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Mexico

Asset managers push for governance change in Mexico

Aberdeen and Franklin Templeton among asset managers wanting greater rights for investors

JUDE WEBBER

Aberdeen Asset Management and Franklin Templeton Investments are among asset managers pushing Mexican authorities to overhaul two practices they say are harming investor confidence in a country that has been in global crosshairs since US president Donald Trump took office earlier this month.

Cartica, a US-based asset manager focused on emerging markets, is leading a charge from the firms to push listed Mexican companies to give at least one month's notice of shareholder meetings and remove bylaws it says crimps the right of minority investors.

The move comes as Mexico prepares for a potential renegotiation of the North American Free Trade Agreement after Mr Trump's vow to get a better deal for US workers or walk away from the more than two-decade-old accord. If Nafta falls apart, or if there is prolonged uncertainty, Mexico may find itself under more pressure to attract investors to its stock market this year.

Californian state pension funds Calpers and Calstrs are among the asset managers pushing for an overhaul in corporate governance rules set by the Mexican Banking and Securities Commission and the Mexican Stock Exchange.

The current two-week notice period boards need to give shareholders of annual meetings meant that 75 listed companies, including many of Mexico's largest, last year failed to give investors enough time to make informed decisions, Cartica claimed.

Mike Lubrano, Cartica co-founder and managing director of corporate governance and sustainability, called it a "particularly Mexican problem", but said the authorities seemed open to change. "They have a strong interest in seeing an efficient capital market," he told the FT.

The asset managers are also highlighting a thornier corporate governance issue. Dozens of Mexican companies had added provisions in their bylaws in recent years hurting minority shareholders' rights.

Under Mexican law, an investor with 10 per cent of voting shares has the right to name a board member, but the bylaw changes — made under the cover of anti-takeover provisions — flouted that by requiring board approval, Mr Lubrano said.

"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.