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**CEMEX UK**

**ANTI-FACILITATION OF TAX EVASION**

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## **1. Policy statement**

- 1.1 It is the policy at CEMEX, S.A.B. de C.V. (together with its subsidiaries and affiliates, "CEMEX") to conduct all of its business in an honest and ethical manner. CEMEX operates in the United Kingdom through indirect subsidiaries (CEMEX's subsidiaries in the United Kingdom collectively, "CEMEX UK"). CEMEX UK takes a zero-tolerance approach to facilitation of tax evasion, whether under UK law or under the law of any foreign country, as applicable.
- 1.2 CEMEX, including CEMEX UK, are committed to acting professionally, fairly and with integrity in all of their business dealings and relationships wherever they operate and are also committed to implementing and enforcing effective systems to counter tax evasion facilitation.
- 1.3 In particular, CEMEX UK, and as applicable CEMEX, aims to uphold all laws relevant to countering tax evasion in all the jurisdictions in which they operate, including the Criminal Finances Act 2017.

## **2. About this Policy**

- 2.1 The purpose of the Anti-Facilitation of Tax Evasion Policy (the "Policy") is to:
  - (a) set out CEMEX UK's responsibilities, and of those working for CEMEX UK, and as applicable CEMEX, in observing and upholding its position on preventing the criminal facilitation of tax evasion; and
  - (b) provide information and guidance to those working for CEMEX UK, and as applicable, CEMEX, on how to recognise and avoid tax evasion.
- 2.2 As an employer, if CEMEX UK fails to prevent our employees, workers, agents or service providers facilitating tax evasion, it can face criminal sanctions including but not limited to an unlimited fine, as well as exclusion from tendering for public contracts and damage to its reputation. Therefore, CEMEX UK takes its legal responsibilities and potential liabilities seriously, as does CEMEX.
- 2.3 As of the date of this Policy, we have identified that the following are particular risks for CEMEX UK:
  - a. The making of cash sales which could be part of a scheme by a customer to understate expense activity and related turnover so to evade the payment of income tax, corporation tax or Value Added Tax ("VAT");
  - b. The making of payments to suppliers who are not booking their income so to evade the payment of income tax, corporation tax or VAT;

- c. The incorrect classification of workers as self-employed rather than employees so that they can pay a lower rate of income tax and National Insurance Contributions than they would otherwise make;
- d. The incorrect valuation of land and buildings as part of a larger transaction so to ascribe a higher value to assets which are not subject to Stamp Duty Land Tax; and
- e. The understatement of profits arising in joint venture projects in order to evade the payment of tax by the joint venture partner.

To address those risks, CEMEX UK has in place existing procedures and controls that CEMEX UK believes are adequate. These include, but are not limited to, controls that CEMEX has implemented to comply with the Sarbanes-Oxley Act 2002 (“SOX”); CEMEX’s Code of Ethics and Business Conduct; CEMEX’s Global Anti-Money Laundering Policy, which includes prevention procedures; as well as CEMEX’S Global Anti-Corruption Policy which includes relevant procedures and controls to satisfy UK internal and external auditing requirements. CEMEX has also installed a robust process to perform a high-level screening of its suppliers. They must sign a third party declaration to state their position on money laundering, modern slavery and anti-bribery. We also check each supplier to ensure they are not on the list of companies with international sanctions. Where there are gaps we have put additional measures in place, such as training for CEMEX employees.

Specifically, in relation to the risks above:

- a. We have new customer set up procedures to ensure that CEMEX knows its customers and who the shareholders and members of the board of director or managers are of companies that CEMEX deals with. CEMEX’s Global Anti-Money Laundering Policy, together with CEMEX UK’s local UK Money Laundering policies, provides guidance for our employees to be aware of “red flag” items. Where cash sales are made, these are reviewed by different areas within CEMEX, including CEMEX UK, for further review. All cash sales are logged properly into CEMEX UK’s system with invoices raised to permit the cross checking of records by the authorities between supplier (us) and customer.
- b. Vendors are registered in CEMEX UK’s systems using established procedures and generally a payment cannot be made unless the vendor is registered in these systems. Payments are only made upon the receipt of valid invoices, cash payments are generally not allowed and there is a segregation of duties between Operations (requestor), Procurement (negotiator) and Accounts Payable (payer). The use of intermediaries must be approved by different areas, including the Legal Department after proper screening has been made.

- c. The CEMEX UK Legal Department, in consultation with other areas, assesses the status of new workers to establish whether they fall into the rules governing self-employed or employed workers, rather than accepting the worker's own assessment. Approval routes are in place under the Payroll Department for new starters. Human Resources policies are documented and available at CEMEX UK's intranet.
- d. A thorough review is made of the values of assets sold. At CEMEX UK, this is carried out by more than one member of staff and more than one department. Market values are considered and referred to for similar assets and sales. All significant sales are reviewed by the CEMEX UK Legal Department, and those that exceed a certain threshold are submitted to a global review and authorization process at CEMEX under a Relevant Transactions Policy.
- e. The accounts of the joint ventures are audited by external auditors to ensure that they give a true and fair view of the profits for the year. The taxable profit is drafted and reviewed by separate persons in the CEMEX UK Tax Department to ensure that it is correct.
- f. CEMEX UK is subject to audits by an internal audit team that reports directly to CEMEX, S.A.B. de C.V.'s audit committee, which is formed by independent board members of CEMEX, S.A.B. de C.V.'s board of directors, these audits are to review if CEMEX UK is complying with all applicable policies of CEMEX.

2.4 In this Policy, **third party** means any individual or organization (excluding non-CEMEX UK CEMEX persons or companies) a CEMEX UK employee comes into contact with during the course of work for CEMEX UK, and includes actual and potential clients, customers, suppliers, distributors, business contacts, agents, advisers, and government and public bodies, including their advisers, representatives and officials, politicians and political parties.

2.5 This Policy does not form part of any employee's contract of employment and may amend it at any time. The CEMEX UK Legal Director shall have the authority to amend this Policy.

2.6 This Policy must be read and interpreted in conjunction with CEMEX's Code of Ethics and Business Conduct, Global Anti-Money Laundering Policy and Global Anticorruption Policy.

### 3. **Who must comply with this Policy?**

This Policy applies to all persons working for CEMEX UK, including employees at all levels, directors, officers, agency workers, seconded workers, volunteers, interns, agents,

contractors, external consultants, third party representatives and business partners, sponsors, or any other person associated with CEMEX UK, wherever located.

#### **4. Who is responsible for the Policy?**

- 4.1 The board of directors of the applicable CEMEX UK companies have the overall responsibility for ensuring this Policy complies with our legal and ethical obligations, and that all those under CEMEX UK's control comply with it.
- 4.2 For purposes of this Policy, the CEMEX UK Legal Director (or equivalent title), has primary and day-to-day responsibility for implementing this Policy, monitoring its use and effectiveness, dealing with any queries about it, and auditing internal control systems and procedures to ensure they are effective in preventing the facilitation of tax evasion, and will coordinate with the CEMEX compliance organization to procure compliance.
- 4.3 Management at all levels of CEMEX UK, and as applicable, CEMEX, are responsible for seeking that those reporting to them understand and comply with this Policy and are given adequate and regular training on it.
- 4.4 Any questions regarding the interpretation of this Policy should be addressed to the CEMEX UK Legal Director (or equivalent title).

#### **5. What is tax evasion facilitation?**

- 5.1 For the purposes of this Policy:
  - (a) **Tax evasion** means the offence of cheating the public revenue or fraudulently evading UK tax, and is a criminal offence. The offence requires an element of fraud, which means there must be deliberate action, or omission with dishonest intent;
  - (b) **Foreign tax evasion** means evading tax in a foreign country, provided that conduct is an offence in that country and would be a criminal offence if committed in the UK. As with tax evasion, the element of fraud means there must be deliberate action, or omission with dishonest intent; and
  - (c) **Tax evasion facilitation** means being knowingly concerned in, or taking steps with a view to, the fraudulent evasion of tax (whether UK tax or tax in a foreign country) by another person, or aiding, abetting, counselling or procuring the commission of that offence. Tax evasion facilitation is a criminal offence, where it is done deliberately and dishonestly.
- 5.2 Under the Criminal Finances Act 2017, a separate criminal offence is automatically committed by a corporate entity or partnership where the tax evasion is facilitated by a person acting in the capacity of an "associated person" to that body. For the offence to be made out, the associated person must deliberately and dishonestly take action to facilitate the tax evasion by the taxpayer. If the associated person accidentally, ignorantly, or negligently facilitates the tax evasion, then the corporate offence will not have been committed. The company does not have to have deliberately or dishonestly facilitated the

tax evasion itself; the fact that the associated person has done so creates the liability for the company.

5.3 Tax evasion is not the same as tax avoidance or tax planning. Tax evasion involves deliberate and dishonest conduct. Tax avoidance is not illegal and involves taking steps, within the law, to minimise tax payable (or maximise tax reliefs).

5.4 In this Policy, all references to tax include national insurance contributions (and their equivalents in any non-UK jurisdiction).

## **6. What you must not do**

6.1 It is not acceptable for anyone (including someone on your behalf) to:

- (a) engage in any form of facilitating tax evasion or foreign tax evasion;
- (b) aid, abet, counsel or procure the commission of a tax evasion offence or foreign tax evasion offence by another person;
- (c) fail to promptly report any request or demand from any third party to facilitate the fraudulent evasion of tax (whether UK tax or tax in a foreign country), or any suspected fraudulent evasion of tax (whether UK tax or tax in a foreign country) by another person, in accordance with this Policy;
- (d) engage in any other activity that might lead to a breach of this Policy; or
- (e) threaten or retaliate against another individual who has refused to commit a tax evasion offence or a foreign tax evasion offence or who has raised concerns under this Policy.

## **7. Your responsibilities**

7.1 You must ensure that you read, understand and comply with this Policy.

7.2 The prevention, detection and reporting of tax evasion and foreign tax evasion are the responsibility of all those working for CEMEX UK or under CEMEX UK's control, including, as applicable, under the control of CEMEX. You are required to avoid any activity that might lead to, or suggest, a breach of this Policy.

7.3 You must notify your manager **OR** the CEMEX UK Legal Department as soon as possible if you believe or suspect that a conflict with this Policy has occurred or may occur in the future. For example, an employee or supplier asks to be paid into an offshore bank account, without good reason, or a supplier asks to be paid in cash, indicating that this will mean the payment is not subject to VAT. Further "red flags" that may indicate potential tax evasion or foreign tax evasion are set out in clause **12** on this Policy.

## **8. How to raise a concern**

8.1 You are encouraged to raise concerns about any issue or suspicion of tax evasion or foreign tax evasion at the earliest possible stage.

- 8.2 If you become aware of any fraudulent evasion of tax (whether UK tax or tax in a foreign country) by another person in the course of your work, or you are asked to assist another person in their fraudulent evasion of tax (whether directly or indirectly), or if you believe or suspect that any fraudulent evasion of tax has occurred or may occur, whether in respect to UK tax or tax in a foreign country, you must notify your manager or the CEMEX UK Legal Department **OR** report it through our EthicsPoint hotline, which can be found on our Code of Ethics and Business Conduct page on Shift, as soon as possible.
- 8.3 If you are unsure about whether a particular act constitutes tax evasion or foreign tax evasion, raise it with your manager or the CEMEX UK Legal Department or through the EthicsPoint confidential helpline as soon as possible. You should note that, as per applicable legislation, a corporate offence is only committed where you deliberately and dishonestly take action to facilitate the tax evasion or foreign tax evasion. If you do not take any such action, then the offence will not be made out. However, a deliberate failure to report suspected tax evasion or foreign tax evasion, or "turning a blind eye" to suspicious activity could amount to criminal facilitation of tax evasion.

## **9. Protection**

- 9.1 Individuals who raise concerns or report another's wrongdoing might sometimes worry about possible repercussions. CEMEX, based on its Code of Ethics and Business Dealings, aims to encourage openness and will, together with CEMEX UK, support anyone who raises genuine concerns in good faith under this Policy, even if they turn out to be mistaken, to ensure no retaliations are taken against such a person.
- 9.2 CEMEX UK is committed to ensuring no one suffers any detrimental treatment as a result of:
- (a) refusing to take part in, be concerned in, or facilitate tax evasion or foreign tax evasion by another person;
  - (b) refusing to aid, abet, counsel or procure the commission of a tax evasion offence or a foreign tax evasion offence by another person; or
  - (c) reporting in good faith their suspicion that an actual or potential tax evasion offence or foreign tax evasion offence has taken place, or may take place in the future.

Detrimental treatment includes dismissal, disciplinary action, threats or other unfavourable treatment connected with raising a concern. If you believe that you have suffered any such treatment, you should inform the CEMEX UK Legal Department immediately. If the matter is not remedied, and you are an employee, you should raise it formally using our Grievance Procedure, which can be found on Shift under Services – Workplace – General HR Policies and Procedures.

## **10. Training and communication**

- 10.1 Training on this Policy forms part of the induction process for all individuals who work for CEMEX UK, and regular training will be provided as necessary by one or more areas at CEMEX



and/or CEMEX UK. Such training may form part of wider financial crime detection and prevention training, as well as the Corporate Compliance Program.

- 10.2 CEMEX and CEMEX UK's zero-tolerance approach to tax evasion and foreign tax evasion must be communicated to all suppliers, contractors and business partners at the outset of our business relationship with them and as appropriate after that.

## **11. Breaches of this Policy**

- 11.1 Any employee who breaches this Policy will face disciplinary action, which could result in dismissal for misconduct or gross misconduct.
- 11.2 CEMEX and CEMEX UK may terminate our relationship with other individuals and organisations working on our behalf if they breach this Policy.

## **12. Potential risk scenarios: "red flags"**

The following is a list of possible red flags that may arise during the course of you working for CEMEX OR CEMEX UK, as applicable, and which may raise concerns related to tax evasion or foreign tax evasion. The list is not intended to be exhaustive and is for illustrative purposes only.

If you encounter any of these red flags while working for us, you must report them promptly to your manager **OR** to the CEMEX UK Legal Director (or equivalent title) **OR** using the procedure set out in the Code of Ethics and Business Conduct:

- (a) you become aware, in the course of your work, that a third party has made or intends to make a false statement relating to tax, has failed to disclose income or gains to, or to register with, HMRC (or the equivalent authority in any relevant non-UK jurisdiction), has delivered or intends to deliver a false document relating to tax, or has set up or intends to set up a structure to try to hide income, gains or assets from a tax authority;
- (b) you become aware, in the course of your work, that a third party has deliberately failed to register for VAT (or the equivalent tax in any relevant non-UK jurisdiction) or failed to account for VAT;
- (c) a third party requests payment in cash and/or refuses to sign a formal commission or fee agreement, or to provide an invoice or receipt for a payment made;
- (d) you become aware, in the course of your work, that a third party working for CEMEX or CEMEX UK, as applicable, as an employee asks to be treated as a self-employed contractor, but without any material changes to their working conditions;
- (e) a supplier or other subcontractor is paid gross when they should have been paid net, under a scheme such as the Construction Industry Scheme;
- (f) a third party requests that payment is made to a country or geographic location different from where the third party resides or conducts business;

- (g) a third party to whom we have provided services requests that their invoice is addressed to a different entity, where we did not provide services to such entity directly;
- (h) a third party to whom CEMEX or CEMEX UK have provided services in the UK asks to change the description of services rendered on an invoice in a way that seems designed to obscure the nature of the services provided;
- (i) you receive an invoice from a third party that appears to be non-standard or customised;
- (j) a third party insists on the use of side letters or refuses to put terms agreed in writing or asks for contracts or other documentation to be backdated;
- (k) you notice that we have been invoiced for a commission or fee payment that appears too large or too small, given the service stated to have been provided;
- (l) a third party requests or requires the use of an agent, intermediary, consultant, distributor or supplier that is not typically used by or known to CEMEX or CEMEX UK in the UK, as applicable;
- (m) a third party customer attempts to purchase goods in the UK from CEMEX or CEMEX UK, as applicable, in cash;
- (n) a third party purchaser to whom we are selling real estate asks that the proceeds for the sale are artificially allocated to non-real estate assets; and
- (o) a joint venture partner attempts to influence the way the profits of the joint venture are accounted for.