Cartica Management, LLC Urges Mexican Regulators, Exchange and Issuers to Abolish Shareholder-Unfriendly Practices and Charter Provisions

Requests extension of the notice period for shareholder meetings and elimination of charter provisions that prevent the exercise of right of 10% shareholder to elect a Board member

WASHINGTON D.C., January 30, 2017 – Cartica Management, LLC ("Cartica"), a leading global alternative asset management firm focused on active ownership in emerging markets equities, today went public with its challenges to two practices implemented by many Mexican companies that seriously undermine the rights of minority shareholders. Cartica formally requested both the Mexican Banking and Securities Commission ("CNBV") and the Mexican Stock Exchange ("BMV") to require all public issuers in Mexico: (1) to extend the period for advance notice of shareholders meetings to at least 30 days, from the current 15-day minimum; and (2) to rescind charter provisions that require Board approval for a shareholder to acquire 10% of the voting shares and exercise its statutory right to nominate a director to the Board.

Other major institutional investors, including Aberdeen Asset Management, Franklin Templeton Investments, CalPERS and CalSTRS, are actively supporting Cartica's efforts to bring Mexican company practices in line with international best practices and investor expectations in these two important areas of corporate governance.

Cartica, currently a significant shareholder in two Mexican mid-cap companies, has had multiple discussions with representatives from the CNBV over the last several months to propose possible legal and regulatory solutions to practices and charter provisions among many of the country's largest issuers that undermine the voting rights of minority shareholders and negatively impact investor confidence in Mexico. The firm has also voiced its concerns to senior officials at the BMV.

Cartica presented evidence to the CNBV and the BMV that showed during the 2016 proxy season approximately 75 Mexican listed companies, including many of the country's largest firms, failed to provide notice and particulars of their Annual General Meetings in time for shareholders to make informed voting decisions.

"The current 15-day notice period means that the proxy services, and indeed the shareholders themselves, cannot meaningfully review the meeting materials before the deadline for sending their voting instructions to their custodians. By the time most institutional investors receive notice of the agenda and recommendations from their advisors, it is already too late to exercise their rights," said Mike Lubrano, Managing Director, Corporate Governance and Sustainability, at Cartica.

Similarly, the provisions added to the by-laws of dozens of Mexican listed companies in recent years that require Board approval for any shareholder to hold 10% of the voting shares deprive shareholders of rights specifically granted under Mexican law. Mexico's Securities Markets Law has long given 10% minority shareholders the power to nominate a director. However, under the guise of anti-takeover provisions, many of the country's most important firms have taken away this right by adding provisions in their by-laws that in effect give the majority shareholders and management blocking power over minority shareholder nominations.

"It seems evident to us that the low thresholds in such provisions, which sometimes are as low as 2%, are irrelevant in addressing anti-takeover concerns and have the detrimental effect of preventing minority shareholders from ensuring their interests are represented on the Board," said Rodolfo Ramos Cevallos, Vice President and Investment Analyst with Franklin Templeton's Templeton Emerging Markets Group in Mexico.

"Corporate governance practices in the region are evolving and Mexico needs to ensure it is not left behind. Improving access to information as well as ensuring investors are able to exercise the votes they are entitled to – and in practice have the powers that are their right – are basic steps just to ensure that the law operates as intended," said Paul Lee, Head of Corporate Governance at Aberdeen Asset Management.

Cartica has advocated for several alternative remedies with the CNBV and BMV, including reforms to the Securities Markets Law, amendment of listing rules, changes to the Mexican Code of Best Practices in Corporate Governance and the issuance of regulatory interpretations.

"Our Mexican counsel have put a number of possible solutions on the table. We are confident that these are being thoughtfully considered. But we urge the regulator and the exchange to act expeditiously so that something will be in place by the upcoming proxy season," added Lubrano.

About Cartica Management, LLC:

Cartica Management, LLC (www.cartica.com) is a leading global alternative asset management firm focused on active ownership of emerging markets companies. The firm seeks to unlock long-term growth in its investments by partnering with management teams, Boards, and shareholders to drive positive governance and operational changes. Cartica was founded in 2008 by former executives of International Finance Corporation (IFC), a member of the World Bank Group, and is headquartered in Washington D.C. As of January 1, 2017, the firm has $2.4 billion of assets under management.

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