year 2021, CHP continued to place health and safety at the very top of our priorities. Aligned with our battle cry Zero4Life, we believe that nothing is equally important as ensuring that everyone goes home safe to their families at the end of the day and protecting nearby communities from the inherent risks in our day-to-day operations. For CHP, health & safety is not just about compliance, it is a way of life.

CHP's health and safety strategies are based on a global CEMEX system, the CEMEX Health & Safety Management System (HSMS). The CEMEX HSMS and its 15 elements has been created in consultation with stakeholders across CEMEX, to provide a practical, risk-based approach on managing health & safety issues. HSMS was designed to support all sites and businesses across CEMEX to implement, document, maintain and continuously improve a healthy, safe, reliable and efficient operations.

COVID-19 remained a serious health issue in the year 2021 and 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, CHP continued and further strengthened the implementation of the pandemic management protocols. We launched various initiatives and awareness campaigns internally, then extended our support to other stakeholders like the family members of our employees, the surrounding communities and our clients by providing virtual/online awareness trainings, COVID19-learning materials, PPE's, alcohols and sanitizers. We also promoted COVID19 vaccines through various internal campaigns and worked with the local government units, providing them support on vaccination sites and provision of medical professionals.

By the end of 2021, nearly all our employees and our contractors had been fully vaccinated for protection against COVID-19.

We implemented additional COVID-19 protocols, including to require full vaccination[20] to enter our plants, facilities, and offices. This makes our operations even safer for our employees and contractors.

Solid Plant, APO Plant, and six of our distribution centers received Safety Seal Certifications from the Department of Labor and Employment . This safety seal certification recognizes our facilities to be compliant with public health standards and safety protocols.

[20] *In compliance with IATF Resolution No. 148 B*

To address the challenges that we encountered during the year 2021, CHP implemented health and safety initiatives and below are some of the activities and trainings that we have implemented, including those related to COVID19 Pandemic Management:

1. Virtual Visible-felt Leadership
2. Implementation of COVID19 Pandemic Management Protocols
3. Health & Safety Awards and Recognition for leaders, front-line workers, and contractors
4. Property Damage Reduction Plan
5. Improvement on truck monitoring (GPS and cameras)
6. Fleet Safety Plan for Haulers
7. Stress Management and Mental Health Campaigns and Virtual Seminars
8. Health Checks
9. Employee and Contractor Monitoring for COVID19
10. Near-miss and Hazard Alert Reporting
11. Virtual COVID19 Awareness Seminar for Employees Family Members
12. Virtual COVID19 Awareness Seminar for Clients
13. COVID19 Vaccination Campaigns (Internal and in coordination with the LGUs)
14. Take5 and Take5 Together Initiative

Based on our evaluation, these activities have resulted to increased awareness and accountability in health and safety in our leaders and frontline workers. We had six (6) recordable incidents during the first half of the year, but the various initiatives implemented allowed us to improve, reducing recordable injuries down to one (1) during the second half of 2021.

Opportunities and Management Approach

In 2021, we had one (1) employee recordable injury and six (6) contractor recordable injuries. This number is higher when compared to the year 2020 when we had three (3) recordable injuries. For 2022, the Company's initiatives are expected to focus on developing health & safety leadership on field supervisors/leaders, improving workers awareness on work site risk assessment tools, further improving monitoring process for contracted trucks, review and process confirmation of established SOP's, continue with hazard detection and closing of identified issues, and sustain COVID19 pandemic management efforts. We continue with and regularly review our Health & Safety 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	#

Through ETHOSline, employees may anonymously report a violation to our Code. The platform 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 29

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 our 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 claim 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 looking to prevent discrimination 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. Our Code covers important principles for the Company and provides guidance to keep our values in mind when making decisions. We are also governed by CEMEX's and the Company's internal policies, as well as applicable law, which we also follow in situations that are not specifically covered in our Code.

We make available to our stakeholders with copies of our Code and relevant internal policies and conduct trainings to ensure they understand these topics and they make appropriate decisions. These resources are made available through our intranet and CEMEX and the Company's official websites.

We Report

Our first line of support is our immediate supervisor. Supervisors are expected to 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.** This automated channel managed by a third-party provider and allows for anonymous reporting of ethics violations and/or complaints for all employees.

- **ETHICS Committees.** This local committee serves as the managing committee for all ethics-related topics. The committee supports communication efforts, and processes of case management processes.

- **Audit Committee.** As part of its responsibilities, the Company's 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 of or complaints about our Code. These departments will submit the report to the applicable responsible teams to facilitate cases management processing 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 raised. CEMEX and the Company have 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 employees 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 always 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 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 look to understand our stakeholders more to develop creative ways to inspire them to always abide by our policies and applicable law.

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 template of General Terms and Conditions for our suppliers include 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 15 B PhP or 75% of our 20.9 B PhP revenue and other income generated in 2021 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 consistent with the Company's. Many of the risks that could compromise our assets and affect our ability to meet our stakeholder's expectations are related to our suppliers.

For these reasons, we continually work to engage and align our suppliers with our core values, including our emphasis on health and safety, our 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 strive for our suppliers to comply with the CEMEX Code of Ethics and Business Conduct and Code of Conduct When Doing Business With Us.

Management Approach for Impacts and Risks

To work towards ensuring 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 help validate that the third party complies with applicable 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. A third-party assessor evaluates the health and safety policies of the vendors and submits to CHP a detailed report of their findings.
Labor Standards, Health and Safety	Legal documents, such as Business Permits and SEC and Articles of Incorporation, are required. These documents help validate that the third party complies with applicable laws.	
Business Ethics and Governance	Legal documents, such as Business Permits and SEC and Articles of Incorporation, are required. These documents help validate that the third party complies with applicable laws.	We currently do not have a 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 environmental, social, and governance standards consistent with ours. 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 – information on 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 systems consistent with the Company's

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 Cement focuses its 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 Program (SDP) of APO Cement Corporation. This SDP provides budget and direction for the implementation of various projects to enable the communities to achieve sustainable development. Further, APO Cement has been a partner of the local government in providing support for the COVID-19 prevention related projects of the government.

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 some of 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 has 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 2021. With the Solid Cement New Line 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. The plant's operations contribute to the socio-economic development of the City of Antipolo through increased local revenue, employment of its residents and social development programs. Solid Cement focuses its 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 Program (SDP) of Solid Cement. This SDP provides budget and direction for the implementation of various projects to enable the communities to achieve sustainable development. Further, Solid Cement has been a partner of the local government in providing support for the COVID-19 prevention related projects of the government. **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 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. Deviations from the standards is customarily 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 track concerns from communities regarding our operations in the area. On top of our regular meetings with local government officials, our company representatives 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 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. aims to empower communities and uplift the lives of its beneficiaries through sustainable programs for social development and environmental protection. A summary of the projects implemented in 2021 is presented in Table 32, and details are provided in Annex C:

Table 32

PROGRAMS	OUTPUTS / OUTCOMES	NUMBER OF BENEFICIARIES
Build A Safe & Healthy Citizenry: COVID-19 Response Fund	• The Solid Gym Antipolo Vaccination site was put up to provide additional support for the community's vaccination efforts • The APO Gym Naga Vaccination site was put up to provide additional support for the community's vaccination efforts	9,172 individuals 12,053 individuals
Build Environment: Tamang Segregasyon at Edukasyon para sa Kalikasan (TSEK)	The TSEK program aims to promote and educate communities on proper waste segregation and disposal. The TSEK-NAGA project included the procurement and donation of a plastic shredder machine which will be utilized by the local government unit into converting plastic wastes into shredded material.	1 partner LGU
Build Education: GMA Kapuso Foundation – Kapuso School Development Program	The construction of a 2-classroom structure in Mabini Elementary School, in Panganiban, Catanduanes in partnership with GMA Kapuso Foundation, Inc. served to improve the educational opportunities of students in the Panganiban community after its existing school structure was damaged by typhoons. The new, resilient structure is made of reinforced concrete that can withstand typhoon winds and earthquakes, and provides a more conducive learning environment.	7 teachers 78 students
Build Education: Save Philippine Seas – Change the Current Program	In partnership with Philippine Seatizens, Inc. (Save the Philippine Seas) through its pilot program "Change the Current" online trainings for adolescents on the science of climate change, and adaptation and mitigation strategies. It	51 students 51 teachers

	also honed the skills needed to increase adaptation and mitigation in communities.	
Build Communities: Antipolo and Naga Community Projects	• Cement Donation for Infrastructure Projects of the City of Naga, Cebu • Livelihood Support for local sewers of Sindulan community to generate a more sustainable source of income • Support for Health initiatives of the Municipality of Binangonan to safeguard public health • Christmas Wish Project with the provision of food packs for impact barangays	1 partner LGU 16 women, 6 Junior High students, 4 Senior High students 500 individuals 200 community members
Build Communities: Disaster Relief Fund	• Cement donation to rebuild homes damaged by Typhoon Jolina in Cuenca, Batangas • Relief goods distribution for victims of Typhoon Odette in the City of Naga, Cebu • Monetary support through GMA Kapuso Foundation, Inc. for the relief efforts to aid victims of Typhoon Maring in North Luzon	240 families 730 individuals 2,944 individuals
Build Communities: Typhoon Odette Relief Support	Support for the rehabilitation initiatives in three impact communities directly affected by the Typhoon	3 LGU partners
Build Sustainable Partnerships: **CSR Partnerships**	Through partnerships with like-minded institutions and key stakeholders we are able to provide additional support for infrastructure, education and environment-centered initiatives: • Learning Continuity Assistance (Philippine Business for Social Progress) • Romblon Marine Sanctuary Project (Upholding Life and Nature) • Cement donation to Brgy. 30 Pigcale, Legazpi • Cement Donation to Philippine Coast Guard Davao	793 students 26 teachers 50 families 1 LGU partner 1 partner agency

Opportunities and Management Approach

We remain open to supporting the needs of the communities around us. Given the continuing COVID-19 Pandemic in 2021 that curtailed the execution of certain activities or projects due to quarantine restrictions as well as the challenges brought about by natural disasters that affected key areas, 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

Table 33

DISCLOSURE	SCORE	DID A THIRD PARTY CONDUCT THE CUSTOMER SATISFACTION STUDY (Y/N)?
Customer Satisfaction	63	Yes

The Net Promoter Score (NPS) survey was conducted among 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 2021 company NPS is 63, compared with 66 for 2020.

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

Customer experience is at the core of our continuous innovation and improvement.

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.

2021 marked the third year of CEMEX Go in the Philippines. The multi-device digital platform provides customers with a seamless experience for order placement, live tracking of shipments, and managing invoices and payments for CEMEX's main products, has onboarded 97% of clients, with 1,588 active users.

From the results of our customer survey, we identified improvement areas: 1) Pick-up Time, 2) Customer Service Center and 3) Invoicing. We continue to innovate to advance our performance on these 3 areas.

Amid the pandemic, we transitioned our Customer Service Center in 2020, from a third-party contact center provider to in-house, to ensure efficient, quality and an end-to-end customer experience. This provided employment opportunities during these challenging times by hiring competent and productive Customer Service Associates (CSA). We continuously evolve by revisiting and improving our internal processes, close monitoring of the Service Center KPIs and upskilling our CSA through relevant trainings.

Since the deployment of the Electronic Authority to Withdraw (eATW) in 2020 to improve the pick-up experience, we implemented improvements to ensure seamless experience for our customers. The eATW 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. This project was also recognized, being an award recipient in the CEMEX Global Awards for Best Initiative Implemented in March 2021.

Continuing our commitment to improve the pick-up experience, we launched the Digital Self-Service Booking System, empowering our customers to book their preferred date and timeslot to pick-up cement from our different warehouses, terminals, and plants. The system enables the Company to be transparent and for our customers to have control over their desired schedule to achieve operational efficiencies in fleet management.

While three points less in 2021 when compared to 2020, our Net Promoter Score (NPS) returned to its peak level in the second half of 2021. We continue to strive to implement 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) Credit Process, 3) Sales Team Support, 4) CEMEX Go and 5) Ordering Experience. 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. Advancing the process, we have launched the CEMEX Go CRM for Customer Service, a case management tool that enables internal stakeholders to be notified when their involvement is required in case resolution, standardized categorization of complaint type, strong reporting capabilities and full visibility of ongoing Cases and Service related KPIs and an option to customers to provide feedback when the reported issue has been resolved.

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. 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 expected to be implemented promptly without disruption to other services provided. Full transparency is expected to be 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) Pick-up Time, 2) Customer Service Center and 3) Invoicing. With the continuing 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 also expect to leverage on our digital platforms such as CEMEX Go, Electronic Authority to Withdraw (eATW) for Pick up, Digital Self-Service Booking System and Online Payment, with our partner banks and continue to innovate solutions for a safe and convenient experience for our customers.

HEALTH AND SAFETY

Table 34

DISCLOSURE	QUANTITY	UNITS
Number of Substantiated Complaint on Products or Service - Health and Safety	9	#
Number of Complaints Addressed	9	#

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.

3 out of the 9 complaints[21] recorded were related to damage to property incidences, while rest of the complaints recorded was related COVID-19 protocols. All complaints recorded in 2021 were related to the delivery of our products, and all complaints were subsequently addressed.

The Pick-up Protocol Manual was also updated, aiming to adapt to the changes in health and safety recommendations based on our operations, as aligned with the government and industry standards. This was cascaded through a webinar series and a copy was sent to educate our customers.

We continue to monitor customer feedback on potential 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 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 encouraged for all 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 2021, 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 2 sessions (2 hours each) for almost 200 customer personnel.

[21] *Starting 2020, we reclassified the recording of damage to property incidences with our clients from "Client Servicing" to "Health and Safety".*

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 intend to 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 35

DISCLOSURE	QUANTITY	UNITS
Number of Substantiated Compliant on Products or Service Marketing and Labelling	3	#
Number of Complaints Addressed	3	#

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. We strive for all cement bags we use to strictly comply 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 expected to be rejected. We also print traceability codes in our cement bags. This is an 11-digit number to trace each bag to provide details, such as when cement was packed at the plant and which line. The traceability code is printed on each bag as it runs on the conveyor belt prior to truck loading. All Bulk and Tonner Bag Cement deliveries are provided with Mill Certificates ensuring compliance to requirements of the DTI, PS License Product Performance, and applicable product standards.

The three (3) complaints received in 2021 related to the customers' confusion in discerning the difference in the packaging of certain cement products. While these complaints did not arise from improper labeling of products or incorrect bag markings, the Company took steps to improve bag design.

Opportunities and Management Approach

Moving forward, we intend to continue to monitor any future regulations on labelling to comply with required standards. We also intend to evaluate and consider new and better technology that should 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 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 simpler color coding is required for proper identification.

DATA SECURITY AND CUSTOMER PRIVACY

Customer Privacy

Table 36

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 37

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 the Company, we increasingly rely on a variety of information technologies 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 these technologies and systems are critical to the efficient operation and management of our business, as well as for the sales generated by our business. Our technologies and systems 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 technologies and systems, as well as those provided by our third-party 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. 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.

During 2020 and 2021, there was a global trend of an increase on security threats related to COVID-19, including, but not limited to, phishing and malware/ransomware campaigns, exploitation of video collaboration vulnerabilities, among other things. Furthermore, the increase in employees working from home in response to the COVID-19 pandemic increased cyber risk due to inadequate security configurations of domestic (home) networks and use of non-corporate devices. As of the date of this annual report, we had implemented additional cybersecurity controls designed to reduce such risks and mitigate the impact of such risks.

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 December 31, 2021, 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, 2021, our insurance program was renewed for twelve (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

Most 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 to oversee 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 assist prompt recovery in case needed.

4. Insurance coverage

   Furthermore, on June 25, 2021, 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 intend to continue to learn from the security lapses of other companies who experienced security breach. We expect to conduct regular trainings, briefings, and information campaign among direct or indirect workers on the importance of keeping corporate information secure and protected. We intend to 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 C150:2020 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 • 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 8 SDG 9 SDG 11 SDG 13 SDG 15

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 C150:2020 standards.

Table 39

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 8 SDG 9 SDG 11 SDG 13 SDG 15

Product: Masonry Cement
Brands: Rizal Masonry Cement and APO Masonry Cement
Description: Type M masonry cement. It allows better moisture retention and adhesion strength. This meets PNS ASTM C91/C91M:2019 standards.

Table 40

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 8 SDG 9 SDG 11 SDG 13 SDG 15

Product: Blended Cement Type 1P
Brands: Rizal Portland (Vertua® Plus), APO Portland (Vertua® Plus)
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 C595:2020 standards.

Table 41

KEY FEATURES	SOCIETAL VALUE / CONTRIBUTION TO UN SDGS	SDG ADDRESSED
• Higher later days strengths • Requires less water to hydrate all cement particles o Better workability vs Portland Cement. o More cohesive concrete mix. o 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 8 SDG 9 SDG 11 SDG 13 SDG 15

Product: Blended Cement Type 1P
Brands: Rizal High Strength (Vertua® Classic), APO High Strength (Vertua® Classic)
Description: All-purpose High Performance 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 C595:2020 standards.

Table 42

KEY FEATURES	SOCIETAL VALUE / CONTRIBUTION TO UN SDGS	SDG ADDRESSED

• Higher Early and later days strengths
• Improved Performance Allows for the same Flexibility of Type I OPC
• Requires less water to hydrate all cement particles
  o Better workability vs Portland Cement.
  o More cohesive concrete mix.
  o 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 8
		SDG 9
		SDG 11
		SDG 13
		SDG 15

Product: Blended Cement Type 1T
Brands: Rizal Portland (Vertua® Ultra), APO Portland (Vertua® Ultra)
Description: All-purpose Type 1T 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 C595:2020 standards.

Table 43

KEY FEATURES	SOCIETAL VALUE / CONTRIBUTION TO UN SDGS	SDG ADDRESSED

• Higher later days strengths
• Improved Performance All
• Requires less water to hydrate all cement particles
  o Better workability vs Portland Cement.
  o More cohesive concrete mix.
  o Less Risk of Segregation
	This has lower clinker factor compared to Portland cements and Blended Cements Type IP hence has lower energy and carbon intensity.
	
	This has longer-term durability versus Portland Cements as it yields a denser concrete.
		SDG 8
		SDG 9
		SDG 11
		SDG 13
		SDG 15

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
6. Exclusive management talk or session (PEP Talk Sessions)
7. Weekly Message of Country President
8. Sustained employee engagement activities

Table 44 shows their concerns and the corresponding actions we have taken to address them.

Table 44

COMMON FEEDBACK RAISED	ACTIONS TAKEN BY THE COMPANY	KEY OUTCOMES
Training Opportunities	Increased adaptation of training courses and programs Increased usage of CemexUniversity platform External Certification Program Institutional Leadership and Technical Training Programs	Increase in online training completions
Facilities Improvement	CAPEX projects and budgeted repairs	Investments on new plant equipment, plant facilities repairs
Benefits Improvement	Improvement of Benefits	Increased HMO limits, medicine allowance, service awards, maternity assistance
Holistic Wellbeing	Enforcement of Behaviors that Save Lives Flexible work arrangements Distribution of CEMEXtra Care Package Health & Wellness Programs including Mental Health Digital Citizenship	Stronger health and safety practices and mind

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
5. Stakeholder engagement management.

Table 45 shows their concerns and the corresponding actions we have taken to address them.

Table 45

COMMON FEEDBACK RAISED	ACTIONS TAKEN BY THE COMPANY	KEY OUTCOMES
Request for assistance in COVID-19 Pandemic	Established vaccination centers and provided the honorarium of doctors and vaccination center personnel (Antipolo, Rizal and Naga, Cebu)	Helped control the spread of COVID-19 and strengthened the relationship with the local government and neighboring communities
	Donation of vitamins, face masks, alcohol and body temperature monitors (Rizal)	
	Donation of food and grocery packs to families affected by COVID-19 (Rizal)	
	Support for frontliners and for the disinfection efforts of the local government (Cebu)	
Dust emission along public roads and other road concerns	Water sprinkling and operational improvement (Rizal)	Improvements in monitoring plant operations and its impacts, strengthened coordination efforts with local government offices, and an improvement in the relationship with our neighboring community
	Operational improvement and additional housekeeping measures along N. Bacalso Ave. in support of the infrastructure projects of the barangay for road concreting (Cebu)	
Cement allocation for impact community	Donation of cement for improvement of pathways, canal, drainage, and public spaces and offices (Rizal)	Strengthened the positive relationship with our neighboring community
Request for assistance to Day Care Teachers	Provided honorarium for day care teachers (Rizal)	Created employment opportunities and contributed to the improvement in the quality of education in the community

Request for assistance in clean up drive and tree planting activities	Encouragement for employee-volunteers to participate in the activities, donation of different seedlings/plants for tree planting and the provision of food for the participants (Rizal)	Increase in environmental awareness among community stakeholders and employees
Request for assistance in Waste Management initiatives	Donation of one (1) plastic shredder to LGU Naga for Basura barter shop program (Cebu)	Improvement in waste management system of the community (segregation and waste disposal) and increased the participation of the local community in bringing their segregated waste to the barter shop
Request for assistance in providing toilets for every home in partnership with the LGU and other private entities	Donation of cash assistance to Naga Hospital which was used to build toilets for the Naga community (Cebu)	Eradicated the open defecation problem in Naga
Request for livelihood assistance programs	Donation of two (2) submersible pumps and one (1) jetmatic pump for Sindulan organic farmers (Cebu)	Increased harvest and income of the farmers
	Donation of two (2) sewing machines to Sindulan Local Sewers (Cebu)	Increased income generation for Sindulan Community and enhanced skills development and youth empowerment
Environmental impact of operations	Team Up Clean Up activities which involved the cleaning and greening of facilities, as well as tree-planting activities and road and river cleaning activities in the community in partnership with government agencies and local government units	Supported the environmental stewardship initiatives of the local community and government agencies; fostered camaraderie, teamwork and volunteerism among employees

CUSTOMERS

We obtain feedback from our customers through the following channels:

1. Net Promoter Score survey (quarterly)
2. Service Center
3. Customer Surveys (for new projects, new processes)
4. Focused Group Discussions
5. Sales Team Activities

Table 46 shows their concerns and the corresponding actions we have taken to address them.

Table 46

COMMON FEEDBACK RAISED	ACTIONS TAKEN BY THE COMPANY	KEY OUTCOMES
Rating on the NPS question: "*How likely is that you would recommend CEMEX to a colleague or business partner?*"	Close the Loop Process with Detractor and Passive Clients	Action plan from responsible unit on issues/concerns raised by said Detractors and Passives. 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 1-5 (Very Dissatisfied – Very Satisfied) on the different Action Drivers	Comments are addressed by concerned departments	Action plan from responsible unit on issues/concerns raised by customers with Very Dissatisfied – Neither Satisfied nor Dissatisfied rating. 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. 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 operational and financial updates and guidance
3. Annual report, and mandatory filings
4. Sustainability Report
5. Ongoing website updates and press releases

Table 47 shows their concerns and the corresponding actions we have taken to address them.

Table 47

COMMON FEEDBACK RAISED	ACTIONS TAKEN BY THE COMPANY	KEY OUTCOMES
• Inquiry on the Company's operations and financial condition • Inquiry on impact of COVID-19 Pandemic to the company and mitigating actions • Inquiry on updates pertaining to Solid Cement's New Line • Inquiry on the impact of Typhoon Odette to the Company • Inquiry on CHP's metrics and actions related to ESG (Environmental, Social, and Governance)	Communications through abovementioned channels	Understanding developments related to the Company, CHP's priorities, financial and operational condition, performance, business perspectives, and risks Understanding CHP's sustainability strategy and actions taken to address climate change

REGULATORS

We obtain feedback from our regulators through the following channels:

1. Government websites, official social media accounts, and publications
2. Formal notices and letters via snail mail or electronic mail.
3. Meetings, both face-to-face, virtual, and via telephone calls
4. Public hearings

Table 48 shows their concerns and the corresponding actions we have taken to address them.

Table 48

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

CEMEX PHILIPPINES	INTEGRATED MANAGEMENT SYSTEMS			SOLID CEMENT CORPORATION Tagbac, Antipolo City
	Document ID	**IMS-PM-PRC-001**		
	Document Title	PROCEDURE FOR ACCREDITATION OF SUPPLIERS		
	Revision Date	26 January 2022		
	Revision No.	2.0	*Page 1 of 5*	

Revision History

Version	Revision Date	Revision Notes
1	July 15, 2021	Updated to new IMS documentation format.
2	July 17, 2021	Include EHS audit for related vendors

Updated by: *Dante Calalang, 26 January 2022, Document Rev. No. 1.1*

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	Negotiator

Note: Prior to perform activity, accomplished Work Safe Pre-Job Assessment form. Refer to F-SCC-211

DETAILS:

NO.	ACTIVITY	RESPONSIBILITY
	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	
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	CEHSM AUDIT TEAM

Note: Prior to perform activity, accomplished Work Safe Pre-Job Assessment form. Refer to F-SCC-211

DETAILS:

NO.	ACTIVITY	RESPONSIBILITY
	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	
4.	Include audit of EHS group for items with high risk of EHS issues like fuel – BFO, diesel.	EHS Group
5.	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 ***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	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

FORM

ANNEX C. COMMUNITY PROGRAMS OF CEMEX PHILIPPINES FOUNDATION

Build A Safe & Healthy Citizenry
As the country continues to face challenges brought about by the COVID-19 pandemic, CEMEX Philippines partnered with the local government units in its impact communities to further strengthen vaccination initiatives through the establishment of vaccination sites in cement plants located in Rizal and Cebu.

Build Education
With the goal of improving educational infrastructures for underserved communities, CEMEX Philippines Foundation partnered with GMA Kapuso Foundation to build resilient school buildings that are able to withstand typhoons and earthquakes in areas affected by natural disasters.

CEMEX Foundation also furthered its environmental education priority through a partnership with Philippine Seatizens, Inc. (Save the Philippine Seas) for its pilot program “Change the Current,” an online training for adolescents which aims to enhance their knowledge on the science of climate change, and adaptation and mitigation strategies. It also aims to hone the skills they need to increase adaptation and mitigation in their communities.

Build Communities
To build a better nation, we must prioritize building self-sustaining communities. Our efforts to help the communities in Antipolo, Rizal and Naga, Cebu have seen a promising move towards sustainability by enabling every individual to succeed. CEMEX Philippines continues to reach out to our impact communities in support of sustainable livelihood programs and provided relief assistance during natural disasters through the provision of food, as well as building materials.

Build Environment
We at CEMEX Philippines strive to maintain our strong multi-sectoral resolve to keep a cleaner land, ocean, and air. In 2021, we conducted several coastal clean-up and tree planting activities in our communities in Cebu and Rizal. Through our own Tamang Segregasyon at Edukasyon Program, we aim to equip communities with sustainable waste management knowledge and strategies in order to maintain a clean and healthy environment for all.

Build Sustainable Partnerships
CEMEX Philippines recognizes the importance of fostering cooperation with government and non-government organizations in widening the impact of its programs. Our collaboration with private organizations and 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 2021, CEMEX Philippines partnered with like-minded institutions to support infrastructure and rehabilitation efforts, distance learning educational opportunities, and environmental protection initiatives.

Build Volunteerism
CEMEX Philippines also encourages its workforce to participate in collective efforts to build its impact communities. H.E.R.O. (Help. Engage. Reach. Out.) is the banner program of all our employee volunteerism activities. In 2021, employee-volunteers from CEMEX Philippines participated in various environmental and relief-focused activities in key areas.

Cautionary Statement Regarding Forward-Looking Statements

This report contains forward-looking statements. In some cases, these statements can be identified by the use of forward-looking words such as “may,” “assume,” “might,” “should,” “could,” “continue,” “would,” “can,” “consider,” “anticipate,” “estimate,” “expect,” “envision,” “plan,” “believe,” “foresee,” “predict,” “potential,” “target,” “strategy,” “intend” “aimed” or other similar words. These forward-looking statements reflect, as of the date such forward-looking statements are made, unless otherwise indicated, the Company’s expectations and projections about future events based on the Company’s knowledge of present facts and circumstances and assumptions about future events. These statements necessarily involve risks and uncertainties that could cause actual results to differ materially from the Company’s expectations. Some of the risks, uncertainties and other important factors that could cause results to differ, or that otherwise could have an impact on the Company, include, but are not limited 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, the ability of operating facilities to operate at full or any capacity, supply chains, international operations, availability of liquidity, investor confidence and consumer spending, as well as availability of, and demand for, products and services;
- the cyclical activity of the construction sector;
- exposure to other sectors that impact the Company’s business and the business of the Company’s clients, such as, but not limited to, the energy sector;
- failure to achieve cost-savings with cost-reduction initiatives and to implement pricing initiatives for products;
- availability of raw materials and related fluctuating prices;
- competition in the markets in which the Company offers its products and services;
- general political, social, health, economic and business conditions in the markets in which the Company operates or that affect the Company’s operations, including any nationalization or privatization of any assets or operations, and any significant economic, health, political or social developments in those markets, as well as any inherent risks to international operations;
- the regulatory environment, including environmental, energy, tax, antitrust, labor, and acquisition-related rules and regulations;
- the Company’s ability to satisfy debt obligations and/or the ability of CEMEX, the ultimate parent company of the Company’s major shareholder, to satisfy its obligations under its material debt agreements, the indentures that govern its notes and its other debt instruments and financial obligations;
- the availability of short-term credit lines or working capital facilities, which can assist in connection with market cycles;
- the impact of CEMEX’s below investment grade debt rating on its and/or the Company’s cost of capital and on the cost of the products and services purchased;

- the Company's and/or the CEMEX group's ability to refinance their existing indebtedness;
- loss of reputation of the Company's and/or the CEMEX group's brands;
- the Company's and/or the CEMEX group's ability to consummate asset sales, fully integrate newly acquired businesses, achieve cost-savings from cost-reduction initiatives, implement pricing initiatives for products and generally meet CEMEX's "Operation Resilience" strategy's goals;
- the increasing reliance on information technology infrastructure for operations, sales in general, sales invoicing, procurement, financial statements and other processes that can adversely affect sales and operations in the event that the infrastructure does not work as intended, experiences technical difficulties or is subjected to cyber-attacks;
- changes in the economy that affect demand for consumer goods, consequently affecting demand for the Company's products and services;
- weather conditions, including, but not limited to, excessive rain and snow, and disasters such as earthquakes and floods;
- trade barriers, including tariffs or import taxes and changes in existing trade policies or changes to, or withdrawals from, free trade agreements;
- terrorist and organized criminal activities as well as geopolitical events, such as war and armed conflicts, including the current conflict between Russia and Ukraine;
- declarations of insolvency or bankruptcy, or becoming subject to similar proceedings;
- natural disasters and other unforeseen events (including global health hazards such as COVID-19); and
- the other risks and uncertainties described in this report.

Readers are urged to read this report and carefully consider the risks, uncertainties and other factors that affect the Company's business and operations. The information contained in this report is subject to change without notice, and the Company is not obligated to publicly update or revise forward-looking statements after the date hereof or to reflect the occurrence of anticipated or unanticipated events or circumstances. Readers should review future reports filed or furnished by CHP with the SEC.

This report also includes statistical data regarding the production, distribution, marketing and sale of cement, ready-mix concrete, clinker and aggregates. Some of this data was generated internally, and some was obtained from independent industry publications and reports that the Company believes to be reliable sources. The Company has not independently verified this data nor sought the consent of any organizations to refer to their reports in this report. Unless the context indicates otherwise, all references to pricing initiatives, price increases or decreases, refer to the Company's prices for products sold or distributed by the Company.

EXHIBIT A

Audited 2021 Consolidated Financial Statements
(with consolidated statements of financial position as at December 31, 2021 and 2020, and consolidated comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2021, 2020 and 2019) and Schedules

CEMEX HOLDINGS PHILIPPINES, INC.
SEC FORM 17-A

COVER SHEET

For

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 1 5 1 8 8 1 5

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
A A F S		

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)
29 (as of 31 Dec 2021)	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 December 31, 2021 and 2020, and each of the three years ended December 31, 2021, 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 ___day of___

APR 0 7 2022

Doc. No. 461
Page No. 94
Book No. 31
Series of 2022

ATTY. JOSHUA P. LAPUZ
Notary Public Makati City
Until Dec. 31, 2023
Appointment No. M-019-(2022-2023)
PTR No. 8852510 Jan. 3, 2022 / Makati
IBP Lifetime No. 04897 Roll No. 45790
MCLE Compliance No. VI-0016565
G/F Fedman Bldg., 199 Salcedo St.
Legaspi Village, Makati City

AP
502

CEMEX
PHILIPPINES

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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 ___ day of ___

PAPEL EXCLUSIVO PARA DOCUMENTOS NOTARIALES

TIMBRE DEL ESTADO

GG3956227

/2021

LEGITIMACIÓN. - Yo, **JOSÉ BLANCO LOSADA**, Notario de esta Capital y Colegio, **DOY FE**: ———

Que, por cotejo con otras indubitadas, considero legítima la firma y rúbrica que antecede, de Don SERGIO MAURICIO MENENDEZ MEDINA, puesta en el presente documento redactado en inglés, idioma conocido por mí, el Notario, extendido sobre un folio de papel común, y el del presente, de papel exclusivo de uso notarial serie GG, que reintegro y sello con el de mi Notaría. ———

En Madrid, a tres de marzo de dos mil veintidós.

Libro 1. Asiento 111.———

FE PÚBLICA NOTARIAL

CONSEJO GENERAL DEL NOTARIADO ESPAÑOL

NOTARIADO EUROPA

0270123975

SELLO DE LEGITIMACIONES Y LEGALIZACIONES

NIHIL PRIUS FIDE

A182385283

TIMBRE DEL ESTADO

GK0181958

=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 Blanco Losada
Notario de Madrid
el día 03/03/2022

APOSTILLE

(Convention de La Haye du 5 octobre 1961)

1. País: Country / Pays :	ESPAÑA
El presente documento público This public document / Le présent acte public	
2. ha sido firmado por has been signed by / a été signé par	D. José Blanco Losada
3. quien actúa en calidad de acting in the capacity of / agissant en qualité de	NOTARIO
4. y está revestido del sello / timbre de bears the seal / stamp of / est revêtu du sceau / timbre de	SU NOTARÍA
Certificado Certified / Attesté	
5. en at / à: MADRID	**6. el día** the / le: 04/03/2022
7. por by / par	el Decano del Colegio Notarial de Madrid
8. bajo el número No / sous no	N7201/2022/013528
9. Sello / timbre: Seal / stamp: / Sceau / timbre:	**10. Firma:** Signature / Signature:

FE PÚBLICA NOTARIAL
CONSEJO GENERAL DEL NOTARIADO ESPAÑOL
NOTARIADO EUROPA
0276037364

Don Luis Garay Cuadros
Firma delegada del Decano

Esta Apostilla 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:Ncg0-Nwv8-mwsV-sLIx

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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:Ncg0-Nwv8-mwsV-sLIx

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 vérification de l'Apostille:NA:Ncg0-Nwv8-mwsV-sLIx

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
As at December 31, 2021 and 2020 and
For the Years Ended December 31, 2021, 2020 and 2019

With Independent Auditors' Report

KPMG

R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
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, 2021 and 2020, 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, 2021, 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, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the years in the period ended December 31, 2021, 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.

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)

KPMG

Key Audit Matter

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, 2021 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, 2021.

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.

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 forecasts 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 flows for each CGU. 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.

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, 2021, 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, 2021 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 Enrico E. Baluyut.

R.G. MANABAT & CO.

ENRICO E. BALUYUT
Partner
CPA License No. 065537
SEC Accreditation No. 65537-SEC, Group A, valid for five (5) years
covering the audit of 2020 to 2024 financial statements
Tax Identification No. 131-029-752
BIR Accreditation No. 08-001987-026-2020
Issued July 20, 2020; valid until July 19, 2023
PTR No. MKT 8854054
Issued January 3, 2022 at Makati City

April 17, 2022
Makati City, Metro Manila

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

		December 31	
	Notes	2021	2020
ASSETS			
Current Assets			
Cash and cash equivalents	*11, 22*	**P5,811,635**	P6,139,411
Trade receivables - net	*6, 12, 22*	**696,868**	700,162
Due from related parties	*13, 22*	**17,161**	3,795
Insurance claims and premiums receivable	*15, 22*	**91,798**	87,569
Other current accounts receivable	*15, 22*	**49,361**	43,717
Inventories	*16*	**3,099,092**	2,349,966
Derivative asset	*22*	**12,540**	24,039
Prepayments and other current assets	*17*	**2,209,600**	1,825,209
Total Current Assets		**11,988,055**	11,173,868
Noncurrent Assets			
Investment in an associate and other investments	*14*	**14,097**	14,097
Advances to contractors	*18*	**454,805**	1,142,685
Other assets and noncurrent accounts receivable	*15, 22*	**436,240**	782,399
Property, machinery and equipment and assets for the right-of-use - net	*18*	**22,788,019**	21,699,377
Derivative asset - net of current portion	*22*	**17,910**	–
Deferred income tax assets - net	*25*	**828,946**	1,088,227
Goodwill	*19*	**27,859,694**	27,859,694
Total Noncurrent Assets		**52,399,711**	52,586,479
		P64,387,766	P63,760,347

LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables	*22*	**P5,056,497**	P4,281,750
Due to related parties	*13, 22*	**2,196,565**	1,512,086
Unearned income, other accounts payable and accrued expenses	*20, 22*	**1,269,378**	1,281,211
Current portion of:			
Lease liabilities	*21, 22*	**404,736**	628,298
Long-term bank loan	*22, 24*	**3,376,906**	140,123
Contract liabilities	*6*	**391,422**	305,131
Income tax payable		**–**	21,295
Total Current Liabilities		**12,695,504**	8,169,894

Forward

		December 31	
	Note	2021	2020
Noncurrent Liabilities			
Long-term bank loan - net of current portion	22, 24	**P5,515,700**	P10,566,642
Lease liabilities - net of current portion	21, 22	**1,403,169**	1,437,814
Retirement benefits liability	23	**544,413**	653,946
Deferred income tax liabilities - net	25	**1,445**	853
Other noncurrent liabilities		**20,610**	20,610
Total Noncurrent Liabilities		**7,485,337**	12,679,865
Total Liabilities		**20,180,841**	20,849,759
Equity			
Common stock	26A	**13,489,227**	13,489,227
Additional paid-in capital	26A	**26,217,799**	26,217,799
Other equity reserves	26B	**528,221**	(42,613)
Retained earnings	26E	**3,971,553**	3,246,025
Equity Attributable to Equity Holders of the Parent Company		**44,206,800**	42,910,438
Non-controlling interest (NCI)	26C	**125**	150
Total Equity		**44,206,925**	42,910,588
		P64,387,766	P63,760,347

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	2021	2020	2019
REVENUES	6	**P20,886,573**	P19,706,682	P23,595,877
COST OF SALES	7	**(12,982,087)**	(11,614,953)	(13,913,316)
GROSS PROFIT		**7,904,486**	8,091,729	9,682,561
OPERATING EXPENSES				
Distribution expenses	8	**(3,109,135)**	(3,502,053)	(4,229,410)
Administrative and selling expenses	7	**(2,870,189)**	(2,782,058)	(3,111,531)
TOTAL OPERATING EXPENSES		**(5,979,324)**	(6,284,111)	(7,340,941)
OPERATING INCOME BEFORE OTHER INCOME (EXPENSES) - Net		**1,925,162**	1,807,618	2,341,620
Other income (expenses) - net	9	**1,947**	(30,310)	8,544
OPERATING INCOME AFTER OTHER INCOME - Net		**1,927,109**	1,777,308	2,350,164
Foreign exchange gain (loss) - net		**(437,485)**	170,224	453,125
Financial expenses	13, 18, 21, 24	**(196,410)**	(506,376)	(1,252,483)
Other financial expenses - net	10	**(78,243)**	(120,044)	(52,056)
PROFIT BEFORE INCOME TAX		**1,214,971**	1,321,112	1,498,750
INCOME TAX EXPENSE	25	**(489,468)**	(336,018)	(219,174)
PROFIT		**725,503**	985,094	1,279,576
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Gain (loss) on remeasurement on retirement benefits liability	23	**89,324**	90,274	(165,755)
Tax effect	25	**(28,371)**	(27,082)	49,726
		60,953	63,192	(116,029)
Items that will be reclassified subsequently to profit or loss				
Currency translation gain (loss) of foreign subsidiaries		**518,556**	(381,924)	(242,977)
Cash flow hedges - effective portion of changes in fair value	22	**12,374**	24,179	–
Cash flow hedges - reclassified to profit or loss	22	**(24,179)**	–	6,458
		506,751	(357,745)	(236,519)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)		**567,704**	(294,553)	(352,548)
TOTAL COMPREHENSIVE INCOME		**P1,293,207**	P690,541	P927,028

Forward

	Note	2021	2020	2019
		Years Ended December 31		
PROFIT ATTRIBUTABLE TO:				
Equity holders of the Parent Company		**P725,528**	P985,114	P1,279,599
NCI		**(25)**	(20)	(23)
		P725,503	P985,094	P1,279,576
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company		**P1,293,232**	P690,561	P927,051
NCI		**(25)**	(20)	(23)
		P1,293,207	P690,541	P927,028
Basic/Diluted Earnings Per Share	27	**P0.05**	P0.08	P0.22

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, 2019		P5,195,395	P21,959,159	P589,907	P981,312	P28,725,773	P193	P28,725,966
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		13,489,227	26,217,799	(42,613)	3,246,025	42,910,438	150	42,910,588
Transactions with owners of the Company								
Share-based compensation	*26D*	–	–	3,130	–	3,130	–	3,130
Total comprehensive income:								
Profit for the year		–	–	–	725,528	725,528	(25)	725,503
Other comprehensive income for the year		–	–	567,704	–	567,704	–	567,704
As at December 31, 2021		**P13,489,227**	**P26,217,799**	**P528,221**	**P3,971,553**	**P44,206,800**	**P125**	**P44,206,925**

The accompanying notes are part of these consolidated financial statements.

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Notes	2021	2020	2019
			Years Ended December 31	
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit		P725,503	P985,094	P1,279,576
Adjustments for:				
Depreciation and amortization of property, machinery and equipment and assets for the right-of-use	5	1,936,443	2,364,089	1,885,513
Financial expenses, other financial expenses (income) and unrealized foreign exchange result		608,738	(527,506)	794,704
Income tax expense	25	489,468	336,018	219,174
Retirement benefit expense	23	84,927	101,473	103,722
Loss (gain) on disposal of assets		11,561	(182)	19,713
Stock-based compensation expense		3,130	2,088	12,493
Gain on remeasurement of lease liability and derecognition of asset for the right-of-use from lease termination and sublease, and gain from rent concessions	9, 10, 18	(1,099)	(4,748)	(7,032)
Impairment loss (reversal of impairment loss) on trade receivables, inventory write-down and provisions during the year	16, 22	(11,583)	22,056	31,084
Operating profit before working capital changes		3,847,088	3,278,382	4,338,947
Changes in working capital:				
Decrease (increase) in:				
Trade receivables		11,732	186,583	(184,379)
Due from related parties		560,154	23,483	8,937
Insurance claims and premiums receivable		(4,229)	357,966	487,660
Other current accounts receivable		(299)	26,180	8,775
Inventories		(752,450)	593,096	524,645
Derivative asset		(9,832)	–	12,875
Prepayments and other current assets		(446,447)	(394,147)	(171,014)
Increase (decrease) in:				
Trade payables		487,134	(252,934)	(772,944)
Due to related parties		223,494	560,069	695,431
Unearned income, other accounts payable and accrued expenses		(39,391)	(384,408)	(215,110)
Contract liabilities		86,291	37,343	(107,437)
Cash generated from operations		3,963,245	4,031,613	4,626,386
Interest received		28,041	54,025	40,621
Interest paid	13, 21, 24	(534,947)	(858,086)	(1,124,978)
Income taxes paid		(210,476)	(268,450)	(352,070)
Pension plan contribution	23	(84,432)	(101,400)	(105,000)
Benefits paid to employees	23	(20,704)	(50,054)	(73,964)
Net cash provided by operating activities		3,140,727	2,807,648	3,010,995

Forward

	Notes	2021	2020	2019
			Years Ended December 31	
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from:				
Refund of advances to contractor	*18*	**P379,370**	P–	P–
Sale of property, machinery and equipment		**7,431**	1,167	10,413
Decrease (increase) in other assets and noncurrent accounts receivable		**350,813**	54,820	(18,905)
Additions to property, machinery and equipment and assets for the right of use	*18*	**(1,757,929)**	(2,962,449)	(3,121,889)
Net cash used in investing activities		**(1,020,315)**	(2,906,462)	(3,130,381)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Bank loan	*24*	**(1,840,123)**	(640,124)	(2,340,123)
Lease liabilities - net of interest	*21*	**(608,184)**	(625,421)	(473,046)
Long-term payable to a related party	*13*	**–**	(7,742,450)	–
Share issuance cost		**–**	(155,981)	(68,339)
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
Net cash provided by (used in) financing activities		**(2,448,307)**	4,878,092	(270,079)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(327,895)**	4,779,278	(389,465)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**119**	(39,047)	(25,020)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**6,139,411**	1,399,180	1,813,665
CASH AND CASH EQUIVALENTS AT END OF YEAR	*11*	**P5,811,635**	P6,139,411	P1,399,180

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, San Pedro 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. Effective from January 1, 2021, CRG assigned and transferred its rights and obligations under this license agreement to another subsidiary of CEMEX that is also based in Switzerland, Cemex Innovation Holding AG (CIH).

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 Revised 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 29 and 27 stockholders as at December 31, 2021 and 2020, 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 benefits 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 "US$" 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. Includes but not limited to recovery of receivable previously written - off, gain on sale of scraps, gain on rent concession, COVID-19 related expenses, gain or loss from disposal of property, machinery and equipment, transportation service income, other losses related to natural disasters, 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 2021, 2020, and 2019 as part of the executive's long-term compensation programs amounting to P3,130, P2,088, and P12,493, respectively, as described in Note 26D.
b) The Company has incurred liability amounting to P1,015,874, P728,515, and P975,234, arising from the acquisition of various property, machinery and equipment in 2021, 2020, and 2019, respectively.
c) In 2020, 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).
d) The Company acquired right of use assets through recognition of lease liabilities amounting to P357,052, P558,218, P362,443 in 2021, 2020 and 2019, respectively (see Note 21). In 2021, the Company derecognized right of use assets amounting to P8,318, upon recognition of receivables from a sublease classified as finance lease (see Note 18 and 21).

G) APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements were authorized for issue by the BOD on April 7, 2022.

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. There are no new standards, amendments to standards and interpretations effective starting January 1, 2021 that have a significant impact on the Company's consolidated financial statements.

1. Standards Issued But Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2021. 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.

1.1 COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to PFRS 16 Leases). The amendment extends the practical expedient introduced in the 2020 amendment which simplified how a lessee accounts for rent concessions that are a direct consequence of COVID-19, permitting lessees to apply the practical expedient to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Earlier application is permitted. A lessee applies the amendments retrospectively, recognizing the cumulative effect of the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate. The adoption is mandatory for lessees that chose to apply the practical expedient introduced by the 2020 amendments and may result in reversal of lease modifications that was ineligible for the practical expedient under the 2020 amendments, but becomes eligible as a result of the extension.

1.2 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.

1.3 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.

1.4 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. It applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- *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.

1.5 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.

In November 2021, the International Accounting Standards Board issued the Exposure Draft, Non-Current Liabilities with Covenants after considering stakeholder feedback on the December 2020 tentative agenda decision issued by the IFRS Interpretations Committee about the amendments. The exposure draft proposes to again amend IAS 1 as follows:

- Conditions which the entity must comply within twelve months after the reporting period will have no effect on the classification as current or non-current.
- Additional disclosure requirements will apply to non-current liabilities subject to such conditions to enable the assessment of the risk that the liability could become repayable within twelve months.
- Separate presentation in the statement of financial position will be required for non-current liabilities for which the right to defer settlement is subject to conditions within 12 months after the reporting period.
- The effective date of the amendments will be deferred to no earlier than January 1, 2024.

1.6 Definition of Accounting Estimates (Amendments to PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors). To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remain unchanged. The amendments also provide examples on the application of the new definition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

1.7 Disclosure of Accounting Policies (Amendments to PAS 1 Presentation of Financial Statements and PFRS Practice Statement 2 Making Materiality Judgements). The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments to PFRS Practice Statement 2 includes guidance and additional examples on the application of materiality to accounting policy disclosures.

The amendments are effective from January 1, 2023. Earlier application is permitted.

1.8 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12 Income Taxes). The amendments clarify that that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning obligations. The amendments apply for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other appropriate component of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

1.9 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. There is also a transition option allowing presentation of comparative information about financial assets using a classification overlay approach on a basis that is more consistent with how PFRS 9 will be applied in future reporting periods. Early application is permitted for entities that apply PFRS 9 on or before the date of initial application of PFRS 17.

B) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include 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. NCI 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 NCI;
- 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 P125 and P150 NCI as at December 31, 2021, and 2020, 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 estimates and underlying 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 risks 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:

Expected credit loss of Trade Receivables

In 2021 and 2020, 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, 2021 and 2020, the carrying amount of trade receivables amounted to P696, 868 and P700,162, 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, 2021, and 2020 amounted to P27,859,694 (see Note 19). No impairment on goodwill has been recognized in 2021 and 2020.

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, 2021, and 2020, net deferred income tax assets amounted to P828,946 and P1,088,227, 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 P189,976 and P629,617 as at December 31, 2021 and 2020, respectively. For the years ended December 31, 2021, 2020 and 2019, the Company has deferred income tax expense (benefit) amounting to P170,675, P157,146, and (P256,792), respectively, resulting from the write-down (reversal of 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, 2021 and 2020, 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 closing 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 NCI.

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 NCI.

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 - Financial Assets
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, 2021 and 2020, 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 (long-term time deposits, rental guaranty deposits and sublease receivable, net of current portion) 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), and bank loan, are recognized initially at fair value, less directly attributable transaction cost and subsequently measured at their amortized cost using effective interest method. 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, 2021 and 2020, 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 on the date which the derivative contract is entered into. 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 all of 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) corporate 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 are carried at cost. Prepaid taxes represent creditable withholding taxes which are deducted from income tax payable, and input value added tax (see Note 3Q). 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, if any.

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, 2021 and 2020, 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, measured at cost, are. presented as part of "Advances to contractors" account in the consolidated statements of financial position and capitalized as property, machinery and equipment once the costs to which the advances pertain are incurred.

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. However, previously written-off financial assets which are subsequently collected are recognized in profit or loss.

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 cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. 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. Such remeasurements are not reclassified to profit or loss in subsequent periods. 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 (i.e., at 90% completion). 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:

- when 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) 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 consolidated 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 equity during a period not resulting from investments by owners and distributions to owners. As at December 31, 2021 and 2020, the "Other equity reserves" account in the consolidated statements of financial position represents the share-based compensation, remeasurements on retirement benefits 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 SHARE 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, *Share-based Payment*, 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 collectible 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 against any future purchases of the Group's cement goods and other products, goods and services offered by third parties. 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.

At commencement of finance leases, the lessor recognizes a finance lease receivable at an amount equal to its net investment in the lease, which comprises the present value of the lease payments and any unguaranteed residual value accruing to the lessor. The present value is calculated by discounting the lease payments and any unguaranteed residual value, at the interest rate implicit in the lease. Initial direct costs are included in the measurement of the finance lease receivable because the interest rate implicit in the lease, used for discounting the lease payments, takes initial direct costs incurred into consideration.

The lessor derecognizes the underlying asset and recognizes the difference between the carrying amount of the underlying asset and the finance lease receivable as gain or loss in profit or loss when recognizing the finance lease receivable.

Over the lease term, the lessor accrues finance income on the net investment. The receipts under the lease are allocated between reducing the net investment and recognizing finance income, to produce a constant rate of return on the net investment.

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 in the consolidated statements of comprehensive income.

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, 2021, 2020, and 2019, the cement sector represented approximately 90.1%, 89.4%, and 89.3%, respectively, of total net revenues before eliminations resulting from consolidation, 132.6%, 128.1%, and 134.1%, 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 (expenses) - 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.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

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, 2021, 2020, and 2019 are detailed as follows:

		2021	2020	2019
Depreciation and amortization related to assets used in the production process	P	**1,383,632**	1,666,834	1,403,532
Depreciation and amortization related to assets used in operating activities		**552,811**	697,255	481,981
	P	**1,936,443**	2,364,089	1,885,513

NOTE 6 - REVENUES

Disaggregation of Revenues from Contracts with Customers
Revenues for the years ended December 31, 2021, 2020, and 2019 are detailed by major product lines and timing of revenue recognition as follows:

	Timing of revenue recognition		2021	2020	2019
Revenue from sale of goods					
Cement	At a point in time	P	**20,820,304**	19,668,716	23,587,948
Admixtures and others	At a point in time		**38,612**	10,403	6,195
			20,858,916	19,679,119	23,594,143
Revenue from services					
Co-processing of alternative fuel resources	Over time		**27,657**	27,563	–
Construction services	Over time		–	–	1,734
			27,657	27,563	1,734
		P	**20,886,573**	19,706,682	23,595,877

Breakdown of cement sales per customer is as follows:

		2021	2020	2019
Retailers	P	**16,566,579**	15,938,050	18,647,019
Institutional		**4,057,141**	3,642,082	4,830,840
Others		**196,584**	88,584	110,089
Total	P	**20,820,304**	19,668,716	23,587,948

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 P74,588, P88,584, and P88,613 for the years ended December 31, 2021, 2020, and 2019, 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:

		2021	2020	2019
Trade receivables - net	P	**696,868**	700,162	892,951
Contract liabilities				
Advances from customers	P	**354,032**	280,249	223,035
Customer loyalty program		**37,390**	24,882	44,752
	P	**391,422**	305,131	267,787

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, 2020 and January 1, 2020 were recognized as revenue in 2021 and 2020, respectively. The amount recognized in contract liabilities as at December 31, 2021 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 - COSTS AND EXPENSES

Cost of sales, administrative and selling expenses for the years ended December 31, 2021, 2020, and 2019 are detailed as follows:

		Cost of Sales		
		2021	2020	2019
Power, fuel, raw materials and production supplies	P	**9,480,115**	7,494,850	8,803,388
Depreciation and amortization		**1,383,632**	1,666,834	1,403,532
Salaries and wages [1]		**513,194**	534,617	447,392
Outside services		**487,559**	416,397	464,397
Repairs and maintenance		**463,433**	505,372	633,296
Rental		**374,454**	278,727	328,716
Cement purchases		**–**	425,143	1,529,704
Others [2]		**279,700**	293,013	302,891
	P	**12,982,087**	11,614,953	13,913,316

[1] Includes retirement benefit expense amounting to P28,258, P42,832, and P28,695 in 2021, 2020, and 2019, 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		
		2021	2020	2019
Salaries and wages[1]	P	**649,383**	595,935	534,077
Administrative fees		**334,569**	417,733	493,427
Insurance		**179,973**	203,376	189,798
Depreciation and amortization		**45,409**	38,505	33,507
Utilities and supplies		**24,703**	27,607	33,456
Travel expenses		**16,929**	10,578	39,418
Taxes and licenses		**1,009**	11,878	18,764
Others		**45,555**	27,788	63,526
	P	**1,297,530**	1,333,400	1,505,973

[1] Includes retirement benefit expense amounting to P34,103, P19,877, and P19,526 in 2021, 2020, and 2019, respectively (see Note 23).

		Selling Expenses		
		2021	2020	2019
License fees[1]	P	**851,437**	747,027	865,373
Administrative fees[2]		**209,720**	203,173	250,742
Utilities and supplies		**168,609**	153,360	143,166
Salaries and wages		**146,965**	131,537	132,757
Depreciation and amortization		**125,222**	122,370	83,680
Taxes and licenses		**35,979**	42,625	39,336
Advertising and travel		**19,811**	12,218	54,720
Insurance		**6,709**	5,826	5,997
Others [3]		**8,207**	30,522	29,787
	P	**1,572,659**	1,448,658	1,605,558

[1] The amount pertains to trademarks with CEMEX, and royalties with CIH in 2021 and CRG in 2020 and 2019 (see Note 13).

[2] Includes legal, professional, outside services, and other administrative charges from a related party (see Note 13).

[3] Includes ECL on trade receivables (see Note 22), fuel, representation and entertainment, and insurance.

NOTE 8 - DISTRIBUTION EXPENSES

Distribution expenses for the years ended December 31, 2021, 2020, and 2019 are detailed as follows:

		2021	2020	2019
Trucks, barge and charter hire	P	**2,006,133**	2,310,478	3,264,311
Handling expenses		**596,453**	531,952	510,364
Depreciation and amortization		**382,180**	536,380	364,794
Harbor services		**115,573**	120,264	72,530
Others		**8,796**	2,979	17,411
	P	**3,109,135**	3,502,053	4,229,410

(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, 2021, 2020, and 2019 are detailed as follows:

		2021	2020	2019
Recovery of receivable previously written-off[1]	P	**33,922**	–	–
Gain on sale of scraps		**7,296**	10,539	8,120
Transportation service income		**1,071**	–	11,920
Gain on rent concession (Note 21)		–	4,539	–
COVID-19 related expenses[2]		**(22,443)**	(49,766)	–
Other losses related to natural disasters		**(22,267)**	–	–
Loss on disposal of property, machinery and equipment		**(3,913)**	(182)	(19,713)
Miscellaneous expenses - net		**8,281**	4,580	8,217
	P	**1,947**	(30,310)	8,544

[1] In 2021, the Company recovered a related party receivable that was previously written off (see Note 13).
[2] 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, 2021, 2020, and 2019 are detailed as follows:

		2021	2020	2019
Financing cost [1]	P	**65,057**	112,338	29,685
Interest expense on retirement benefit plan (Note 23)		**22,566**	38,764	55,501
Bank charges and others		**19,760**	23,332	15,471
Interest income		**(28,041)**	(54,181)	(41,569)
Gain on remeasurement of lease liability and derecognition of asset for the right-of-use from lease termination and sublease (Notes 18 and 21)		**(1,099)**	(209)	(7,032)
	P	**78,243**	120,044	52,056

[1] The amount pertains to cost incurred from intra-group loans between the Parent Company and its subsidiaries.

NOTE 11 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at December 31, 2021, and 2020 consisted of:

		2021	2020
Cash in banks	P	**2,222,046**	1,875,326
Short-term investments		**3,589,589**	4,264,085
	P	**5,811,635**	6,139,411

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.

For the years ended December 31, 2021, 2020, and 2019, interest income earned on cash and cash equivalents amounted to P28,041, P54,025, and P40,806, respectively.

As at December 31, 2021 and 2020, short-term investments include deposits of the Company with local banks and related parties, which are considered highly liquid investments readily convertible to cash as follows:

		2021	2020
Cemex Innovation Holding AG (Note 13)	P	**3,589,589**	–
Local banks		–	50,000
Lomez International B.V. (Lomez) (Note 13)		–	4,214,085
	P	**3,589,589**	4,264,085

(Amounts in Thousands, Except Number of Shares and Per Share Data)

Effective January 1, 2021, the short-term investments with Lomez were transferred to Cemex Innovation Holding AG which bears interest at a rate equivalent to the 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 - net as at December 31, 2021 and 2020 consisted of:

		2021	2020
Trade receivables - gross	P	**714,222**	726,890
Allowance for ECL		**(17,354)**	(26,728)
	P	**696,868**	700,162

The Company's exposure to credit risk related to trade receivables and the movements in the allowance for ECL 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. In the event that the vote of a majority of the independent directors is not secured, the Material RPT may be ratified by the vote of the stockholders representing at least two- thirds (2/3) of the outstanding capital stock of the Parent Company. 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.

Material changes in the terms and conditions of a Material RPT shall be reviewed and must be approved in accordance with the same procedure above described. Material changes shall include, but are not limited to, changes in the price, interest rate, maturity date, payment terms, commissions, fees, tenor and collateral requirement of the Material RPT. Transactions meeting the Materiality Threshold that were entered into with an unrelated party that subsequently becomes a Related Party are excluded from the special review and approval process; however, any alteration to the terms and conditions, or increase in exposure level, related to these transactions after the non-related party becomes a Related Party shall require the special review and approvals.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

As at December 31, 2021 and 2020, balances of related party short-term investments, receivables and payables which are generally expected to be settled in cash are detailed as follows:

		2021	2020
Short-term investments			
Other related party [20]			
Cemex Innovation Holding AG (Note 11)	P	3,589,589	–
Lomez (Note 11)		–	4,214,085
	P	3,589,589	4,214,085
Due from related parties			
Ultimate Parent			
CEMEX [1]	P	11,295	–
Other related parties [20]			
Beijing CXP Import & Export Co.[4]		3,418	1,215
Cemex Innovation Holding AG [16]		1,087	–
APO Land & Quarry Corporation (ALQC)[2]		980	1,051
IQAC [3]		239	9
CEMEX Operaciones México, S.A. de C.V.[5]		142	71
CEMEX International Trading LLC [12]		–	1,443
CASEC [6]		–	6
	P	17,161	3,795
Due to related parties			
Ultimate Parent			
CEMEX [1]	P	23,916	10,952
Other related parties [20]			
CEMEX Operaciones México, S.A. de C.V.[5]		896,148	661,804
Transenergy Grinding, Inc. [9]		763,257	264,067
CEMEX International Trading LLC[12]		191,849	1
Cemex Innovation Holding AG[14]		167,001	–
IQAC [3]		113,652	113,202
ALQC [2]		28,304	15,911
Beijing CXP Import & Export Co.[4]		12,399	5,243
CRG [7]		39	415,238
CEMEX Colombia S.A. Cons [11]		–	11,027
CEMEX Asia B.V. (CABV)[8]		–	6,429
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
Sunbulk Shipping Limited [10]		–	349
Assiut Cement Company, S.A.E [17]		–	258
	P	2,196,565	1,512,086
Lease liabilities on land [18]			
ALQC	P	781,756	784,507
IQAC		391,433	390,563
	P	1,173,189	1,175,070

[1]The due from related party balance as at December 31, 2021, and 2020 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 11,295 and nil, respectively.

The due to related party balance as at December 31, 2021 and 2020 pertains to the use of CEMEX "marks" which is payable in 30 days after receipt of invoice and is unsecured and noninterest bearing which amounted to P23,916 and P10,952, respectively. 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.

[2]The due from related party balance, which is unimpaired, unsecured, noninterest-bearing and due on demand as at December 31,2021 and 2020 includes:

a) The service agreements 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 P656 and nil, respectively; and
b) Others pertain to reimbursements and/or advances amounting to P284 and P1,051, respectively.

The due to related party balance that is unsecured, noninterest-bearing and payable upon demand as at December 31, 2021 and 2020 pertains to the purchase of raw materials which amounting to P28,304 and P15,911, respectively

[3]The due from related party balance as at December 31, 2021 and 2020, which is unimpaired, unsecured, noninterest-bearing and due on demand pertains to the following:

a) The service agreements were entered by Solid with IQAC wherein Solid provides back-office and other support services to IQAC. Fees are calculated at cost incurred plus fixed mark-up. Outstanding receivable amounted to P229 and nil, respectively; and
b) reimbursable expenses amounting to nil and P9, 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, 2021 and 2020, respectively, includes the following:

a) unsecured payable arising from purchase of raw materials with a 30-day term and noninterest bearing amounting to P101,101 and P113,202, 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 P3,551 and nil, respectively, which are unsecured, noninterest-bearing and payable on demand.

[4]The due from related party balance as at December 31, 2021 and 2020 pertains to advances which are unimpaired, unsecured, noninterest-bearing and due on demand amounting to P3,418 and P1,215, respectively.

The due to related party balance as at December 31, 2021 and 2020, 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, 2021 and 2020, which is unimpaired, unsecured, noninterest-bearing and due on demand, pertains to reimbursement of fringe benefit tax on share-based compensation amounting to P142 and P71, respectively.

The due to related party balances as at December 31, 2021 and 2020, 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 P891,953 and P656,715, respectively;
b) unsecured payable arising from reimbursement of cost incurred for Solid's new line with a 30-day term and noninterest-bearing amounting to P2,937 and P5,089, respectively; and
c) unsecured, non-interest bearing with a 30day term payable arising from purchase of spare parts amounting P1,256 and nil, respectively.

[6]The due from related party balance pertains to reimbursable expenses, which is unsecured, not impaired, 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, 2021 and 2020, which is unsecured, noninterest-bearing and payable on demand, includes:

a) the unpaid royalties/license fees amounted to nil and P415,196, respectively; and
b) reimbursable fees which amounted to P39 and P42, respectively.

[8]The due to related party balance includes:

a) the balance of nil and P6,429 as at December 31, 2021 and December 31, 2020, respectively, 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 P5,025 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 P5,358,838. 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, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020, which is unsecured, noninterest-bearing and due on demand pertains to services acquired related to the Solid's new line expansion project, amounting to nil and P11,027, respectively.

[12]The due from related party balance, which is unimpaired, unsecured, noninterest-bearing as at December 31, 2021, and 2020 pertains to the purchase of materials and has 30-days term.

The due to related party balance as at December 31, 2021, and 2020, 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, 2021, and 2020, pertains to the purchase of paperless solutions which is unsecured, noninterest-bearing and due on demand, amounting to nil and P2,128, respectively.

[14]The due to related party balance as at December 31, 2021 and 2020, which is unsecured, noninterest-bearing and payable on demand, pertains to the unpaid royalties/license fees amounted to P167,031 and nil, respectively.

[15]The due to related party balance as at December 31, 2021 and 2020 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 nil and P829, respectively.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

[16] The due from related party balance as at December 31, 2021 which is unsecured, non-interest bearing and with 15-day term pertains to service agreement to support and assist in the programming, testing and deployment of new commercial solutions, methods, tools, processes, and products that Solid will develop as part of its intellectual property portfolio.

[17] The due to related party balance as at December 31, 2021 and 2020, which is unsecured, noninterest-bearing and with a 30-day term, pertains to the purchase of spare parts amounting to nil and P258, 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 non interest-bearing and unsecured. The principal manufacturing installations of APO and Solid are located on land owned by ALQC or IQAC, respectively, under long-term lease agreements.

[19] The due to related party balance as at December 31, 2021 and 2020, pertains to reimbursable expenses which is unimpaired, unsecured, noninterest-bearing and due on demand amounting to nil and P1,748, respectively.

[20] Other related parties pertain to entities under common control of CEMEX, except for IQAC and ALQC.

In 2021, there were no new loans from a related party availed or paid. The reconciliation of the 2020 opening and closing balances of loans from a related party is as follows:

		2020
Balance as at beginning of year	P	6,448,398
Proceeds from drawdowns (net of issuance cost)		1,269,568
Interest expense (including amortization of debt issuance cost)		149,110
Payments of:		
Principal		(7,742,450)
Interest		(155,035)
Effect of exchange rate changes		30,409
Balance as at end of year	P	–

The main transactions entered by the Company with related parties for the years ended December 31, 2021, 2020, and 2019 are shown below:

Transactions with ultimate parent

		2021	2020	2019
Trademarks				
CEMEX[1]	P	**27,897**	22,849	29,567

Transactions with other related parties[4]

		2021	2020	2019
Purchases of raw materials, supplies and/or spare parts				
Transenergy Grinding, Inc.[1]	P	**1,771,924**	1,588,988	1,908,801
Cemex International Trading, LLC[1]		**436,094**	32,293	107,163
IQAC[1]		**309,856**	281,928	305,137
ALQC[1]		**197,329**	142,917	285,107
Beijing CXP Import & Export Co.[1]		**65,849**	43,273	19,389
CEMEX Internacional, S.A. de C.V.[1]		**11,077**	6,079	688
Assiut Cement Company, S.A.E[1]		**–**	258	–
	P	**2,792,128**	2,095,736	2,626,285
Loan drawdown				
CABV[1]	P	**–**	1,269,568	2,611,429
		2021	2020	2019
Royalties				
CIH[1]	P	**823,540**	–	–
CRG[1]		**–**	724,178	835,806
	P	**823,540**	724,178	835,806
Corporate services and administrative expenses				
CEMEX Operaciones Mexico, S.A. de C.V[1]	P	**189,709**	236,596	125,263
CEMEX Central, S.A. de C.V.[1]		**–**	–	189,159
	P	**189,709**	236,596	314,422

(Amounts in Thousands, Except Number of Shares and Per Share Data)

Interest expense				
CASV[1]				
Short-term	P	–	149,110	100,748
Long-term		–	–	474,199
	P	–	149,110	574,947
Gross premiums written				
Torino Re Ltd [3]	P	71,608	108,163	97,338
Freight services				
Sunbulk Shipping Limited [1]	P	431,189	41,562	159,415
Interest income				
CIH[2]	P	24,856	–	–
LOMEZ[2]		–	36,890	1,415
	P	24,856	36,890	1,415
Corporate services and administrative income				
ALQC[1]	P	7,607	9,520	5,209
IQAC[1]		2,237	3,977	425
	P	9,844	13,497	5,634
Purchase of equipment				
CEMEX Colombia S.A. Cons[5]	P	–	11,027	–
CEMEX Mexico, S.A de CV[5]		–	–	416,927
	P	–	11,027	416,927
Purchase of paperless solutions				
Neoris Czech Republic S.R.O.[1]	P	–	2,128	–
Recovery of receivable previously written-off				
Calabar Aggregates Corporation (Note 9)	P	33,922	–	–
Service Agreement				
Cemex Innovation Holding AG[1]	P	1,087	–	–
Transactions with Key Management Personnel				
Short-term employee benefits	P	160,567	226,980	172,103
Post-employment and other long-term employee benefits		36,765	46,641	104,013
Share-based compensation (Note 26D)		3,130	2,088	12,493
	P	200,462	275,709	288,609

[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] The amount refers to gross premiums written on property insurance.
[4] Other related parties pertain to entities under common control to CEMEX, except IQAC and ALQC.
[5] Purchase of equipment which is unsecured, noninterest-bearing and payable on demand.

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 contributions to the retirement fund amounting to P84,432, P101,400, and P105,000 for the years ended December 31, 2021, 2020, and 2019, respectively. There are no other transactions entered into by the Company with the plan in 2021 and 2020. As at December 31, 2021 and 2020, the plan's unfunded status amounted to P544,413 and P653,946, respectively. The composition of the retirement plan assets is disclosed in Note 23 to the consolidated financial statements.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

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, 2021 and 2020, respectively.

Amounts owed by	Amounts owed to		2021	2020
Solid [1]	Parent Company	P	9,994,024	8,799,678
Parent Company [2]	CAR		4,164,377	3,167,508
Solid [3]	APO		1,997,256	1,070,836
Parent Company [2]	Falcon		1,723,921	624,445
Falcon[16]	Parent Company		1,121,978	–
APO [4]	Parent Company		666,304	973,814
APO [5]	CAR		166,209	220,670
Sandstone Strategic Holdings, Inc.[6]	Bedrock Holdings, Inc.		110,067	110,067
Solid [7]	CAR		74,602	85,085
APO[8]	Solid		63,913	53,109
Ecocrete, Inc. [10]	Solid		51,095	47,546
Ecocast Builders, Inc. [9]	Ecopavements, Inc.		50,185	49,927
Solid [12]	Ecocast Builders, Inc.		12,392	13,800
Parent Company [13]	Solid		6,297	1,364
Parent Company [11]	APO		1,003	28,900
Sandstone Strategic Holdings, Inc[15]	Solid		100	–
Solid [14]	Ecocrete, Inc.		536	414
Ecocrete, Inc.[15]	Parent Company		48	290
Newcrete Management Inc. [15]	Solid		8	–
Parent Company [15]	Ecocrete, Inc.		–	241
		P	20,204,315	15,247,494

[1] Amounts pertain to fees in connection with various areas, including general administration and management services amounting to P12,205 and nil as at December 31, 2021 and 2020, respectively, which has a 60-day term, noninterest-bearing, and unsecured; b) intercompany loan amounting P9,249,824 and P8,139,022 which bears an interest of 10.2% per annum as at December 31, 2021 and 2020, respectively; c) interest from loan amounting to P730,977 and P651,192 as at December 31, 2021 and 2020, respectively; d) reimbursement transferred pension liability amounting to nil and P4,660 at December 31, 2021 and 2020, respectively which are due on demand, noninterest-bearing and unsecured; and c) reimbursements of P1,018 and P4,004 as at December 31, 2021 and 2020, respectively, which are unsecured, payable on demand and noninterest-bearing.

[2] Amount pertains to the unsecured loans which are due to be paid in 2022, 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) P29,538 and P175,116 as at December 31, 2021 and 2020, respectively, from sale of goods, which has a 30-day term, noninterest-bearing and unsecured; b) intercompany loan amounting P1,955,000 and P885,000 which bears an interest of 9.5% per annum as at December 31, 2021 and 2020; c) interest payable amounting to P12,026 and P10,070 as at December 31, 2021 and 2020, respectively; d) reimbursement for pension amounting to nil and P318 as at December 31, 2021 and 2020, which are due on demand, noninterest-bearing and unsecured; and c) other reimbursable expenses amounting to P94 and P132 as at December 31, 2021 and 2020, 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 P20,723 and nil as at December 31, 2021 and 2020, respectively, which has a 60-day term, noninterest-bearing, and unsecured; b) reimbursements of P19 and P378 as at December 31, 2021 and 2020, respectively, which are unsecured, payable on demand and noninterest-bearing; c) transfer of pension amounting to P4,222 and nil as at December 31, 2021 and 2020, respectively, which is unsecured, noninterest-bearing, unimpaired and due on demand d) intercompany loan amounting P575,982 and P890,982 which bears an interest of 10.2% per annum as at December 31, 2021 and 2020, respectively; and d) interest payable amounting to P65,364 and P82,454 as at December 31, 2021 and 2020, 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) P50,344 and P37,564 as at December 31, 2021 and 2020, respectively, from sale of goods, which has a 30-day term, noninterest-bearing and unsecured; b) reimbursable expenses amounting to P9,347 and P15,545 as at December 31, 2021 and 2020, respectively, which are due on demand, noninterest-bearing and unsecured; c) pension and other employee benefits settled by Solid on behalf of the Company amounting to P4,222 and nil as at December 31, 2021 and 2020, which is unsecured, noninterest-bearing, unimpaired and due on demand.

[9] Amount includes a) P45,000 loan as at December 31, 2021 and 2020, which is due and demandable, with interest at 3.50% per quarter and unsecured; and b) interest on loan amounting to P5,185 and P4,927 as at December 31, 2020, and 2019, respectively, which is due on demand, noninterest-bearing and unsecured.

[10] Amount includes a) P267 as at December 31, 2021 and 2020, respectively from reimbursable expenses, which is due on demand, noninterest-bearing and unsecured; c) loan and interest amounting to P46,678 and P46,479 as at December 31, 2021 and 2020, respectively, which is fully impaired with interest at 3.00% per annum; and d) advances, which is payable on demand, non-interest bearing, and unsecured, amounting to P4,150 and P800 as at December 31, 2021 and 2020, respectively.

[11] Amounts pertain to a) reimbursement for excess billings on advisory services of Parent Company with APO amounting to P980 and P28,669 as at December 31, 2021 and 2020, respectively; b.) reimbursements of P23 and P231 as at December 31, 2021 and 2020, respectively, which are payable on demand, noninterest-bearing and unsecured.

[12] Amount pertains to a) construction services amounting to P12,392 as at December 31, 2021 and 2020, respectively, noninterest-bearing, unsecured, and has a 30-day term; b) nil and P726 as at December 31, 2021 and 2020 transportation allowance transferred to Solid which is payable on demand, non-interest bearing, and unsecured; and c) nil and P682 as at December 31, 2021 and 2020 pertains to reimbursable expenses, which is payable on demand and noninterest-bearing.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

[13] Amounts pertain to a) advisory services of Parent Company with Solid, which has a 30-60 days term, noninterest-bearing, and unsecured amounting to nil and P234 as at December 31, 2021 and 2020, respectively, b) reimbursements of nil and P88 as at December 31, 2021 and 2020, respectively, which has a 30-day term, noninterest-bearing, and unsecured; c) transfer of pension amounting to P5,603 and nil as at December 31, 2021 and 2020, respectively, 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 nil and P1,091 as at December 31, 2021 and 2020, 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, noninterest-bearing and unsecured.

[16] On October 28, 2021, Falcon declared US $24 million dividend to Parent Company. The balance refers to the unpaid portion of the dividend declared by Falcon. The balance is payable at any time between the date of resolution and December 31, 2022.

Below are the transactions among related parties which are eliminated in the consolidated financial statements for the years ended December 31, 2021, 2020, and 2019, respectively.

Royalties and Trademarks	Selling and administrative expenses		2021	2020	2019
CAR	APO	P	**871,277**	993,222	1,179,697
CAR	Solid		**407,249**	379,759	586,655
		P	**1,278,526**	1,372,981	1,766,352

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		2021	2020	2019
Falcon	Parent Company	P	**1,217,040**	–	611,640
CARG	Parent Company		–	–	253,700
		P	**1,217,040**	–	865,340

Please refer to the footnotes provided on the outstanding balances of related party receivables and payables eliminated during consolidation.

Sales	Purchases		2021	2020	2019
Solid	APO	P	**621,245**	161,076	72,002
APO	Solid		**102,962**	509,872	595,001
		P	**724,207**	670,948	667,003

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		2021	2020	2019
Parent Company	APO	P	**291,865**	273,102	321,566
Parent Company	Solid		**142,894**	112,007	155,930
		P	**434,759**	385,109	477,496

Please refer to the footnotes provided on the outstanding balances of related party receivables and payables eliminated during consolidation.

Interest income	Interest expense		2021	2020	2019
Parent Company	Solid	P	**893,468**	664,482	–
APO	Solid		**173,079**	52,012	2,051
Parent Company	APO		**83,999**	84,137	–
CAR	Parent Company		**52,860**	89,677	141,993
Falcon	Parent Company		**458**	6,794	33,515
Ecopavements	Ecocast Builders, Inc.		**258**	1,601	1,597
Solid	Ecocrete, Inc.		**199**	1,235	1,232
Solid	APO		–	–	48,403
		P	**1,204,321**	899,938	228,791

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)

NOTE 14 - INVESTMENT IN AN ASSOCIATE AND OTHER INVESTMENTS

Investment in an associate and other investments as at December 31, 2021, and 2020 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, 2021, and 2020, 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, 2021 and 2020 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, 2021 and 2020 consisted of:

		2021	2020
Insurance premiums receivable	P	**91,798**	86,443
Claims from insurance (Note 31)		**–**	1,126
	P	**91,798**	87,569

Insurance premiums receivable, which is FALCON's premiums receivable from third party insurance company (see Note 1). 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 is disclosed in Note 22 to the consolidated financial statements.

15B) OTHER CURRENT ACCOUNTS RECEIVABLE

Other current accounts receivable as at December 31, 2021 and 2020 consisted of:

		2021	2020
Receivable from contractors	P	**26,213**	29,262
Short-term deposits		**8,327**	8,500
Sublease receivable (Note 21)		**4,870**	–
Receivable from employees		**2,101**	2,704
Others [1]		**7,850**	3,251
	P	**49,361**	43,717

[1] 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.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

15C) OTHER ASSETS AND NONCURRENT ACCOUNTS RECEIVABLE

Other assets and noncurrent accounts receivable as at December 31, 2021 and 2020 consisted of:

		2021	2020
Guaranty deposits [2]	P	**301,648**	266,440
Long-term time deposits [1]		**32,324**	407,780
Long-term prepayments [3]		**27,937**	27,937
Right of way		**7,143**	11,905
Sublease receivable, net of current portion (Note 21)		**2,560**	–
Others[4]		**64,628**	68,337
	P	**436,240**	782,399

[1] Long-term time deposits are restricted cash pertaining to:

a) debt service reserve account amounting to nil and P302,482 as at December 31, 2021 and 2020, 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 P32,324 and P105,318 as at December 31, 2021 and 2020, respectively.

[2] Guaranty deposits include

a) deposits to Manila Electric Company (MERALCO) amounting to P142,665 as at December 31, 2021 and 2020, which will be applied to future electricity charges upon commencement of the operation of Solid's new cement manufacturing line.

b.) deposit to Meralco amounting to P436 and nil as at December 31, 2021 and 2020, respectively, pertaining to the service deposit for the Terminal in Manila City as a result of the change of account name from its previous owner, "TCC Cement", to "Solid Cement Corporation;

c) rental guaranty deposits amounting to P117,280 and P123,775 as at December 31, 2021 and 2020, respectively, which are expected to be collected from the lessor upon termination of the lease contracts; and

d.) deposit to Visayan Electric Company amounting to P41,267 and nil as at December 31, 2021 and 2020, respectively, which will be refunded in 2022 but subject for extension.

[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, 2021 and 2020.;

[4] Others primarily pertain to prepaid transportation allowance amounting to P63,424 and P67,095 as at December 31, 2021 and 2020, 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 and sublease receivable are disclosed in Note 22 to the consolidated financial statements.

NOTE 16 - INVENTORIES

Inventories as at December 31, 2021 and 2020 consisted of:

		2021	2020
At NRV:			
Materials and spare parts	P	**1,548,802**	939,283
Work-in-process inventory		**698,019**	498,326
Raw materials		**473,016**	316,016
Finished goods		**346,395**	411,263
At Cost:			
Inventory in transit		**32,860**	185,078
	P	**3,099,092**	2,349,966

For the years ended December 31, 2021, 2020, and 2019, the Company recognized in the consolidated statements of comprehensive income the cost of sales amounting to P12,982,087, P11,614,953, and P13,913,316 (see Note 7). For the years ended December 31, 2021 and 2020, (reversal of) inventory write-down to NRV amounted to (P13,571) and P37,913, respectively. Write-down (reversal of write-down) of inventories to NRV included under "Cost of Sales" account in the consolidated statements of comprehensive income amounted to (P3,145) and P15,850 in 2021 and 2020, respectively. Majority of the reversals of inventory write-down relate to the Company's consumption of previously written-down inventories. In 2021 and 2020, the Company has also written-down cost of inventories damaged by a typhoon amounting to nil and P1,656, which was charged against insurance receivable. As at December 31, 2021 and 2020, inventories amounting to P65,791 and P10,517, 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, 2021 and 2020 consisted of:

		2021	2020
Prepayments:			
Prepaid taxes [1]	P	**1,471,022**	1,041,373
Prepaid insurance [2]		**646,487**	628,619
Advances to suppliers [3]		**31,590**	106,395
Prepaid rent [4]		**11,069**	12,892
Advances to employees		**1,129**	3,131
Assets held for sale		**1,966**	–
Others		**46,337**	32,699
	P	**2,209,600**	1,825,209

[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.

NOTE 18 - PROPERTY, MACHINERY AND EQUIPMENT AND ASSETS FOR THE RIGHT-OF-USE - Net

As at December 31, 2021 and 2020, the breakdown of this account follows:

		2021	2020
Property, machinery and equipment, net	P	**21,235,651**	19,908,567
Assets for the right-of-use, net		**1,552,368**	1,790,810
	P	**22,788,019**	21,699,377

Property, Machinery and Equipment, net
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, 2020	P	4,403,654	13,794,495	4,810,422	23,008,671
Additions		54,797	153,729	3,316,777	3,525,303
Transfer		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
Additions		41,776	152,632	2,522,580	2,716,988
Disposals		(15,949)	(36,011)	–	(51,960)
Reclassification to asset held for sale		–	(5,094)	–	(5,094)
Transfers		36,296	47,479	(83,775)	–
December 31, 2021	P	**4,615,247**	**14,252,947**	**10,307,386**	**29,175,580**
Accumulated depreciation and impairment					
January 1, 2020		(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)
Depreciation for the year		(201,300)	(1,167,646)	–	(1,368,946)
Reclassification to asset held for sale		–	3,128	–	3,128
Disposal		6,148	26,820	–	32,968
December 31, 2021		**(1,466,582)**	**(6,473,347)**	–	**(7,939,929)**
Carrying Amounts					
December 31, 2020	P	3,281,694	8,758,292	7,868,581	19,908,567
December 31, 2021	P	**3,148,665**	**7,779,600**	**10,307,386**	**21,235,651**

Fully depreciated property, machinery and equipment are retained in the account until they are disposed, scrapped or are no longer in use. Fully depreciated property, plant and equipment that are still in use amounted to P5,162,220 and P4,791,765 as at December 31, 2021 and 2020, respectively.

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In relation to Solid's construction of new production line, the Company capitalized borrowing cost amounting to P365,608, P345,861 and P265,066 for the years ended December 31, 2021, 2020 and 2019, respectively. The average capitalization rate used to determine the amount of borrowing cost eligible for capitalization during the years ended December 31, 2021, 2020 and 2019 is 4.55%, 5.70% and 10.57%, respectively.

In 2018, the Company entered into a contract with CBMI Construction Co., Ltd (CBMI), a third party, to provide engineering, procurement of construction materials and construction of Solid's new production line. The Company then made a down payment amounting to P2,069,601 to the said third party for this project to be applied against the billing of CBMI.

In December 2021, Solid terminated its contract with CBMI for the above project due to the delay of the latter in the implementation of construction/installation works (see Note 29). The remaining balance of the down payment made to CBMI related to this project amounted to P485,175 as at December 31, 2020 and was presented as "Advances to contractors" under noncurrent assets in the 2020 consolidated statement of financial position. Remaining unapplied downpayment at the date of termination amounting to P379,370 was recovered in full in 2021.

On December 20, 2021 and February 14, 2022, the Company entered into contracts with other third parties to complete the construction of Solid's new production line. As at December 31, 2021, the carrying cost of the project, included under "Construction in-progress" in "Property, machinery and equipment and assets for the right-of-use - net" account amounts to P9,727,812. The Company expects to incur costs of approximately P8,600 million to complete the new production line in March 2024.

Assets for the Right-of-Use, net

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				
January 1, 2020	P	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
Additions		65,115	294,356	359,471
Cancellation and remeasurements		(24,849)	(332,891)	(357,740)
December 31, 2021	P	**1,935,338**	**1,565,007**	**3,500,345**
Accumulated amortization				
January 1, 2020	P	(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)
Amortization for the year		(178,374)	(382,654)	(561,028)
Lease termination		14,785	306,070	320,855
December 31, 2021	P	**(725,657)**	**(1,222,320)**	**(1,947,977)**
Carrying Amounts				
December 31, 2020	P	1,333,004	457,806	1,790,810
December 31, 2021	P	**1,209,681**	**342,687**	**1,552,368**

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 P28,567 and P13,209 in 2021 and 2020, respectively, and lease liabilities amounting to P28,567 and P13,418, respectively (see Note 21). In 2021, APO Cement entered a sublease transaction with a third party that is classified as finance lease, this resulted to derecognition right-of-use assets with carrying amount of P8,318 (see Note 21).

For the years ended December 31, 2021 and 2020, gain on derecognition of the right-of-use asset and lease liability amounted to P1,099 and P209, 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.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

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.

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 2021 and 2020, 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	
	2021	2020	2021	2020
Discount rate	7.8%	9.1%	8.0%	9.2%
Growth rate	6.0%	6.3%	6.0%	6.3%

In connection with the Company's assumptions as at December 31, 2021 and 2020, 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	
	2021	2020	2021	2020
Discount rate	7.1	5.5	8.2	9.0
Growth rate	(5.1)	(7.7)	(3.2)	(14.8)

As at December 31, 2021 and 2020, the estimated recoverable amount of the Company's CGUs exceeds carrying amount by P176,706,296 and P159,951,613, respectively.

NOTE 20 - UNEARNED INCOME, OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Unearned income, other accounts payable and accrued expenses as at December 31, 2021 and 2020 consisted of:

		2021	2020
Unearned income from reinsurance premiums [2]	P	551,749	523,004
Accrued expenses [1]		514,027	505,374
Taxes payable [3]		173,374	215,605
Others		30,228	37,228
	P	1,269,378	1,281,211

[1] As at December 31, 2021 and 2020, accrued expenses include:
a.) interest on loans amounting to P61,774 and P69,108, respectively (see Note 24);
b.) utilities and supplies amounting to P218,036 and P238,197, respectively;
c.) salaries and employee benefits amounting to P158,311and P163,640, respectively;

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d.) freight cost amounting to P12,039 and P1,153, respectively;
e.) outside services amounting to P57,409 and P20,096, respectively; and
f.) royalty fees amounting to P6,378, for the relevant periods.

[2] Unearned income from reinsurance premiums pertains 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.

For the years ended December 31, 2021 and 2020, the roll-forward analyses of unearned income from reinsurance premiums are as follows:

		2021	2020
Balance at beginning of year	P	523,004	438,632
Policies written during the year		1,029,350	1,085,932
Premiums earned during the year		(1,032,201)	(978,933)
Effect of translation to Philippine peso		31,596	(22,627)
Balance at end of year	P	551,749	523,004

The Company's provision for quarry fees amounted to P9,717 as at December 31, 2021 and 2020, respectively. There was no movement in the amount of provision in 2021. The provision is expected to be settled in 2022.

NOTE 21 - LEASES

The Company as Lessee

The Company leases vessels, vehicles, 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 has provided renewal options subject to the mutual agreement of both the lessor and the Company, except for the lease of parcels of land from IQAC and ALQC (see Note 13), and lease of a ship vessel with a third party wherein the renewal clause is at the sole option of the Company.

The roll-forward analyses of opening and closing balances of lease liabilities follow:

		2021	2020
Balance at beginning of year	P	2,066,112	2,163,251
Additions		357,052	558,218
Accretion of interest		114,222	135,249
Effect of changes in exchange rates		21,492	(11,979)
Payments		(722,406)	(760,670)
Remeasurements due to lease termination (Note 18)		(28,567)	(13,418)
Effect of rent concession		–	(4,539)
Balance at end of year	P	1,807,905	2,066,112

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.

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. In 2020, 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:

		2021	2020	2019
Expenses relating to variable lease consideration	P	382,118	279,940	322,531
Expenses relating to short-term leases		30,873	11,421	26,600
	P	412,991	291,361	349,131

(Amounts in Thousands, Except Number of Shares and Per Share Data)

Total cash outflow for leases amounted to P1,019,920, P923,621, and P822,177 for the years ended December 31, 2021, 2020, and 2019 respectively.

The Company as Lessor

In 2021, the Company has sub-leased a warehouse that has been presented as part of right of use assets. The Company recognized a gain of P1,099 on derecognition of the right of use asset pertaining to the warehouse and presented the gain as part of the "Other financial expense" in the consolidated statements of comprehensive income (see Note 10)

In 2021, the Company recognized interest income on sublease receivable of P188.

The following table sets out the maturity analysis of sublease receivables showing the undiscounted lease payments to be received after the reporting date:

		2021
Less than one year	P	5,220
One to two years		2,610
Total undiscounted sublease receivable		7,830
Less: unearned finance income		400
Net investment in the lease	P	7,430

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.

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, 2021 and 2020, 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, 2021 and 2020 amounted to P32,324 and P32,824, respectively.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

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, 2021 and 2020 is as follows:

		Gross Carrying Amount		Net Carrying Amount	
		2021	2020	2021	2020
Financial assets at amortized cost					
Cash and cash equivalents (Note 11)	P	**5,811,635**	6,139,411	**5,811,635**	6,139,411
Trade receivables (Note 12)		**714,222**	726,890	**696,868**	700,162
Due from related parties (Note 13)		**17,161**	3,795	**17,161**	3,795
Insurance claims and premiums receivable (Note 15A)		**91,798**	87,569	**91,798**	87,569
Other current accounts receivable (Note15B)		**49,361**	43,717	**49,361**	43,717
Long-term time deposits, rental guaranty deposits and sublease receivable, net of current portion (Note 15C; under other assets and noncurrent accounts receivable)		**193,867**	531,555	**193,867**	531,555
		6,878,044	7,532,937	**6,860,690**	7,506,209
Financial assets at fair value (hedging instrument)					
Derivative asset		**30,450**	24,039	**30,450**	24,039
	P	**6,908,494**	7,556,976	**6,891,140**	7,530,248

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 gross domestic product (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, 2021		**Current**	**1 to 30 days**	**31 to 60 days**	**More than 60 days**	**Total**
Average ECL rates		**0.1%**	**0.9%**	**6.7%**	**28.9%**	**2.4%**
Trade receivables - gross carrying amount	P	**553,801**	**94,687**	**12,914**	**52,820**	**714,222**
Allowance for ECL		**358**	**850**	**866**	**15,280**	**17,354**

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 ECL		3,177	388	415	22,748	26,728

(Amounts in Thousands, Except Number of Shares and Per Share Data)

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 ECL 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, sublease receivable, noncurrent portion 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, 2021 and 2020, no single customer individually accounted for a significant amount of the reported amounts of sales or the balances of trade receivables.

As at December 31, 2021 and 2020, the following tables provide credit risk ratings of the Company's financial asset:

		2021		2020	
		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	5,811,635	–	6,139,411	–
Due from related parties (Note 13)		17,161	–	3,795	–
Insurance claims and premiums receivable (Note 15A)		91,798	–	87,569	–
Other current accounts receivable (Note 15B)		49,361	–	43,717	–
Derivative asset		30,450	–	24,039	–
Long-term time deposits, rental guaranty deposits and sublease receivable, net of current portion (Note 15C; under other assets and noncurrent accounts receivable)		193,867	–	531,555	–
		6,194,272	–	6,830,086	–
Financial asset for which loss allowance is measured equal to lifetime ECL					
Trade receivables (Note 12)		553,801	160,421	594,333	132,557
	P	6,748,073	160,421	7,424,419	132,557

Cash in banks and cash equivalents, derivative asset, 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, sublease 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.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

Movements in the Allowance for ECL on Trade Receivables
As at December 31, 2021 and 2020, the movements in the allowance for ECL are as follows:

		2021	2020
Balance at beginning of year	P	26,728	23,757
Charged to selling expenses		(8,439)	6,206
Write-off of trade receivables		(935)	(3,235)
Balance at end of year	P	17,354	26,728

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, investing 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, 2021 and 2020, 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, 2021 and 2020, the Company has not implemented any derivative financing hedging strategy to address this foreign currency risk.

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, 2021 and 2020, 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, 2021	
	(in U.S. dollar)	*(in Euro)*
Cash and cash equivalents	US$11,471	€–
Due from related parties*	313	–
Trade payables	(11,414)	(188)
Due to related parties*	(36,897)	–
Lease liabilities	(6,193)	–
Net liabilities denominated in foreign currency	(US$42,720)	(€188)

**Pertains to related party transactions with entities outside the Company*

	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*

(Amounts in Thousands, Except Number of Shares and Per Share Data)

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	2021	2020
Falcon	Parent Company	US$22,000	US$–
Parent Company	CAR	(81,656)	(65,873)
Parent Company	Falcon	(33,803)	(13,003)
APO	CAR	(3,259)	(4,595)
Solid	CAR	(1,463)	(1,772)
		(US$98,181)	(US$85,243)

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, 2021		December 31, 2020	
Currency	Closing	Average	Closing	Average
U.S. dollar	P51.00	P49.36	P48.02	P49.94
Euro	P58.03	P58.30	P58.69	P56.40

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, 2021 and 2020:

U.S. Dollar	Strengthening (Weakening) of Philippine Peso	Effect on Earnings before Income Tax	Effect on Equity
2021	+6.2%	P135,078	P101,308
	-6.2%	(135,078)	(101,308)
2020	+5.2%	P104,774	P73,342
	-5.2%	(104,774)	(73,342)

EUR	Strengthening (Weakening) of Philippine Peso	Effect on Earnings before Income Tax	Effect on Equity
2021	+1.4%	P154	P116
	-1.4%	(154)	(116)
2020	+3.4%	P279	P195
	-3.4%	(279)	(195)

Sensitivity Analysis Pertaining to Eliminated Intragroup Balances

U.S. Dollar	Strengthening (Weakening) of Philippine Peso	Effect on Earnings before Income Tax	Effect on Equity
2021	6.2%	P310,442	P232,832
	-6.2%	(310,442)	(232,832)
2020	+5.2%	P211,231	P147,862
	-5.2%	(211,231)	(147,862)

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, 2021 and 2020, the Company is exposed to interest rate risk primarily on the floating interest rate tranche corresponding to P3,596,123 and P5,380,072, respectively, of the long-term bank loan with BDO (see Note 24) and short-term investments in Cemex Innovation Holding AG amounting to P3,589,589 as at December 31, 2021 and Lomez amounting to P4,214,085 as at December 31, 2020 (see Notes 11 and 13). 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, while Cemex Innovation Holding AG bears interest at a rate equivalent to the WAILRF rate minus 10 basis points and zero interest.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

Sensitivity analysis on Interest Rate Risk

As at December 31, 2021 and 2020 a hypothetical 1% increase in interest rate, with all other variables held constant, the Company's profit for the years ended December 31, 2021 and 2020, would have decreased by approximately P49 and P8,162, 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 commodity collar agreement in 2021 and derivative commodity swap agreement in 2020. 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, 2021 and 2020 were as follows:

	2021		2020	
	Notional amount	**Carrying amount**	Notional amount	Carrying amount
Commodity collar transaction	P541,611	P30,450	P–	P–
Price swap transaction	P–	P–	P183,544	P24,179

For the years ended 2021, 2020 and 2019, changes in fair value of these contracts recognized in OCI amounted to P12,374, P24,179, and nil, respectively. For the years ended 2021, 2020 and 2019, the amount reclassified from hedge reserve to profit or loss are P24,179, nil, and P6,458, respectively.

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 P3,140,727, P2,807,648, and P3,010,995 for the years ended December 31, 2021, 2020 and 2019, respectively. In addition, there is no significant concentration of a specific supplier relating to the purchase of raw materials.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	As at December 31, 2021				
	Carrying Amount	Contractual Cash Flows	12 Months or Less	1 to 5 Years	More than 5 Years
Trade payables	P5,056,497	P5,056,497	P5,056,497	P–	P–
Due to related parties	2,196,565	2,196,565	2,196,565	–	–
Unearned income, other accounts payable and accrued expenses*...	527,997	527,997	527,997	–	–
Lease liabilities	1,807,905	4,503,893	488,185	587,025	3,428,683
Bank loan	8,892,606	9,066,364	3,443,457	5,622,907	–
Total	P18,481,570	P21,351,316	P11,712,701	P6,209,932	P3,428,683

*Excluding government-related payables, unearned income from insurance premiums and other non-financial liabilities amounting to P741.4 million.

	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.

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, political violence, cyber and professional indemnity 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 political violence, cyber and professional indemnity 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.

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.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

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, 2021 and 2020 the carrying amounts and fair values of financial assets and liabilities are as follow:

		2021			2020	
		Carrying amount	Fair value		Carrying amount	Fair value
Financial assets measured at amortized cost						
Long-term time and rental guaranty deposits	P	191,307	191,307	P	531,555	531,555
Sublease receivable		7,430	7,558		-	-
Financial assets at fair value (hedging instrument)						
Derivative asset		30,450	30,450		24,039	24,039
	P	229,187	229,315	P	555,594	555,594
Financial liabilities measured at amortized cost						
Bank loan	P	8,892,606	9,094,097	P	10,706,765	11,411,683

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, sublease receivable, and bank loan 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.

NOTE 23 - RETIREMENT BENEFITS 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 quarterly by a qualified actuary using the projected unit credit method. The Company's latest actuarial valuation date was made on March 5, 2022.

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.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

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.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

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.

a) Movements in Retirement Benefits Liability

The following table shows reconciliation from the opening balances to the closing balances for retirement benefits liability and its components as at December 31, 2021 and 2020:

		Present Value of Defined Benefit Obligation		Fair Value of Plan Assets		Retirement Benefits Liability	
		2021	2020	2021	2020	2021	2020
Balance at beginning of year	P	968,426	996,410	(312,480)	(202,209)	655,946	794,201
Included in profit or loss							
Service costs:							
Current service cost		62,361	62,709		–	62,361	62,709
Interest cost, net		33,875	49,073	(11,309)	(10,309)	22,566	38,764
		96,236	111,782	(11,309)	(10,309)	84,927	101,473
Included in OCI							
Actuarial loss (gain) from:							
Experience adjustments		44,382	(20,796)	–	–	44,382	(20,796)
Change in demographic assumptions		463	1,033	–	–	463	1,033
Change in financial assumptions		(140,069)	(71,949)	–	–	(140,069)	(71,949)
Return on plan assets excluding interest income		–	–	5,900	1,438	5,900	1,438
		(95,224)	(91,712)	5,900	1,438	(89,324)	(90,274)
Others							
Benefits paid		(20,704)	(50,054)	–	–	(20,704)	(50,054)
Actual contributions		–	–	(84,432)	(101,400)	(84,432)	(101,400)
		(20,704)	(50,054)	(84,432)	(101,400)	(105,136)	(151,454)
Balance at end of year	P	948,734	P968,426	(402,321)	(312,480)	546,413	655,946

b) Plan Assets

The fair value of plan assets by each class as at the end of the reporting periods are as follows:

		2021	2020
Deposits	P	148,712	123,106
Unit investment trust fund (UITF)			
Equities		124,379	94,935
Fixed income		20,485	14,463
Money market		16,153	4,903
Government securities		75,932	47,772
Mutual funds		21,841	19,613
Corporate bonds		4,171	6,964
Cash in bank		1	1
Others		(9,353)	723
	P	402,321	312,480

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.

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 and foreign currency time deposits were made to a reputable bank which is rated Baa2 based on Moody's credit rating.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

The portfolio also holds several UITFs. Domestic 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. Global Equity UITF investments are invested in diversified portfolio of global equity collective investment schemes with the goal of long-term capital growth. Domestic Fixed Income and Domestic USD Fixed Income UITF investments are placed mainly in portfolio of bonds and other similar fixed-income securities, with weighted average term to maturity and denomination that varies depending on the strategy of the fund and the market outlook. Money Market UITF investments are derived from a diversified portfolio of primarily short-term fixed income instruments, such as time deposits, government and corporate bonds with a maturity profile of less than one year.

Aside from UITFs, the portfolio is likewise invested in mutual funds and exchange traded funds (ETFs). Global Fixed Income mutual funds are invested in investment grade bonds denominated in major world currencies, with an average duration of the fund which will vary depending on the strategy and market outlook of the fund manager. Global Equity ETFs are invested in selected stocks which are actively traded in globally developed markets.

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	
	2021	2020	**2021**	2020	**2021**	2020
Discount rate	**4.81%**	3.49%	**5.04%**	3.73%	**5.03%**	3.52%
Future salary growth	**3.60%**	4.00%	**3.60%**	4.00%	**3.60%**	4.00%

The following are the turnover rate assumption in 2021 and 2020:

Age	2021	2020
18 - 29	6 to <21	10 to <18
30 - 34	5 to <12	7 to <10
35 - 37	4 to <10	6 to <7
38 - 41	3 to <8	5 to <6
42 - 53	2 to <7	4 to <5
54 - 59	3 to <7	1 to <5

Mortality rates in 2021 and 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".

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, 2021 and 2020 by the amounts shown below:

	2021		2020	
	Increase	**Decrease**	Increase	Decrease
Discount rate (0.5% movement)	**(P33,112)**	**P35,264**	(P38,020)	P40,652
Future Salary Increase rate (0.5% movement)	**37,898**	**(35,868)**	42,653	(40,244)

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.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

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
2021	P946,734	P2,739,525	P85,332	P1,008,522	P1,645,671
2020	P966,426	P2,623,580	P52,165	P339,267	P2,232,148

As at December 31, 2021 and 2020, the weighted average duration in years of the defined benefit obligation are as follows:

	2021	2020
Solid	15.03	15.36
Parent Company	13.54	12.88
APO	10.19	12.73

In 2021, the Company contributed P84,432 and expects to contribute P64 million in 2021.

e) Retirement Benefit Expense

Retirement benefit expense for the years ended December 31, 2021, 2020 and 2019 is recognized in the following line items in the consolidated statements of comprehensive income:

		2021	2020	2019
Cost of sales	P	28,258	42,832	28,695
Administrative expenses		34,103	19,877	19,526
Other financial expenses - net		22,566	38,764	55,501
	P	84,927	101,473	103,722

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 P3,376,906 and P140,123 as at December 31, 2021 and 2020, respectively.

The unamortized debt issuance cost of this bank loan amounting to P54,092 and P80,055 as at December 31, 2021 and 2020, respectively, was deducted from the total loan liability. Interest expense incurred in 2021, 2020, and 2019, excluding amortization of debt issuance cost, amounted to P421,833, P541,139 and P774,869, 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, 2020	P	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		10,706,765	69,108	10,775,873
Interest expense		25,964	421,833	447,797
Payment of:				
Principal		(1,840,123)	–	(1,840,123)
Interest		–	(429,167)	(429,167)
Balance as at December 31, 2021	P	8,892,606	61,774	8,954,380

Accrued interest from this bank loan amounting to P61,774, and P69,108 as at December 31, 2021, and 2020, respectively, are recognized under "Unearned income, other accounts payable and accrued expenses" account in the consolidated statements of financial position (Note 20).

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.

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, which provides compliance with certain financial covenants under the Facility Agreement, to commence at the later date of June 30, 2021.

In accordance with the terms of the 2017 Supplemental agreement, the Parent Company and BDO terminated the said Supplemental Agreement on August 25, 2021. BDO released the Debt Service Reserve Accounts created there under. Debt service reserve account related to the Company's bank loan amounted to nil and P302,462 as at December 31, 2021 and 2020, respectively, and is recognized under "Other assets and noncurrent accounts receivable" account in the consolidated statements of financial position (see Note 15C).

(Amounts in Thousands, Except Number of Shares and Per Share Data)

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, 2021, 2020, and 2019 are as follows:

		2021	2020	2019
Current income tax:				
Current income tax expense	P	**304,466**	417,441	562,533
Adjustments in respect of current income tax of previous year		**(46,500)**	–	12,901
Deferred income tax:				
Write-down of previously recognized deferred income tax assets (reversal of previously unrecognized deferred income tax assets)		**170,675**	157,146	(256,792)
Deferred income tax benefit arising from origination and reversal of temporary differences		**(102,310)**	(238,569)	(99,468)
Deferred tax expense relating to changes in tax rates or the imposition of new taxes		**163,137**	–	–
	P	**489,468**	336,018	219,174

On March 26, 2021, the President of the Philippines has approved the Corporate Recovery and Tax Incentives for Enterprises or the CREATE Act or Republic Act No. 11534 which took effect on April 11, 2021. Below are the salient features of the Act that are relevant to the Company:

a) Regular 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% regular corporate income tax. Said reductions are effective July 1, 2020.
b) Minimum corporate income tax (MCIT) rate is reduced from 2% to 1% effective from July 1, 2020 to June 30, 2023.
c) 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.
d) 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).
e) For investments prior to effectivity of CREATE Act: 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 impact of CREATE Act was taken as a non-adjusting subsequent event as at December 31, 2020 since CREATE Act was not yet enacted or substantively enacted as of such date. Thus, the current and deferred income taxes were measured using the old income tax rates as at December 31, 2020. Further, the difference of the provision for current income tax in the consolidated financial statements from the amount of income tax due reflected in the income tax returns and the remeasurement of deferred tax assets and liabilities using the new tax rates were taken up as an adjustment in the consolidated statements of comprehensive income in 2021.

The regular corporate income tax rate of the Parent Company and its subsidiaries domiciled in the Philippines was 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 remeasured its "Deferred income tax assets - net" account by P163,137. The Company also has reduction in current income tax expense amounted to P46,500.

(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
2021	2026	P	–	179,217	–	179,217
2020	2025		812,785		(109,798)	702,987
2019	2022		378,639		(253,294)	125,345
2018	2021		989,940		(989,940)	-
		P	2,181,364	179,217	(1,353,032)	1,007,549

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 future regular income tax liabilities as follows:

Year Incurred	Valid until		Amount	Additions During the Year	Expired/ Utilized During the Year	Ending Balance
2021	2024	P		83,293	–	83,293
2020	2023		139,255	–	–	139,255
2019	2022		219,209	–	(21,144)	198,065
2018	2021		191,881	–	(191,881)	–
		P	550,345	83,293	(213,025)	420,613

25B) DEFERRED INCOME TAXES

For the years ended December 31, 2021 and 2020, the income tax effects of the temporary differences, NOLCO and MCIT that resulted in deferred income tax assets and liabilities are presented below:

2021		Balance at January 1	Recognized in: Profit or Loss	OCI[1]	Balance at December 31
Deferred tax assets (liabilities):					
NOLCO	P	501,176	(282,112)	–	219,064
MCIT		464,360	(102,139)	–	362,221
Accrued retirement benefits liability and past service cost		225,826	(31,897)	(28,371)	165,558
Write-down (reversal) of :					
Property, machinery and equipment to recoverable amount		64,457	(10,743)	–	53,714
Inventories to NRV		35,148	(18,707)	–	16,441
Lease liabilities		63,499	(9,411)	–	54,088
Allowance for ECL on trade receivables		37,065	(8,556)	–	28,509
Contract liabilities from loyalty points		12,146	4,216	–	16,362
Provisions		3,223	(537)	–	2,686
Fair value adjustment on property, machinery and equipment		(179,147)	94,635	–	(84,512)
Unrealized foreign exchange loss (gain)		(145,322)	119,433	–	(25,889)
Accrued documentary stamp tax		(10,598)	6,951	–	(3,647)
Other items		15,541	7,365	–	22,906
	P	1,087,374	(231,502)	(28,371)	827,501

[1] The remeasurement in deferred tax arising from the change in income tax rates that was recognized in OCI amounted to P6,040.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

2020		Balance at January 1	Recognized in: Profit or Loss	OCI	Balance at December 31
Deferred tax assets (liabilities):					
NOLCO	P	615,532	(114,356)	–	501,176
MCIT		278,792	185,568	–	464,360
Accrued retirement benefits liability and past service cost		263,337	(10,429)	(27,082)	225,826
Write-down (reversal) of:					
Property, machinery and equipment to recoverable amount		64,457	–	–	64,457
Inventories to NRV		33,546	1,602	–	35,148
Lease liabilities		52,387	11,112	–	63,499
Allowance for ECL on trade 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 (gain)		(81,423)	(63,899)	–	(145,322)
Accrued documentary stamp tax		(10,249)	(349)	–	(10,598)
Other items		20,494	(4,953)	–	15,541
	P	1,033,033	81,423	(27,082)	1,087,374

Net deferred income tax assets (liabilities) as at December 31, 2021 and 2020 presented in the consolidated statements of financial position on a net basis by entity are as follows:

Deferred Income Tax Assets		2021	2020
APO	P	607,767	707,700
Solid		134,441	247,090
Parent Company		86,355	132,988
Ecocast Builders, Inc.		357	449
Sandstone Holdings, Inc.		18	–
Bedrock Holdings, Inc.		5	–
Triple Dime Holdings, Inc.		3	–
	P	828,946	1,088,227

Deferred Income Tax Liabilities		2021	2020
Edgewater Ventures Corporation	P	1,445	756
Sandstone Holdings, Inc.		–	81
Triple Dime Holdings, Inc.		–	11
Bedrock Holdings, Inc.		–	5
	P	1,445	853

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:

	2021 Gross amount	2021 Tax effect	2020 Gross amount	2020 Tax effect
NOLCO	P131,292	P32,482	P497,124	P149,137
Excess MCIT over RCIT	58,392	58,392	132,402	132,402
Accrued expenses	294	59	91	27
	P189,978	P90,933	P629,617	P281,566

(Amounts in Thousands, Except Number of Shares and Per Share Data)

As at December 31, 2021, and 2020, 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, 2021, 2020 and 2019, which are as follows:

	2021	2020	2019
Statutory income tax rate	**25%**	30%	30%
Movement in NOLCO	**(1%)**	12%	(9%)
Non-deductible expenses	**6%**	8%	0%
CAR and FALCON tax rate difference	**(13%)**	(21%)	(23%)
Non-taxable income and other deductible expenses	**0%**	(4%)	(1%)
Taxable income eliminated at consolidated level	**0%**	0%	17%
MCIT	**11%**	0%	(4%)
Others	**12%**	0%	5%
Consolidated effective income tax rate	**40%**	25%	15%

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, 2021
Solid	2020	All internal revenue taxes	On-going
	2013-2018	Local business tax	On-going
APO	2020	All internal revenue taxes	On-going
	2014-2016	Local business tax	On-going
Ecocast Builders, Inc.	2017	All internal revenue taxes	The assessment notice issued by BIR was duly protested
Parent Company	2020	All internal revenue taxes	On-going
	2018	All internal revenue taxes except VAT	On-going
	2017-2019	Local business tax	The assessment was already paid but under protest.

In January 2020, a partial tax credit amounting to P456 was granted to the Parent Company in connection with the on-going assessment on local business taxes case. On January 28, 2022, the Parent Company received a Notice of Discrepancy (NOD) from the BIR in connection with the 2018 audit of all internal revenue taxes (except VAT). The Parent Company submitted its formal response to the NOD on March 04, 2021, which is currently being reviewed by the assigned tax examiners.

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

The information on the Parent Company's common stock is summarized as follows:

As of December 31, 2021

	Number of Shares	Amount
Authorized - P1.00 par value per share	18,310,395,454	P18,310,395
Paid, Issued and Outstanding shares	13,489,226,623	P13,489,227
Total Common Stock	13,489,226,623	P13,489,227

As of December 31, 2020

	Authorized			Paid, Issued and Outstanding		
	Number of Shares	Par Value	Amount	Number of Shares	Par Value	Amount
Balance at January 1, 2020	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	1	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 articles of incorporation 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 articles of incorporation 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.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

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.

On February 27, 2020, the SEC approved the Parent Company's application for amendment of articles of incorporation and 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 of December 31, 2020, the shareholdings in the Parent Company owned by CASEC was 10,500,624,662 common shares at P1 par value per share, which correspond to approximately 77.84% of the total issued and outstanding capital stock of the Parent Company. CASEC retained its shareholdings in the Parent Company as at December 31, 2021.

In 2020, the 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, 2021 and 2020 follow:

2021		Cumulative translation of foreign subsidiaries	Remeasurements on retirement benefits liability	Share-based compensation reserve	Hedge reserve	Total
Balance at January 1	P	(308,618)	170,086	71,740	24,179	(42,613)
Currency translation gain of foreign subsidiaries		518,556	–	–	–	518,556
Gain on remeasurement on retirement benefits liability, net of tax		–	60,953	–	–	60,953
Share-based compensation		–	–	3,130	–	3,130
Cash flow hedges - effective portion of changes in fair value		–	–	–	12,374	12,374
Cash flow hedges - reclassified to profit or loss		–	–	–	(24,179)	(24,179)
Balance at December 31	P	209,938	231,039	74,870	12,374	528,221

2020		Cumulative translation of foreign subsidiaries	Remeasurements on retirement benefits 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 benefits liability, net of tax		–	63,192	–	–	63,192
Share-based compensation		–	–	2,088	–	2,088
Cash flow hedges - reclassified to profit or loss		–	–	–	24,179	24,179
Balance at December 31	P	(308,618)	170,086	71,740	24,179	(42,613)

26C) NON-CONTROLLING INTERESTS

NCI represents the 30% share of non-controlling stockholders in the results and equity of Newcrete Management Inc. As at December 31, 2021 and 2020 NCI in equity amounted to approximately P125 and P150, respectively.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

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.

In 2021, 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 BOD on April 25, 2018 under which the eligible executives are allocated cash amounts (for release 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.

Under CEMEX's share-based compensation programs, approximately 6,204,914 CPOs in 2021 and 707,219 CPOs in 2020 were issued to or purchased for the executives of the Company. As of the years ended December 31, 2021, 2020, and 2019, there were approximately 6,204,914 CPOs, 107,221 CPOs, and nil, respectively, associated with these annual programs that are expected to be granted in the succeeding years as the Company's executives render services.

Under the Company's variable long-term incentive plan, net shares purchased by the executives amounted to approximately 9,258,196 CHP shares in 2021 and 4,623,918 CHP shares in 2020.

The compensation expense related to these programs for the years ended 2021, 2020 and 2019 for approximately P3,130, P2,088, and P12,493, 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 16.56, 6.16, and 11.85 Mexican Pesos for the years ended December 31, 2021, 2020 and 2019, respectively. On the other hand, CHPs weighted average fair value for 2021 and 2020 is at P1.24 and P1.58, respectively. As at December 31, 2021, 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 or CHP's own stock (intrinsic value).

26E) RETAINED EARNINGS

As at December 31, 2021 and 2020, the Company's retained earnings include deficit (after appropriations) of its significant operating subsidiaries, Solid and APO, amounting to P1,329,085 and P1,313,054, 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:

		2021	2020
Total liabilities	P	20,180,841	20,849,759
Less: cash and cash equivalents		5,811,635	6,139,411
Net debt	P	14,369,206	14,710,348
Total equity		44,206,925	42,910,588
Net debt to equity ratio	P	0.33:1	0.34:1

(Amounts in Thousands, Except Number of Shares and Per Share Data)

NOTE 27 - BASIC AND DILUTED EARNINGS PER SHARE

The amounts considered for the calculation of earnings per share for the years ended December 31, 2021, 2020, and 2019 are as follows:

		2021	2020	2019
Profit (a)	P	725,503	985,094	1,279,576
Add: NCI loss		25	20	23
Controlling interest in profit		725,528	985,114	1,279,599
Weighted average number of shares outstanding		13,489,226,623	12,197,564,392	5,195,395,454
Bonus element of SRO [1]		–	84,532,337	542,786,584
Weighted average number of shares outstanding adjusted for the effect of bonus factor - issuance from SRO [1] (b)		13,489,226,623	12,282,096,729	5,738,182,038
Basic/Diluted earnings per share (a/b)	P	0.05	0.08	0.22

[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 20A).

As at December 31, 2021, 2020, and 2019, the Company has no dilutive equity instruments.

NOTE 28 - COMMITMENTS AND CONTRACTUAL OBLIGATIONS

As at December 31, 2021, and 2020 the Company had the following contractual obligations.

	2021				
		Less than 1 year	1-5 Years	More than 5 Years	Total
Leases (Note 21)	P	3,443,457	5,622,907	–	9,066,364
Bank loan		488,185	587,025	3,428,683	4,503,893
Retirement plans and other benefits [1]		85,332	1,008,522	1,645,671	2,739,525
Total contractual obligations	P	4,016,974	7,218,454	5,074,354	16,309,782

	2020				
		Less than 1 year	1-5 Years	More than 5 Years	Total
Leases (Note 21)	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 [1]		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

[1] Represents the estimated payments for retirement benefits over the expected maturity of the retirement and other benefit liabilities (see Note 23).

NOTE 29 - CONTINGENCIES

As at December 31, 2021 and 2020, 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. Although there is no guarantee for a favorable outcome, the Company believes that it has made adequate provisions to cover current and contemplated general and specific litigation risks. 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, 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 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.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

The Company has served its Notice of Termination of the Construction Contract with CBMI which covers the construction and installation of the new integrated cement production line at Solid's cement plant located in Antipolo City, Rizal. The Company's Notice of Termination, which applies to one of the principal project agreements with CBMI, was issued due to the delay in the implementation of construction/installation works. The Company is taking measures to address contingencies which may arise due to this termination, including the engagement of replacement contractor/s for the project.

NOTE 30 - MAIN SUBSIDIARIES

The Parent Company's direct and indirect subsidiaries as at December 31, 2021 and 2020 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	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 2018 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. 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. Since the third quarter of 2020, local and national authorities allowed ALQC to resume its mining operations in the affected areas. 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, 2021 and 2020, the outstanding claims amounted to nil and P1,126, respectively.

In 2019, the Company received the outstanding amount of its insurance claims amounting to P447,053 which includes the additional claims made 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. As at December 31, 2021 and 2020, the outstanding claims amounted to nil and P1,126, respectively.

On November 19, 2018, the Parent 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, against the Parent 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 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. The records of the case were subsequently transferred to the Regional Trial Court of Cebu City Branch 23.

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 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 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. 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. In another order dated November 17, 2021, the Regional Trial Court denied plaintiffs' motion for reconsideration and also granted the motions of the Mines and Geosciences Bureau and the City Government of Naga and dismissed the subject case against them. On January 31, 2022, plaintiffs filed their Notice of Appeal with the Regional Trial Court, appealing the court's latest order to the Court of Appeals.

In the event that the court's latest order is reversed on appeal thereby maintaining the inclusion of the Parent Company and APO 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 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.

As at December 31, 2021, 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 appeal filed by the plaintiffs to challenge the latest order of the Regional Trial Court, 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.

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 suspension of land, domestic air and domestic sea travel to and from Metro Manila beginning March 16, 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.

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. Since then, provinces and cities have been placed from time to time under different community quarantine levels with corresponding restrictions, respectively.

Subsequent to the recommendations of the Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF) in its Resolution No. 146-F (s. 2021) dated 28 October 2021, the President of the Philippines issued Executive Order No. 151 dated 11 November 2021 adopting the Alert Level System for all areas of the Philippines through a nationwide roll-out which was designed to allow the reinvigoration of the economy through the opening of more sectors, while protecting the people's health through the continuous observance of public health protocols and interventions and the heightened implementation of lockdowns in smaller areas, also known as granular lockdowns. Restrictions and/or limitations affecting intrazonal and interzonal movement as well as the level of operations and activities undertaken by establishments and persons in areas nationwide are defined depending on the applicable Alert Level Status (ranging from 1 to 5). In any case, minimum public health standards and precautions such as the wearing of face masks and maintenance of social distancing protocols may be mandated. As of December 31, 2021, all provinces, highly urbanized and independent component cities in the Philippines were placed under Alert Level 2. The restrictions applicable under Alert Level 2 include, among others, the limitation in the operation of certain establishments to a maximum of 50% indoor venue capacity for fully vaccinated individuals and those below 18 years of age and 70% outdoor venue capacity. Effective March 1, 2022, the locations in which the Company's cement plant is located were placed to the most relaxed level (Alert Level 1) as health authorities reported fewer coronavirus infections. Under this alert level, all establishments, persons, or activities are likewise allowed to operate, work, or be undertaken at total on-site or venue seating capacity, provided these are consistent with minimum public health standards.

Even prior to the initial imposition of ECQ in March 2020, the Company implemented, and continues to implement, strict hygiene and safety protocols in all its operations and modified its manufacturing, sales, and delivery processes to implement physical distancing and other activities aiming to protect the health and safety of its employees and their families, customers, and suppliers. 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 consequences of COVID-19 pandemic negatively affected the Company's results of operations. During the year ended December 31, 2020, consolidated revenues decreased by 16.5% 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 16.5% and 14.4%, respectively, during the same period, because of reduced operations but also considering the strict control of expenditures. In 2021, the Company's consolidated revenues increased by 6.0% as compared to the previous year due to higher volume, as the Company was recovering from the adverse impact of the COVID-19 Pandemic in 2020 and supported by the easing of quarantine restrictions relevant to the Company's business and the markets that it served. An increase in the cost of sales of 11.8% in 2021 was due to a 6.0% increase in volume sold and higher unitary cost of sales mainly from the purchase of additional clinker on a one-off basis to support production requirements and higher electricity rates. The operating expenses decreased by 4.9% in 2021 compared to 2020 due to initiatives to increase operational and cost efficiency. For the years ended December 31, 2021 and 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 P22,443 and P49,766, respectively. These additional expenses were presented under "Operating expenses and cost of sales" and "Other income (expenses) - net" account in the consolidated statements of comprehensive income for years ended December 31, 2021 and 2020, respectively.

The degree to which the COVID-19 pandemic would affect again 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 pandemic, its severity, the spread of even more infectious strains of the virus, the actions, in particular measures that might be ordered by the government, to contain the virus or treat its impact, and how quickly and to what extent economic and operational conditions can return, within a new normality with limited activities, until effective vaccination initiatives are fully implemented throughout the country. The Company has carried out proactive efforts with government agencies designed to facilitate the vaccination of its employees and their families, its contractors and other stakeholders in neighboring communities in order to mitigate the potential risk in the operations that would be affected by future waves of contagion.

Among the initiatives taken by the Company that have contributed to easing liquidity risks from the impact of, COVID-19 pandemic were: (i) the optimization of plant production and inventory levels, (ii) the suspension, deferment or reduction of non-critical capital expenditures and operating expenses (including sales and administration expenses), and installing other cost control measures to reduce discretionary expenses, (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 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 will be ready to take such additional steps as may be feasible and appropriate under relevant circumstances.

NOTE 33 – SUBSEQUENT EVENT: RUSSIA-UKRAINE CONFLICT

The Company has no exposure to investments in Russia or Ukraine. It currently has no customers or suppliers from any of these countries. However, this event may give rise to circumstances with the potential to cause world trade disruptions and rising prices of basic commodities, including oil and power, among others. The degree to which the Russian-Ukraine conflict affects the Company's financial condition and results of operations will depend on future developments of the situation, and as of the date of this report, the Company is not able to make any reliable estimates of the impact of the conflict on the Company's operations and financial results for the rest of 2022. The Company will continue to monitor and evaluate the situation.

KPMG

R.G. Manabat & Co.
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6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

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, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated April 17, 2022.

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.

KPMG

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, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

R.G. MANABAT & CO.

ENRICO E. BALUYUT
Partner
CPA License No. 065537
SEC Accreditation No. 65537-SEC, Group A, valid for five (5) years
covering the audit of 2020 to 2024 financial statements
Tax Identification No. 131-029-752
BIR Accreditation No. 08-001987-026-2020
Issued July 20, 2020; valid until July 19, 2023
PTR No. MKT 8854054
Issued January 3, 2022 at Makati City

April 17, 2022
Makati City, Metro Manila

KPMG

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Email ph-inquiry@kpmg.com

**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, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, included in this Form 17-A, and have issued our report thereon dated April 17, 2022.

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.

KPMG

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.

ENRICO E. BALUYUT
Partner
CPA License No. 065537
SEC Accreditation No. 65537-SEC, Group A, valid for five (5) years
covering the audit of 2020 to 2024 financial statements
Tax Identification No. 131-029-752
BIR Accreditation No. 08-001987-026-2020
Issued July 20, 2020; valid until July 19, 2023
PTR No. MKT 8854054
Issued January 3, 2022 at Makati City

April 17, 2022
Makati City, Metro Manila

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2021 and 2020

Ratio	Formula	2021	2020
Current ratio	Current assets/current liabilities	**0.94:1**	1.37:1
Acid test ratio	(Current assets - inventories)/current liabilities	**0.70:1**	1.08:1
Solvency ratio	(Profit + depreciation and amortization)/total liabilities	**0.13:1**	0.16:1
Debt-to-equity ratio	Total liabilities/total equity	**0.46:1**	0.49:1
Asset-to-equity ratio	Total assets/total equity	**1.46:1**	1.49:1
Interest rate coverage ratio	Operating income before other expenses/interest expense	**9.80:1**	3.57:1
Return on equity	Profit/total equity	**0.02:1**	0.02:1
Return on assets	Profit/average total assets	**0.01:1**	0.02:1
Net profit margin	Profit/net sales	**0.03:1**	0.05:1

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE A. FINANCIALS ASSETS
December 31, 2021
(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, 2021

(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, 2021
(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.	P9,773,782	2,641,539	636,184	–	1,953,330	9,825,807	11,779,137
Cemex Asia Research AG	3,473,263	2,275,214	1,343,289	–	4,405,188	–	4,405,188
APO Cement Corporation	1,099,536	1,350,110	451,387	–	43,259	1,955,00	1,998,259
Falcon Re Ltd.	624,445	1,099,476	–	–	1,723,921	–	1,723,921
Bedrock Holdings, Inc.	110,067	–	–	–	450	109,617	110,067
Solid Cement Corporation	102,019	680,931	665,759	–	117,191	–	117,191
Ecopavements, Inc.	49,927	258	–	–	5,185	45,000	50,185
Ecocast Builders, Inc.	13,800	–	1,408	–	12,392	–	12,392
Ecocrete, Inc.	655	122	241	–	536	–	536
	P15,247,494	8,047,650	3,098,268	–	8,261,452	11,935,424	20,196,876

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE D. LONG TERM DEBT
December 31, 2021
(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.	P8,892,606	P3,376,906	P5,515,700	P421,883 (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, 2021
(Amounts in Thousands)

Name of Related Parties (i)	Balance at beginning of period	Balance at end of period (ii)
	NOTHING TO REPORT	

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE F. GUARANTEES OF SECURITIES OF OTHER ISSUERS
December 31, 2021
(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, 2021

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	19,240,720	2,989,361,241

(a) As of 31 December 2021, each of the following directors 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 YEARS ENDED DECEMBER 31, 2021 and 2020

In 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.

	2021	2020
Gross proceeds	**P–**	P12,772,500,000.26
Less: Listing and registration fees	–	224,319,547.67
Balance of the net proceeds, beginning	**3,331,219,781.16**	12,548,180,452.59
Less: Expenditures for the period ended		
Payment of amounts under "APO Operational Facility Agreement" with CEMEX Asia, B.V.	–	1,090,982,285.37
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	**1,121,212,539.16**	1,341,795,163.32
Total expenditures for the period ended	**1,121,212,539.16**	9,216,960,671.43
Balance of the net proceeds, ending	**P2,210,007,242.00**	P3,331,219,781.16

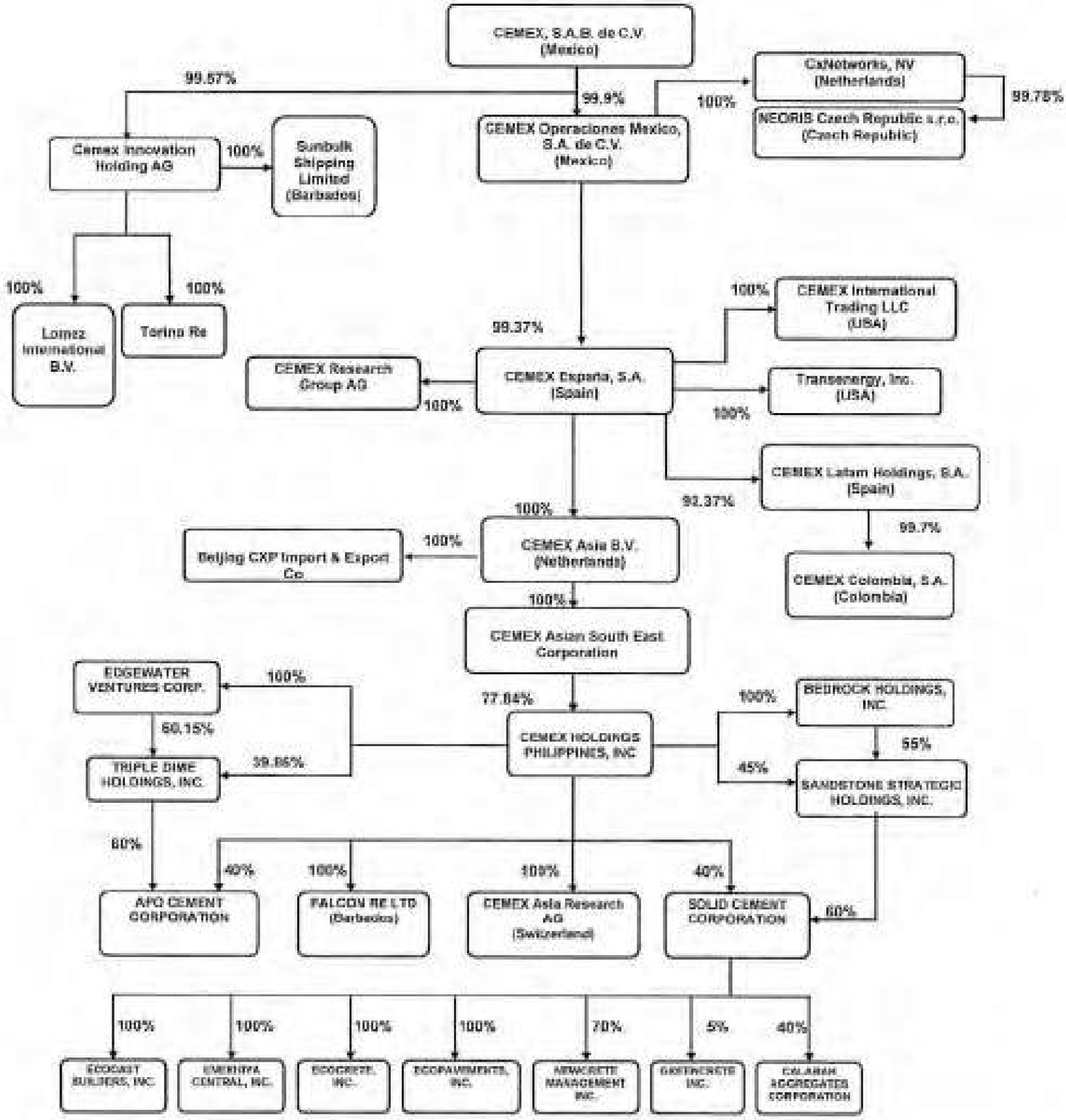
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION AS OF DECEMBER 31, 2021

CEMEX HOLDINGS PHILIPPINES, INC.
34th Floor, Petron Mega Plaza Building
358 Sen. Gil J. Puyat Avenue, Makati City

Unappropriated Retained Earnings, beginning		**P3,901,616,075**
Adjustments:		
(see adjustments in prior year's Reconciliation)		**(153,442,805)**
Unappropriated Retained Earnings, as adjusted, beginning		**3,748,173,270**
Add: Profit based on the face of AFS	P1,263,137,292	
Less: **Non-actual/unrealized income net of tax**		
Unrealized foreign exchange gain - net (except those attributable to cash)	6,358,000	
Recognized deferred tax assets	46,927,732	
Loss Actual/Realized		**1,209,851,560**
Unappropriated Retained Earnings, as adjusted, ending		**P4,958,024,830**

CEMEX Holdings Philippines, Inc. and Subsidiaries

Map of the Group of Companies Within which the Company Belongs
As at December 31, 2021



Note: The corporate chart provides the organizational and ownership structure as at December 31, 2021 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.

EXHIBIT B

Audited 2021 *Separate* Financial Statements
(with separate statements of financial position as at December 31, 2021 and 2020, 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, 2021 and 2020)

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)
29 (as of 31 Dec 2021)	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.

Omar Irvin Marcial Roberto

From:	eafs@bir.gov.ph
Sent:	Thursday, April 21, 2022 5:41 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

- EAFS009133917ITRTY122021.pdf
- EAFS009133917OTHTY122021.pdf
- EAFS009133917AFSTY122021.PDF

Invalid file

- <None>

Transaction Code: **AFS-0-3X2PV3NR0QVQ3VZZPQ4ZNY3N20696DKDLC**
Submission Date/Time: **Apr 21, 2022 05:40 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.

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recipient should check this email and any attachments for the presence of viruses. The Bureau of Internal Revenue does not accept liability for any errors or omissions in the contents of this message which arise as a result of e-mail transmission.

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, 2021 and 2020, 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 ___ day of ___

APR 07 2022
Doc. No. 462
Page No. 94
Book No. 31
Series of 2022

ATTY. JOSHUA P. LAPUZ
Notary Public Makati City
Until Dec. 31, 2023
Appointment No. M-019-(2022-2023)
PTR No. 8852510 Jan. 3, 2022 / Makati
IBP Lifetime No. 04857 Roll No. 45790
MCLE Compliance No. VI-0016565
G/F Fedman Bldg., 199 Salcedo St.
Legaspi Village, Makati City

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, 2021 and 2020, 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 ___ day of ___

PAPEL EXCLUSIVO PARA DOCUMENTOS NOTARIALES

TIMBRE DEL ESTADO

0,15 €

GG3956228

07/2021

LEGITIMACIÓN. - Yo, **JOSÉ BLANCO LOSADA**, Notario de esta Capital y Colegio, **DOY FE**: ——

Que, por cotejo con otras indubitadas, considero legítima la firma y rúbrica que antecede, de Don SERGIO MAURICIO MENENDEZ MEDINA, puesta en el presente documento redactado en inglés, idioma conocido por mí, el Notario, extendido sobre un folio de papel común, y el del presente, de papel exclusivo de uso notarial serie GG, que reintegro y sello con el de mi Notaría. ——

En Madrid, a tres de marzo de dos mil veintidós.

Libro 1. Asiento 110.——

FE PÚBLICA NOTARIAL

CONSEJO GENERAL DEL NOTARIADO ESPAÑOL

NOTARIADO EUROPA

0270123974

SELLO DE LEGITIMACIONES Y LEGALIZACIONES

NIHIL PRIUS FIDE

A112385283

PAPEL EXCLUSIVO PARA DOCUMENTOS NOTARIALES

TIMBRE DEL ESTADO

0,15 €

GK0181957

10/2021

=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 Blanco Losada
Notario de Madrid
el día 03/03/2022

APOSTILLE (Convention de La Haye du 5 octobre 1961)		
1. **País:** Country / Pays :	ESPAÑA	
El presente documento público This public document / Le présent acte public		
2. **ha sido firmado por** D. José Blanco Losada 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** 04/03/2022 the / le
7. **por** el Decano del Colegio Notarial de Madrid by / par		
8. **bajo el número** N7201/2022/013527 No sous no		
9. **Sello / timbre:** Seal / stamp: Sceau / timbre:	FE PÚBLICA NOTARIAL CONSEJO GENERAL DEL NOTARIADO ESPAÑOL NOTARIADO EUROPA 0276037363	10. **Firma:** Signature: Signature : **Don Luis Garay Cuadros** **Firma delegada del Decano**

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NOTARIAL ... MADRID

CEMEX HOLDINGS PHILIPPINES, INC.

SEPARATE FINANCIAL STATEMENTS
December 31, 2021 and 2020

With Independent Auditors' Report

KPMG

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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, 2021 and 2020, and the separate statements of comprehensive income, 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, 2021 and 2020, 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.

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)

Emphasis of Matter

We draw attention to Note 18 of the separate financial statements, which describes the impacts 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.

- 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 20 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 auditors' report is Enrico E. Baluyut.

R.G. MANABAT & CO.

ENRICO E. BALUYUT
Partner
CPA License No. 065537
SEC Accreditation No. 65537-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements
Tax Identification No. 131-029-752
BIR Accreditation No. 08-001987-026-2020
Issued July 20, 2020; valid until July 19, 2023
PTR No. MKT 8854054
Issued January 3, 2022 at Makati City

April 17, 2022
Makati City, Metro Manila

CEMEX HOLDINGS PHILIPPINES, INC.
SEPARATE STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2021	2020
ASSETS			
Current Assets			
Cash in banks	*4, 16*	**P121,537,570**	P273,320,751
Due from related parties	*5, 16*	**1,955,998,586**	743,590,413
Other current accounts receivable	*16*	**1,270,330**	2,207,376
Prepaid expenses and other current assets	*6*	**59,966,143**	35,651,422
Total Current Assets		**2,138,772,629**	1,054,769,962
Noncurrent Assets			
Investments in subsidiaries	*7*	**47,971,178,835**	47,971,178,835
Due from related parties - net of current portion	*5, 16*	**9,825,806,609**	9,030,004,318
Long-term time deposit	*9, 16*	**-**	302,462,217
Deferred income tax assets - net	*15*	**86,355,299**	132,988,942
Other noncurrent asset	*6*	**43,990,391**	42,176,061
Total Noncurrent Assets		**57,927,331,134**	57,478,810,373
		P60,066,103,763	P58,533,580,335
LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables	*16*	**P3,601,713**	P5,598,819
Due to related parties	*5, 16*	**5,893,901,357**	3,821,099,515
Accrued expenses and other payables	*8, 16*	**158,731,577**	165,371,362
Current portion of long-term bank loan	*9, 16*	**3,376,905,809**	140,122,810
Total Current Liabilities		**9,433,140,456**	4,132,192,506
Noncurrent Liabilities			
Long-term bank loan - net of current portion	*9, 16*	**5,515,700,357**	10,566,642,253
Retirement benefit liability	*10*	**172,202,237**	164,092,100
Total Noncurrent Liabilities		**5,687,902,594**	10,730,734,353
Total Liabilities		**15,121,043,050**	14,862,926,859
Equity			
Common stock	*11*	**13,489,226,623**	13,489,226,623
Additional paid-in capital	*11*	**26,217,798,860**	26,217,798,860
Share-based compensation reserve		**33,562,558**	30,432,916
Remeasurement on retirement benefit liability		**39,719,305**	31,579,002
Retained earnings		**5,164,753,367**	3,901,616,075
Total Equity		**44,945,060,713**	43,670,653,476
		P60,066,103,763	P58,533,580,335

See Notes to the Separate Financial Statements.

CEMEX HOLDINGS PHILIPPINES, INC.
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	**2021**	2020
SERVICE FEES	5	**P434,759,453**	P385,108,624
COST OF SERVICES	12	**395,235,866**	350,098,749
GROSS PROFIT		**39,523,587**	35,009,875
OPERATING EXPENSES			
Professional fees		**12,475,023**	12,748,759
Taxes and licenses		**8,628,340**	5,592,764
Outside services		**3,503,733**	29,258,677
Utilities		**3,449,733**	3,606,087
Insurance		**2,654,649**	2,806,778
Advisory services		**1,680,923**	2,558,275
Subscription fees		**570,355**	-
Advertising and travel expenses		**550,242**	4,552,175
Meetings		**326,535**	437,114
Entertainment expenses		**88,292**	262,372
Miscellaneous expenses		**1,502,787**	1,070,374
		35,430,612	62,893,375
INCOME (LOSS) FROM OPERATIONS		**4,092,975**	(27,883,500)
OTHER INCOME (CHARGES)			
Dividend income	5, 13	**1,217,040,000**	-
Interest income	4, 5	**978,218,597**	760,038,065
Foreign exchange gain (loss) - net		**(299,029,177)**	156,544,739
Financial expense	5, 9, 16	**(500,657,169)**	(663,573,527)
Financial expense on retirement benefits	10	**(5,726,815)**	(9,765,736)
Other expenses	14	**(66,619,274)**	(42,753,439)
		1,323,226,162	200,490,102
PROFIT BEFORE INCOME TAX		**1,327,319,137**	172,606,602
INCOME TAX EXPENSE	15	**64,181,845**	12,491,601
PROFIT		**1,263,137,292**	160,115,001
OTHER COMPREHENSIVE INCOME			
Item that will not be reclassified subsequently to profit or loss			
Gain on remeasurement on retirement benefit liability, net of tax	10, 15	**8,140,303**	24,784,448
TOTAL COMPREHENSIVE INCOME		**P1,271,277,595**	P184,899,449

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, 2020		P5,195,395,454	P21,959,159,068	P28,848,986	P6,794,554	P3,741,501,074	P30,931,699,136
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 remeasurement 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		13,489,226,623	26,217,798,860	30,432,916	31,579,002	3,901,616,075	43,670,653,476
Transactions with Owners of the Company							
Share-based compensation	5	-	-	3,129,642	-	-	3,129,642
Total Comprehensive Income for the Year							
Profit		-	-	-	-	1,263,137,292	1,263,137,292
Other Comprehensive Income for the Year							
Gain on remeasurement on retirement benefit liability, net of tax	10, 15	-	-	-	8,140,303	-	8,140,303
Total Comprehensive Income		-	-	-	8,140,303	1,263,137,292	1,271,277,595
Balance at December 31, 2021		P13,489,226,623	P26,217,798,860	P33,562,558	P39,719,305	P5,164,753,367	P44,945,060,713

See Notes to the Separate Financial Statements.

CEMEX HOLDINGS PHILIPPINES, INC.
SEPARATE STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31 2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		**P1,327,319,137**	P172,606,602
Adjustments for:			
Financial expense	*5, 9, 16*	**500,657,169**	663,573,527
Net unrealized foreign exchange loss (gain)	*16*	**298,173,909**	(175,786,100)
Retirement benefit expense	*10*	**19,159,482**	24,209,425
Amortization of transportation allowance		**11,391,668**	2,968,331
Share-based compensation expense	*5*	**3,129,642**	1,583,930
Interest income	*4, 5*	**(978,218,597)**	(760,038,065)
Dividend income	*13*	**(1,217,040,000)**	-
Operating loss before working capital changes		**(35,427,590)**	(70,862,350)
Decrease (increase) in:			
Other current accounts receivable		**937,046**	81,634
Prepaid expenses and other current assets		**(52,960,503)**	(29,549,976)
Due from related parties		**(59,758,645)**	47,989,784
Increase (decrease) in:			
Trade payables		**(1,997,106)**	4,358,495
Accrued expenses and other payables		**(4,370,780)**	(9,997,671)
Due to related parties		**(23,544,288)**	41,181,656
Cash absorbed by operations		**(177,121,866)**	(16,798,428)
Interest received		**895,970,577**	11,419,149
Benefits paid	*10*	**(1,822,730)**	(19,231,690)
Interest paid	*9*	**(429,167,007)**	(567,030,406)
Net cash provided by (used in) operating activities		**287,858,974**	(591,641,375)
CASH FLOWS FROM INVESTING ACTIVITIES			
Collection from loans to related parties		**315,000,000**	200,000,000
Decrease in long-term time deposit	9	**302,462,217**	73,007,929
Dividends received		**101,420,000**	-
Increase in other non-current asset		**(1,814,329)**	-
Loans to related parties	5	**(1,060,606,200)**	(9,230,004,318)
Net cash used in investing activities		**(343,538,312)**	(8,956,996,389)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Loans from related parties	5	**1,740,028,338**	1,357,454,525
Issuance of common stock	*11*	-	12,772,500,000
Payment of:			
Bank loan	*9*	**(1,840,122,809)**	(640,122,810)
Share issuance cost	*11*	-	(155,980,726)
Loans from related parties	*5*	-	(3,524,708,289)
Net cash provided by (used in) financing activities		**(100,094,471)**	9,809,142,700

Forward

	Note	2021	2020
		Years Ended December 31	
NET INCREASE (DECREASE) IN CASH IN BANKS		**(P155,773,809)**	P260,504,936
EFFECT OF EXCHANGE RATE CHANGES ON CASH IN BANKS		**3,990,628**	(25,157,922)
CASH IN BANKS AT BEGINNING OF YEAR		**273,320,751**	37,973,737
CASH IN BANKS AT END OF YEAR	*4*	**P121,537,570**	P273,320,751

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, San Pedro 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 P835,838,484 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 Revised 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 are 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 list of stockholders registered with the stock transfer agent of the Company, the Company has 29 and 27 stockholders as at December 31, 2021 and 2020 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, 2022.

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.

Estimates
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 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 15). 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, 2021 and 2020, net deferred income tax assets amounted to P86,355,299 and P132,988,942, respectively. As at December 31, 2021 and 2020, the Company has no unused tax losses in which deferred income tax assets have not been recognized (see Note 15).

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 is disclosed in Note 17.

3. Significant Accounting Policies

The accounting policies adopted have been applied consistently to all years presented in these separate financial statements, except for the following relevant amendments to standards which were adopted on January 1, 2021 and have been applied in preparing these separate financial statements. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Company's separate financial statements.

Standards Issued But Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2021. However, the Company has not early adopted the following new or amended 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 new and amendments to standards in their respective effective dates.

1.1 COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to PFRS 16 Leases). The amendment extends the practical expedient introduced in the 2020 amendment which simplified how a lessee accounts for rent concessions that are a direct consequence of COVID-19, permitting lessees to apply the practical expedient to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Earlier application is permitted. A lessee applies the amendments retrospectively, recognizing the cumulative effect of the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate. The adoption is mandatory for lessees that chose to apply the practical expedient introduced by the 2020 amendments and may result in reversal of lease modifications that was ineligible for the practical expedient under the 2020 amendments, but becomes eligible as a result of the extension.

1.2 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.

1.3 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.

1.4 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. It applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- *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.

1.5 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.

In November 2021, the IASB issued the Exposure Draft, Non-Current Liabilities with Covenants after considering stakeholder feedback on the December 2020 tentative agenda decision issued by the IFRS Interpretations Committee about the amendments. The exposure draft proposes to again amend IAS 1 as follows:

- Conditions which the entity must comply within twelve months after the reporting period will have no effect on the classification as current or non-current.
- Additional disclosure requirements will apply to non-current liabilities subject to such conditions to enable the assessment of the risk that the liability could become repayable within twelve months.
- Separate presentation in the statement of financial position will be required for non-current liabilities for which the right to defer settlement is subject to conditions within 12 months after the reporting period.
- The effective date of the amendments will be deferred to no earlier than January 1, 2024.

1.6 Definition of Accounting Estimates (Amendments to PAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors).* To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged. The amendments also provide examples on the application of the new definition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

1.7 Disclosure of Accounting Policies (Amendments to PAS 1 *Presentation of Financial Statements and PFRS Practice Statement 2 Making Materiality Judgements).* The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments to PFRS Practice Statement 2 include guidance and additional examples on the application of materiality to accounting policy disclosures.

The amendments are effective from January 1, 2023. Earlier application is permitted.

1.8 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12 *Income Taxes).* The amendments clarify that that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning obligations. The amendments apply for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other appropriate component of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

<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 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, 2021 and 2020, the Company has no debt investments at FVOCI and equity 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 loss are recognized in profit or loss. Impairment losses on trade receivables are recognized under selling and distribution 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 in banks, receivables, insurance claims receivables, due from related parties, long-term time and rental security deposits (under "Other noncurrent assets" account in the separate statements of financial position) are included in this category.

Cash in banks is stated at face value which includes accrued interest. Interest income accruing from cash in banks is recognized as part of "Interest income" under "Other Charges - Net" account in the separate 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 other comprehensive income (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 Subsequent Measurement - Financial Liabilities
Due to related parties (current and noncurrent), accounts payable and accrued expenses (excluding advances from customers and liabilities covered by other PFRSs, such as statutory liabilities) and lease liabilities, 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 "Accounts payable and accrued expenses", or "Due to related parties" against financial expenses. As at December 31, 2021 and 2020, the Company did not have financial liabilities classified as at FVTPL. 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.

Offsetting Financial Instruments
Financial assets and financial 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. 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 requires 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 techniques 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.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. 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. 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.

<u>Impairment of Financial Assets</u>

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 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 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. The Company expects no significant recovery from the amount written-off.

Impairment of Investments in Subsidiaries
The carrying amounts of the Company's investments in subsidiaries are 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.

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.

Retirement Benefit Plan
The Company's net obligation in respect of the retirement benefit plans is calculated by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of the retirement benefit liability is performed on a periodic basis by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurements on retirement benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. The Company determines the net interest expense (income) on the net retirement benefit liability (asset) for the period by applying the discount rate used to measure the retirement benefit liability at the beginning of the annual period to the then net retirement benefit liability (asset), taking into account any changes in the net retirement benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to retirement benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a retirement benefit plan when the settlement occurs.

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 assets" account in the separate statements of financial position) and subsequently amortized as an expense over the term of the contract.

Share-based Payment Transactions
The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

Share-based payment arrangements in which the Company receives goods or services as consideration for the CEMEX equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

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 are 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.

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 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 financial statements but are disclosed when an inflow of economic benefits is probable.

Capital 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 equity transactions are accounted for as a part of that transaction and are deducted from equity, net of related tax benefits. 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 represent the cumulative balance of periodic net income (loss), dividend distributions, prior period adjustments and effect of changes in accounting policy and capital adjustments.

OCI

OCI pertains to items of income and expenses that are not recognized in profit or loss for the year in accordance with PFRSs.

Revenue from Contracts with Customers

The Company recognizes revenue when it transfers control over a product or service to a customer. Revenue is measured based on the consideration specified in the contract with the 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 in accordance with the service agreement. Revenue from such services is 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 payments, a contract asset is recognized. If payments exceed 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).

Other Income

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.

Miscellaneous Income

Miscellaneous income is recognized when earned.

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.

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 and monetary liabilities are 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 comprises current 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 Tax

Current 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 and the carryforward tax benefits of unused NOLCO and unused tax credits from the excess of MCIT over RCIT.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or 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 taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from the excess of MCIT over RCIT and unused NOLCO, to the extent that it is probable that future taxable income 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.

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 and the carryforward benefits of unused NOLCO and unused tax credits from excess MCIT over RCIT 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 income 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 recognized to the extent that it has become probable that future taxable profits will be available against which they can be utilized.

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 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 tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Excess income tax payments are recognized as "Prepaid taxes" under "Prepaid expenses and other current assets" account in the separate statements of financial position and are carried at cost.

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 "Accounts payable and accrued expenses" accounts in the separate statements of financial position.

Events After the Reporting Date
Post year-end events up to the date the separate financial statements are authorized for issue by the Board that provide additional information about the Company's unconsolidated financial position at the reporting date (adjusting events) are reflected 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 in banks

The Company's cash in banks amounted to P121,537,570 and P273,320,751 as at December 31, 2021 and 2020, respectively. Cash in banks earns annual interest at the prevailing bank deposit rates. Interest income earned from cash in banks amounted to P751,891 and P11,419,149 in 2021 and 2020, respectively.

The Company's exposures to credit and foreign currency risks related to cash are disclosed in Note 16 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 recognize 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, 2021 and 2020, balances of due from/to related parties are detailed as follows:

Receivables - current	**2021**	2020
Parent:		
CASEC[4]	**P-**	P651
Subsidiaries:		
Falcon Re Ltd. (Falcon)[1]	**1,121,978,000**	-
Solid Cement Corporation (Solid)[7]	**743,504,999**	660,638,969
APO Cement Corporation (APO)[5]	**90,323,740**	82,831,425
Ecocrete, Inc. (Ecocrete)[4]	**48,197**	48,197
Other related parties[11]:		
CEMEX Operaciones México, S.A. de C.V.[8]	**142,341**	71,171
APO Land & Quarry Corporation (ALQC)[9]	**1,309**	-
	P1,955,998,586	P743,590,413

Receivables - noncurrent	2021	2020
Subsidiaries:		
Solid[7]	**P9,249,824,324**	P8,139,022,033
APO[5]	**575,982,285**	890,982,285
	P9,825,806,609	P9,030,004,318

Payables – current	2021	2020
Subsidiaries:		
CEMEX Asia Research AG (CAR)[2]	**P4,164,377,114**	P3,163,408,930
Falcon[1]	**1,723,921,348**	624,444,748
APO[6]	**-**	27,588,617
Solid[3]	**5,602,895**	809,755
Other related parties[11]		
CASEC[10]	**-**	4,847,465
	P5,893,901,357	P3,821,099,515

[1]On October 28, 2021, Falcon declared US $24 million dividend to the Company. The receivable balance refers to unpaid portion of the dividend amounting to P1,121,978,000 which is unimpaired, unsecured, noninterest-bearing and shall be collected at any time between the date of resolution and December 31, 2022.

The payable balance pertains to the deposit balance under the agreement between Falcon and the Company, in which Falcon (depositor), may withdraw the deposit balance, including any accrued interest if requested, in its entirety or in part by giving prior notice to the Company at least 30 days prior to said date. 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 payable balance pertains to the deposit balance under the agreement between CAR and the Company, in which CAR (depositor), may withdraw the deposit balance, including any accrued interest if requested, in its entirety or in part by giving prior notice to the Company at least 30 days prior said date. The deposits bear interest rate at an annual rate equal to Safe Harbour rate issued by Swiss Federal Tax Administration (Interest).

[3]The payable amounting to P5,602,895 and P809,755 as at December 31, 2021 and 2020, respectively, is 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 collectible upon demand.

[5]The receivable balance includes a) the balance related to advisory services amounting to P20,723,543 and nil as at December 31, 2021 and 2020, 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) the balance of P4,222,494 and P377,257 as at December 31, 2021 and 2020 due to pension transferred from APO which is unsecured, noninterest-bearing, unimpaired and due on demand; c) the balance of principal and interest on loan due under the seven-year loan facility agreement between the Company and APO which was entered into on March 3, 2020, covering a principal amount of P2,540,000,000 with an annual interest rate of 11.12%. Balance of principal and interest on loan amounted to P575,982,285 (non-current) and P65,364,512 (current) as at December 31, 2021 and P890,982,285 (noncurrent) and P82,454,168 (current) as at December 31, 2020, respectively; and d) reimbursable expenses amounting to P13,091 as at December 31, 2021 which are unsecured, noninterest-bearing and due on demand.

[6]The payable balance includes a) overpayment in relation to the advisory services of the Company to APO amounting to nil and P27,357,519 as at December 31, 2021 and 2020, respectively, which are noninterest-bearing and unsecured; and b) reimbursable expenses amounting to nil and P231,098 as at December 31, 2021 and 2020, respectively.

[7]The receivable balance includes a) balances related to advisory services amounting to P11,583,490 and P758,776 as at December 31, 2021 and 2020, 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 P944,988 and P4,027,521 as at December 31, 2021 and 2020, respectively, which is unimpaired, noninterest-bearing and unsecured; c) pension reimbursable expense amounting to nil and P4,660,302 as at December 31, 2021 and 2020, respectively, which is unimpaired, noninterest-bearing and unsecured; and d) the balance of principal and interest on loan due under the seven-year loan facility agreement between the Company and Solid which was entered into on March 3, 2020, covering a principal amount of up to P12,725,000,000 with an annual interest rate of 10.02%. Balance of principal loan and interest on loan amounting to P9,249,824,324 (noncurrent) and P730,976,521 (current) as at December 31, 2021 P8,139,022,033 (noncurrent) and P651,192,370 (current) as at December 31, 2020, 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 Operaciones Mexico, S.A. de C.V., which is unsecured, noninterest-bearing, unimpaired and due on demand.

[9]The balance includes a) reimbursable expenses amounting to P1,309 and nil as at December 31, 2021 and December 31, 2020, respectively which is unimpaired, unsecured, noninterest-bearing and due on demand expenses;

[10] The due to related party balance includes reimbursable expenses amounted to nil and P4,847,465 as of December 31,2021 and 2020, respectively, which is unsecured, noninterest-bearing and due on demand.

[11] Other related parties pertain to entities under common control of CEMEX, except for ALQC.

The reconciliation of opening and closing balances of due to related parties that arise from financing activities follows:

	2021	2020
Balance as at January 1	**P3,787,853,678**	P6,045,673,735
Proceeds from drawdowns	**1,740,028,338**	1,357,454,525
Interest expense	**56,959,095**	96,470,654
Effect of exchange rate changes	**308,522,537**	(188,664,065)
Payment of principal	**-**	(3,524,708,289)
Unamortized debt issuance cost	**-**	(4,098,653)
Others	**(5,065,186)**	5,725,771
Balance as at December 31	**P5,888,298,462**	P3,787,853,678

The main transactions entered by the Company with related parties for the years ended December 31, 2021 and 2020 are shown below:

Loans granted	2021	2020
Subsidiaries:		
Solid	**P1,060,606,200**	P8,139,022,033
APO	**-**	1,090,982,285
	P1,060,606,200	P9,230,004,318

Proceeds from Deposits	2021	2020
Subsidiaries:		
Falcon	**P1,015,791,000**	P990,230,000
CAR	**724,237,338**	367,224,525
	P1,740,028,338	P1,357,454,525

Interest Income	2021	2020
Subsidiaries:		
Solid	**P893,467,914**	P664,482,010
APO	**83,998,792**	84,136,906
	P977,466,706	P748,618,916

Service Fees	2021	2020
Subsidiaries:		
APO	**P291,864,962**	P273,101,960
Solid	**142,894,491**	112,006,664
	P434,759,453	P385,108,624

Interest Expense	2021	2020
Subsidiaries:		
CAR	**P52,860,007**	P89,676,920
Falcon	**435**	6,793,734
	P52,860,442	P96,470,654

Retirement Liability Transferred from (Receivable Transferred to) Related Parties	**2021**	2020
APO	**P4,222,494**	P-
Solid	**(5,602,895)**	4,660,302
	(P1,308,401)	P4,660,302

Reimbursable Expenses	**2021**	2020
Parent:		
CASEC	**P-**	P14,700
Subsidiaries:		
Solid	**2,435,174**	1,233,478
APO	**11,915**	340,208
	P2,447,089	P1,588,386

Dividend Income	**2021**	2020
Subsidiary:		
Falcon (*see Note 13*)	**P1,217,040,000**	P-

Transaction with Key Management Personnel	**2021**	2020
Short-term employee benefits	**P145,636,424**	P178,185,557
Long-term employee benefits	**32,359,324**	35,027,479
Share-based compensation	**9,546,022**	1,583,930

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 Company or its subsidiaries received in 2021 compensation in the form of cash pursuant to the terms of a variable long-term incentive plan approved by the 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 Company (CHP shares) from the market.

Under CEMEX's share-based compensation programs, approximately 6,204,914 CPOs and 1,777,752 CPOs in 2021 and 2020, respectively, were issued to or repurchased for the executives of the Company. As at December 31, 2021 and 2020, associated CPOs are nil and 317,300, respectively, and are expected to be purchased in the succeeding years as the Company's executives render services.

Under the Company's variable long-term incentive plan, net shares purchased by the executives were approximately 8,256,799 and 5,250,547 CHP shares in 2021 and 2020, respectively.

The compensation expense related to these programs for the years ended December 31, 2021 and 2020, were approximately P9,546,022 and P1,583,930, 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 16.42, and 6.18 Mexican Pesos for the years ended December 31, 2021 and 2020, respectively. On the other hand, CHPs weighted average fair value for 2021 is at 1.24. As at December 31, 2021 and 2020, 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).

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 16 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 2021 and 2020.

There are also no other transactions entered into by the Company with the plan for the year. As at December 31, 2021 and 2020, the fund's unfunded status amounted to P172,202,237 and P164,092,100. 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:

	2021	2020
Prepaid taxes	**P23,125,501**	P11,927,030
Transportation allowance	**18,609,673**	16,113,799
Prepaid employee costs	**16,939,798**	7,465,437
Prepaid subscription fees	**1,182,057**	-
Prepaid insurance	**109,114**	145,156
	P59,966,143	P35,651,422

The noncurrent portion of transportation allowance amounting to P43,990,391 and P42,176,061 as at December 31, 2021 and 2020 is recognized as "Other noncurrent asset" account in the separate statements of financial position.

Prepaid employee costs include advance payments for the rental of residential property for the use of its employees and employees' COVID-19 vaccine.

7. Investments in Subsidiaries

The details of investments in subsidiaries, which were incorporated under Philippine Laws, are as follows:

	Effective Percentage of Ownership	2021	Effective Percentage of Ownership	2020
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 31,2021 and 2020, the balance of investments in subsidiaries 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, 2021 and 2020:

December 31, 2021	Current Assets	Noncurrent Assets	Current Liabilities	Noncurrent Liabilities	Revenue	Profit (Loss)	Total Comprehensive Income (Loss)
				(In Thousands of Peso)			
Triple Dime	P81,316	P7,293,300	P97	P-	P-	(P80)	(P80)
APO	6,799,431	10,815,128	5,478,202	1,714,826	14,509,811	287,568	288,121
Sandstone	197	3,994,204	110,294	-	-	(98)	(98)
Solid	3,181,153	14,014,450	8,341,106	10,590,912	7,121,305	(376,216)	(355,772)
Edgewater	57,121	1,419,428	105	1,449	-	3,177	2,493
Bedrock	114,293	56,283	1,504	-	-	(56)	(56)
Falcon	2,514,180	1,725,127	1,877,737	-	894,050	990,017	990,017
CAR	5,818,974	-	181,858	-	1,278,527	487,679	258,277

December 31, 2020	Current Assets	Noncurrent Assets	Current Liabilities	Noncurrent Liabilities	Revenue	Profit (Loss)	Total Comprehensive Income (Loss)
			(In Thousands of Pesos)				
Triple Dime	P51,394	P7,293,300	P86	P-	P-	P275	P286
APO	4,431,726	12,308,020	4,582,897	2,110,940	14,467,220	387,367	403,318
Sandstone	183	3,984,204	110,152	-	-	(47)	18
Solid	2,211,038	12,707,981	3,900,985	9,698,078	5,911,036	(524,033)	(499,859)
Edgewater	53,043	1,419,429	108	701	-	(2,876)	(1,873)
Bedrock	114,387	56,283	1,902	-	-	(79)	(79)
Falcon	2,500,877	625,665	325,100	-	1,003,078	1,010,051	1,010,051
CAR	5,261,497	-	434,022	-	1,372,981	465,231	465,231

8. Accrued Expenses and Other Payables

This account consists of:

	Note	2021	2020
Accrued interest on bank loan	9	**P61,774,278**	P69,108,470
Salaries and wages and other employee benefits		**79,228,855**	71,887,822
Taxes payable		**15,891,470**	21,156,676
Accrued professional fees		**1,667,243**	1,852,812
Others		**169,731**	1,365,582
		P158,731,577	P165,371,362

The Company's exposure to liquidity risk arising from accrued expenses and other payables is disclosed in Note 16 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 BDO-Unibank, Inc. for an amount of up to the Philippine Peso equivalent of 280 million U.S. dollars to refinance a majority of the 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 P3,376,905,809 and P140,122,810 as of December 31, 2021 and 2020, respectively.

The reconciliation of opening and closing balances of debt issuance cost deducted from total loan liability as at December 31, 2021 and 2020:

	2021	2020
Unamortized debt issue cost	**P180,684,676**	P180,684,676
Amortization of debt issue cost:		
Beginning balance	**100,629,278**	74,665,366
Amortization during the year	**25,963,912**	25,963,912
Ending balance	**126,593,190**	100,629,278
Unamortized balance as at December 31	**P54,091,486**	P80,055,398

Interest expense incurred in 2021 and 2020, excluding amortized direct cost, amounted to P421,832,815 and P541,138,961, respectively, which is recognized as part of "Financial expense" under "Other Income (Charges)" account in the separate statements of comprehensive income.

The Facility Agreement also provides certain covenants. Compliance with these covenants shall be tested semi-annually. On December 8, 2017, the 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 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 Company's ultimate parent company, CEMEX, or any affiliate of CEMEX 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 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 be 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 Parent 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.

In accordance with the terms of the 2017 Supplemental agreement, the Parent Company and BDO terminated the said Supplemental Agreement on August 25, 2021. BDO released the Debt Service Reserve Accounts created there under. Debt service reserve account related to the Company's bank loan amounted to nil and P302,462,217 as at December 31, 2021 and 2020, respectively, and is recognized under "Long-term time deposit" account in the separate statements of financial position.

As at December 31, 2021, 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, 2020	P11,320,923,961	P94,999,915	P11,415,923,876
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	10,706,765,063	69,108,470	10,775,873,533
Interest expense	25,963,912	421,832,815	447,796,727
Payment of:			
Principal	(1,840,122,809)	-	(1,840,122,809)
Interest	-	(429,167,007)	(429,167,007)
Balance as at December 31, 2021	**P8,892,606,166**	**P61,774,278**	**P8,954,380,444**

Accrued interest from this bank loan amounting to P61,774,278 and P69,108,470 as at December 31, 2021 and 2020, 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 16 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 January 26, 2022. 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	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	2021	2020	2021	2020	2021	2020
				In Thousands of Peso			
Balance at January 1		P186,027	P209,702	(P21,935)	(P19,842)	P164,092	P189,860
Included in Profit or Loss							
Service costs:							
Current service cost		13,433	14,444	-	-	13,433	14,444
Interest cost, net		6,379	10,174	(652)	(406)	5,727	9,766
		19,812	24,618	(652)	(406)	19,160	24,210
Included in OCI							
Actuarial loss (gain) from:							
Change in financial assumptions		(25,589)	(14,004)	-	-	(25,589)	(14,004)
Change in demographic assumption		(2,694)	(139)	-	-	(2,694)	(139)
Experience adjustments		20,164	(22,589)	-	-	20,164	(22,589)
Return on plan assets excluding interest income		-	-	272	1,326	272	1,326
		(8,119)	(36,732)	272	1,326	(7,847)	(35,406)
Others							
Benefits paid		(1,823)	(19,232)	-	-	(1,823)	(19,232)
Net acquired obligation	5	(1,380)	7,671	-	(3,011)	(1,380)	4,660
		(3,203)	(11,561)	-	(3,011)	(3,203)	(14,572)
Balance at December 31		P194,517	P186,027	(P22,315)	(P21,935)	P172,202	P184,092

The Company acquired employees from APO and Solid in 2021 and acquired from Solid in 2020. The transfers resulted in net acquired obligation of P1,380,401 and P4,660,302 in 2021 and 2020, respectively (see Note 5).

b) *Plan Assets*

As at December 31, plan assets consisted of the following:

	2021	2020
Unit Investment Trust Fund (UITF):		
Equities	**P6,898,704**	P13,782,151
Fixed income	**1,136,210**	1,015,230
Money market	**895,919**	344,196
Government securities	**4,211,622**	3,353,479
Deposits	**8,248,344**	1,523,728
Mutual funds	**1,211,422**	1,376,802
Debt instruments	**231,322**	488,848
Trustee Fee	**(565,212)**	(2,273)
Others	**46,592**	53,111
	P22,314,923	P21,935,272

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.

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 and foreign currency time deposits were made to a reputable bank which is rated Baa2 based on Moody's credit rating.

The portfolio also holds several unit investment trust funds (UITFs). Domestic 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. Global Equity UITF investments are invested in diversified portfolio of global equity collective investment schemes with the goal of long-term capital growth. Domestic Fixed Income and Domestic USD Fixed Income UITF investments are placed mainly in portfolio of bonds and other similar fixed-income securities, with weighted average term to maturity and denomination that varies depending on the strategy of the fund and the market outlook. Money Market UITF investments are derived from a diversified portfolio of primarily short-term fixed income instruments, such as time deposits, government and corporate bonds with a maturity profile of less than one year.

Aside from UITFs, the portfolio is likewise invested in mutual funds and exchange traded funds (ETFs). Global Fixed Income mutual funds are invested in investment grade bonds denominated in major world currencies, with an average duration of the fund which will vary depending on the strategy and market outlook of the fund manager. Global Equity ETFs are invested in selected stocks which are actively traded in globally developed markets.

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):

	2021	2020
Discount rate	**4.81%**	3.49%
Future salary growth	**3.60%**	4.00%

The following are the turnover rate assumption in 2020:

Age	**2021**	2020
18 - 29	**12 to <21**	10 to <18
30 - 34	**10 to <12**	7 to <10
35 - 37	**8 to <10**	6 to <7
38 - 41	**7 to <8**	5 to <6
42 - 53	**6 to <7**	4 to <5
54 - 59	**1 to <6**	1 to <5

Mortality rates in 2021 and 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:

	2021		2020	
	Increase	**Decrease**	Increase	Decrease
Discount rate (0.5% movement)	**(P6,503,819)**	**P6,858,700**	(P8,210,370)	P8,755,006
Future salary increase rate (0.5% movement)	**7,364,786**	**(7,038,318)**	9,116,986	(8,623,389)

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
2021	**P194,517,160**	**P468,161,328**	**P12,492,892**	**P82,462,560**	**P373,205,876**
2020	P186,027,372	P514,484,804	P6,500,502	P34,819,754	P473,164,548

As at December 31, 2021 and 2020, 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 2022, 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:

	Note	2021	2020
Cost of services	12	**P13,432,667**	P14,443,689
Financial expense on retirement benefits		**5,726,815**	9,765,736
		P19,159,482	P24,209,425

11. Stockholders' Equity

As at December 31, 2021 and 2020, 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, 2021 and 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 articles of incorporation and increase in the authorized capital stock of the Company (ACS) 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 articles of incorporation 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 to conduct an 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 Revised 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 the Company is 13,489,226,623 common shares.

On February 27, 2020, the SEC approved the Company's application for amendment of articles of incorporation and 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 Company's application for increase in ACS, the 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 of December 31, 2020, the shareholdings in the Company owned by CASEC was 10,500,624,662 common shares, which corresponded to approximately 77.84% of the total issued and outstanding capital stock of the Company. CASEC retained its shareholdings in the Company as at December 31, 2021.

In 2020, the total proceeds from the issuance of common stock amounted to P12,772,500,000 which resulted in the increase in common stock and additional paid-in capital (APIC) by P8,293,831,169 and P4,478,668,831, respectively. Total cost related to the SRO amounted to P224,319,548, of which P220,029,039 direct share issuance cost was 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.

12. Cost of Services

This account consists of:

	Note	**2021**	2020
Salaries and allowances		**P381,803,199**	P335,655,060
Retirement benefit expense	*10*	**13,432,667**	14,443,689
		P395,235,866	P350,098,749

13. Dividend Income

On October 28, 2021, Falcon Re Ltd declared dividends to the Company amounting to US dollar $24 million or P1,217,040,000.

For the years ended December 31, 2021 and 2020, the dividend income amounted to P1,217,040,000 and nil, respectively.

14. Other Expenses

Other expenses for the years ended December 31, 2021 and 2020 are detailed as follows:

	2021	2020
Bank charges	**P66,241,843**	P42,449,113
COVID-19 related expenses	**287,431**	301,207
Other expenses	**90,000**	3,119
	P66,619,274	P42,753,439

COVID-19 related expenses include sanitation supplies, financial assistance and employee transportation cost.

15. Income Taxes

Income tax expense for the years ended December 31, 2021 and 2020 are presented below:

	2021	2020
Current income tax	**P21,143,955**	P15,559,370
Adjustments in current tax recognized for the prior period	**(3,889,842)**	-
Total current tax expense	**17,254,113**	15,559,370
Origination and reversal of temporary differences and recognition of tax benefit from NOLCO	**24,578,141**	(3,067,769)
Adjustments in deferred tax due to changes in tax rates	**22,349,591**	-
Total deferred tax expense	**46,927,732**	(3,067,769)
Total income tax expense	**P64,181,845**	P12,491,601

For the years ended December 31, 2021 and 2020, the income tax effects of the temporary differences that resulted in deferred income tax assets - net are presented below:

2021	Balance at January 1	Recognized in Profit or Loss	Recognized in OCI	Balance at December 31
Accrued retirement benefit expense	P47,463,303	(P5,832,005)	P294,089	P41,925,387
Unrealized foreign exchange loss (gain)	(66,969,621)	85,705,081	-	18,735,460
MCIT	34,372,565	(25,033,797)	-	9,338,768
Accrued documentary stamp tax	(3,621,994)	4,163,222	-	541,228
NOLCO	104,831,335	(104,831,335)	-	-
Other items*	16,913,354	(1,098,898)	-	15,814,456
	P132,988,942	(P46,927,732)	P294,089	P86,355,299

*Majority of other items pertains to accruals related to compensation.
The remeasurement in DTA/DTL arising from the change in income tax rates that was recognized in OCI amounted to (P2,255,643).

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 loss (gain)	(14,233,797)	(52,735,823)	-	(66,969,620)
Unamortized 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

Majority of other items pertains to accruals related to compensation.

As at December 31, 2021 and 2020, deferred income tax assets are fully recognized.

As at December 31, 2021, the Company does not have NOLCO that can be claimed as deductions from future taxable income.

Year Incurred	Valid Until	Amount	Additions During the Year	Expired/Utilized During the Year	Ending Balance
2020	December 31, 2025	P109,304,866	P-	(P109,304,866)	P-
2019	December 31, 2022	253,293,501	-	(253,293,501)	-
		P362,598,367	P-	(P362,598,367)	P-

As at December 31, 2021, 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	P34,372,565	P-	(P25,033,797)	P9,338,768
		P34,372,565	P-	(P25,033,797)	P9,338,768

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 follows:

	2021	2020
Profit before income tax	**P1,327,319,137**	P172,606,602
Income tax rate at 25% and 30% in 2021 and 2020, respectively	**P331,829,784**	P51,781,981
Additions to (reductions in) income tax resulting from the tax effects of:		
Adjustments in current and deferred tax due to changes in tax rates	**18,459,749**	-
Nondeductible expenses	**254,518**	1,892,812
Changes in unrecognized deferred income tax assets	**18,085,767**	(4,090,499)
Non-taxable dividend income	**(304,260,000)**	-
Interest income subjected to final tax	**(187,973)**	(3,425,745)
Deductible deferred share issuance costs	**-**	(33,666,948)
	P64,181,845	P12,491,601

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) Regular 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 took 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 were issued by the tax authority.

The impact of CREATE Act was taken as a non-adjusting subsequent event as at December 31, 2020 since CREATE Act was not yet enacted or substantively enacted as of such date. Thus, the current and deferred income taxes were measured using the old income tax rates as at December 31, 2020. Further, the difference of the provision for current income tax in the consolidated financial statements from the amount of income tax due reflected in the income tax returns and the remeasurement of deferred tax assets and liabilities using the new tax rates were taken up as an adjustment in the separate statements of comprehensive income in 2021.

The regular corporate income tax of the Company was lowered from 30% to 25% effective July 1, 2020.

16. 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	**2021**	2020
Cash in banks	*4*	**P121,537,570**	P273,320,751
Due from related parties	*5*	**11,781,805,195**	9,773,594,731
Other current accounts receivable		**1,270,330**	2,207,376
Long-term time deposit	9	**-**	302,462,217
		P11,904,613,095	P10,351,585,075

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 in banks 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 instruments 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, 2021 and 2020 are neither past due nor impaired. The Company's exposure to credit risk arises from default of the counterparty. As at December 31, 2021 and 2020, the Company's credit risk is concentrated on its amounts due from related parties. 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 banks 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, 2021				
	Carrying Amount	Contractual Cash Flow	12 Months or Less	1 - 5 Years	Over 5 Years
		(In Thousands of Peso)			
Trade payables	P3,602	P3,602	P3,602	P-	P-
Accrued expenses and other payables*	142,840	142,840	142,840	-	-
Long-term bank loan	8,892,606	9,066,363	3,443,467	5,622,907	-
Due to related parties	5,893,901	15,771,097	990,882	14,780,215	-
	P14,932,949	P24,983,902	P4,580,781	P20,403,122	P-

*Excludes government-related payables amounting to P15.69 million.

	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	15,432,255	914,607	3,658,429	10,859,219
	P14,677,679	P27,359,641	P1,653,217	P14,847,205	P10,859,219

**Excludes government-related payables amounting to P21.16 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 (loss) in 2021 and 2020 amounted to P298,173,909 and (P175,786,100), respectively.

As at December 31, 2021 and 2020, 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	**2021**	2020
Cash	**$1,419,616**	$1,926,425
Due from related parties	**22,002,791**	1,482
Trade payables	**(392)**	(5,975)
Due to related parties	**(115,459,096)**	(78,875,824)
	($92,037,081)	($76,953,892)

The applicable foreign exchange rates are as follows:

	2021		2020	
Currency	**Closing**	**Average**	Closing	Average
U.S. dollar	**P51.00**	**P49.36**	P48.02	P49.94

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, 2021 and 2020:

USD	Strengthening (Weakening) of Philippine Peso	Effect on Profit before Income Tax	Effect on Equity
2021	**+6.2%**	**P291,015,542**	**P218,261,657**
	-6.2%	**(291,015,542)**	**(218,261,657)**
2020	+5.2%	P192,168,951	P134,518,266
	-5.2%	(192,168,951)	(134,518,266)

Interest Rate Risk
As at December 31, 2021 and 2020, the Company is exposed to interest rate risk primarily on the floating interest rate tranche corresponding to P1.7 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, 2021 and 2020 (see Note 5).

Sensitivity Analysis on Interest Rate Risk
As at December 31, 2021 and 2020, a hypothetic 1% increase in interest rate, with all other variables held constant, profit for the years ended December 31, 2021 and 2020 would have decreased by approximately P12,956,381 and P42,031,605, 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, 2021 and 2020 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, 2021 and 2020 are as follows:

	2021		2020	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Solid	**P9,249,824,324**	**P10,308,560,816**	P8,139,022,033	P9,943,372,312
APO	**575,982,285**	**649,847,858**	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*	2021	2020
Carrying amount	9	**P8,892,606,166**	P10,706,765,063
Fair value		**9,094,096,868**	11,411,682,661

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, 2021 and 2020, 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, 2021 and 2020 are as follow:

	Note	**2021**	2020
Total liabilities		**P15,121,043,050**	P14,862,926,859
Less cash	4	**121,537,570**	273,320,751
Net debt		**P14,999,505,480**	P14,589,606,108
Total equity		**P44,945,060,713**	P43,670,653,476
Net debt to equity ratio at December 31		**P0.33:1**	P0.33:1

17. Relevant Information Regarding the 2018 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 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 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. 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, 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 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 Company are made solidarily liable for payment of monetary damages and establishment of a rehabilitation fund. The records of the case were subsequently transferred to the Regional Trial Court of Cebu City Branch 23.

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 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 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. 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. In another order dated November 17, 2021, the Regional Trial Court denied plaintiffs' motion for reconsideration and also granted the motions of the Mines and Geosciences Bureau and the City Government of Naga and dismissed the subject case against them. On January 31, 2022, plaintiffs filed their Notice of Appeal with the Regional Trial Court, appealing the court's latest order to the Court of Appeals.

In the event that the court's latest order is reversed on appeal thereby maintaining the inclusion of the Company and APO 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 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.

Since the third quarter of 2020, local and national authorities allowed ALQC to resume its mining operations in the affected areas.

As at December 31, 2021, 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 appeal filed by the plaintiffs to challenge the latest order of the Regional Trial Court, the Company is not able to determine if a final adverse resolution, if any, would have a material adverse impact on the Company's results of operations, liquidity and financial condition.

18. 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 suspension of land, domestic air and domestic sea travel to and from Metro Manila beginning March 16, 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.

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. Since then, provinces and cities have been placed from time to time under different community quarantine levels with corresponding restrictions, respectively.

Subsequent to the recommendations of the Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF) in its Resolution No. 146-F (s. 2021) dated 28 October 2021, the President of the Philippines issued Executive Order No. 151 dated 11 November 2021 adopting the Alert Level System for all areas of the Philippines through a nationwide roll-out which was designed to allow the reinvigoration of the economy through the opening of more sectors, while protecting the people's health through the continuous observance of public health protocols and interventions and the heightened implementation of lockdowns in smaller areas, also known as granular lockdowns. Restrictions and/or limitations affecting intrazonal and interzonal movement as well as the level of operations and activities undertaken by establishments and persons in areas nationwide are defined depending on the applicable Alert Level Status (ranging from 1 to 5). In any case, minimum public health standards and precautions such as the wearing of face masks and maintenance of social distancing protocols may be mandated. As of December 31, 2021, all provinces, highly urbanized and independent component cities in the Philippines were placed under Alert Level 2. The restrictions applicable under Alert Level 2 include, among others, the limitation in the operation of certain establishments to a maximum of 50% indoor venue capacity for fully vaccinated individuals and those below 18 years of age and 70% outdoor venue capacity. Effective March 1, 2022, the location in which the Company is situated was placed to the most relaxed level (Alert Level 1) as health authorities reported fewer coronavirus infections. Under this alert level, all establishments, persons, or activities are likewise allowed to operate, work, or be undertaken at total on-site or venue seating capacity, provided these are consistent with minimum public health standards.

Even prior to the initial imposition of ECQ in March 2020, the Company implemented, and continues to implement, strict hygiene and safety protocols in all its operations and modified its manufacturing, sales, and delivery processes to implement physical distancing and other activities aiming to protect the health and safety of its employees and their families, customers, and suppliers. 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 consequences of COVID-19 pandemic negatively affected the results of operations of the Company's significant subsidiaries, Solid and APO, mostly during the second quarter of 2020. For the years ended December 31, 2021 and 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 P287,431 and P301,207, respectively. These additional expenses were presented as part of "Other expenses" under "Other Income (charges)" account in the separate statements of comprehensive income for years ended December 31, 2021 and 2020, respectively.

The degree to which the COVID-19 pandemic would affect again 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 pandemic, its severity, the spread of even more infectious strains of the virus, the actions, in particular measures that might be ordered by the government, to contain the virus or treat its impact, and how quickly and to what extent economic and operational conditions can return, within a new normality with limited activities, until effective vaccination initiatives are fully implemented throughout the country. . The Company has carried out proactive efforts with government agencies designed to facilitate the vaccination of its employees and their families, its contractors and other stakeholders in neighboring communities in order to mitigate the potential risk in the operations that would be affected by future waves of contagion.

Among the initiatives taken by the Company that have contributed to easing liquidity risks from the impact of, COVID-19 pandemic were: (i) the optimization of plant production and inventory levels, (ii) the suspension, deferment or reduction of non-critical capital expenditures and operating expenses (including sales and administration expenses), and installing other cost control measures to reduce discretionary expenses, (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 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 will be ready to take such additional steps as may be feasible and appropriate under relevant circumstances.

19. Subsequent Event: Russia-Ukraine Conflict

The Company has no exposure to investments in Russia or Ukraine. It currently has no customers or suppliers from any of these countries. However, this event may give rise to circumstances with the potential to cause world trade disruptions and rising prices of basic commodities, including oil and power, among others. The degree to which the Russian-Ukraine conflict affects the Company's financial condition and results of operations will depend on future developments of the situation, and as of the date of this report, the Company is not able to make any reliable estimates of the impact of the conflict on the Company's operations and financial results for the rest of 2022. The Company will continue to monitor and evaluate the situation.

20. 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, 2021:

A. VAT

	Amount
1. Output VAT	**P154,373,055**
Basis of the Output VAT: Vatable sales	**P1,286,442,129**
2. Input VAT	**P102,335**
Balance from previous period	
Current year's domestic purchases:	
a. Goods for resale/manufacture or further processing/other than for resale or manufacture	**4,874**
b. Services lodged under cost of goods sold/under other accounts	**3,857,739**
c. Services rendered by non-residents	**-**
Total allowable input VAT	**3,964,948**
VAT payments for the year	**150,408,107**
Balance at the end of the year, net of Output VAT	**P-**

B. Documentary Stamp Taxes

	Amount
On deposits	**P46,527,293**
On insurance premiums	**14,404**
	P46,541,697

C. Withholding Taxes

	Amount
Final withholding taxes	**P5,286,088**
Tax on Compensation and other benefits	**108,149,024**
Creditable withholding taxes	**10,413,832**
	P123,848,944

D. 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	
License and permit fees	**P8,628,340**

E. Tax Assessments and Cases

On May 20, 2021, the Company, following the receipt of a Preliminary Assessment Notice (PAN) covering VAT for the period January to June 2018, paid VAT in the aggregate amount of P234,781.02, inclusive of interest and compromise penalty. This tax payment resulted in the termination of the BIR's investigation of the Company covering VAT for the period January to June 2018.

On January 28, 2022, a Notice of Discrepancy was issued by the BIR to the Company covering the all internal revenue taxes (except VAT) for taxable year 2018. The formal reply was submitted on March 4, 2022.

On March 23, 2022, the Company received a Letter of Authority from the BIR for the regular tax investigation covering the taxable year 2020. The Company is currently in the process of preparing the accounting and tax-related documents and records requested by the assigned tax examiners.

Information on amounts of custom duties, tariff fees, and excise taxes is not applicable since the Company has no transaction in 2021 that could be subjected to these taxes.