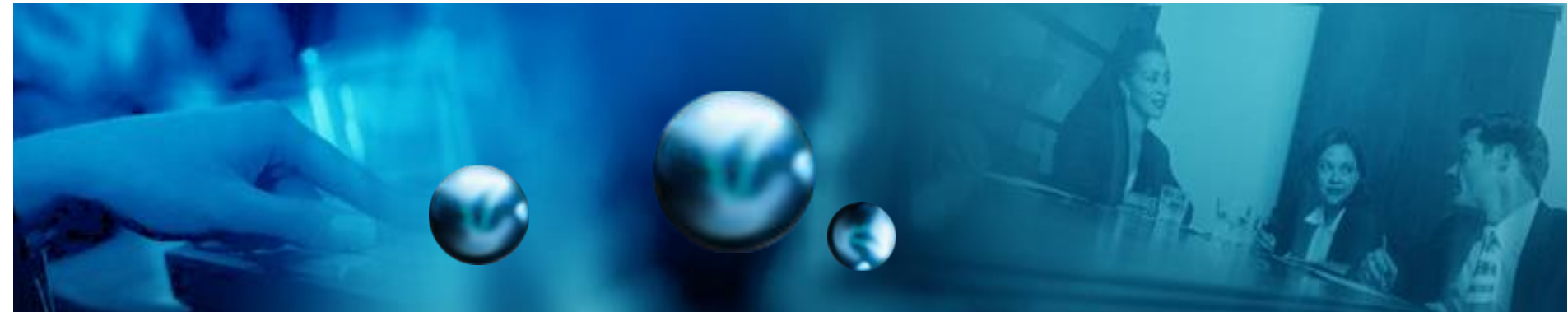


Corporate Governance Challenges of Mexican Listed Companies



**CORPORATE GOVERNANCE
DEVELOPMENT FRAMEWORK**



March, 2015



BMV Group

1. Corporate Governance - Framework
2. Corporate Governance and the Stock Market
3. Evolution and enforcement of the Best Corporate Practices Code (BCPC)
4. Corporate Governance of the BMV Group
5. Conclusions



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1. Corporate Governance: Framework

The Mexican Business Coordinating Council (CCE, for its initials in Spanish) created the Best Corporate Practices Committee. In 1999 it issued the Best Corporate Practices Code (BCPC) where recommendations for better corporate governance of companies in Mexico are established.

Due to its experience from the implementation over these years and new international considerations regarding this subject, the CCE, as the entity responsible for the issuance, review and appropriate dissemination of the Code, updated its recommendations in the First Revised Version released in November 2006 and again in April 2010.



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1. Corporate Governance: Framework

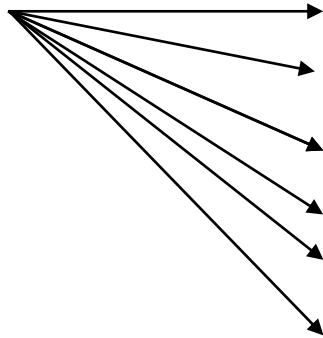
Good corporate governance contributes:

More efficient, transparent and accurate processes

Corporate governance is a set of disciplines essential to provide structure and certainty to the process of institutionalization of a company.

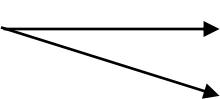
They are a set of principles and mechanisms that formalize and legitimize the actions and communication between top management, business owners and affiliated parties.

1. Results



- Decision making
- Succession Plan
- Long Term focus
- Compliance
- Competitiveness
- Generation of Value

2. Access to capital



- Higher valuations
- Reduced Investment Risk



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2. Corporate Governance and the Stock Market

Basic Principles that add value:

1. Equal treatment and protection of the interests of all the shareholders.
2. Recognition of the existence of third parties interested in the continuity and permanence of the Company.
3. The issuance and responsible disclosure of information, as well as transparency in administration.
4. Ensuring that strategic guidelines exist in the Company, as well as effective monitoring of management.
5. The exercise of fiduciary responsibility of the Board.

Importance in the Market:

Equity, Trust,
and Shareholder Base

Positive Productive
Environment

Transparency and
Price formation
(main function of an efficient market)

Planning, Outlook and
Opportunities

Responsibilities: to
Top management
and shareholders



2. Corporate Governance and the Stock Market

Basic Principles that add value:

6. The identification and control of risks to which the Company is subject to.

7. The statement of ethical principles and corporate social responsibility.

8. The prevention of illegal operations and conflicts of interest.

9. The disclosure of improper acts and protection of informers.

10. Compliance with the regulations to which the company is subject.

11. To give certainty and confidence to investors and interested parties on the honest and responsible business conduct.

Importance in the Market:

Certainty

Sustainability

Alignment of Interests

Prevention

Legal certainty and permanence

Financing and Equity



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3. Evolution and enforcement of the Best Corporate Practices Code (BCPC)

The 2001 Securities Market Law incorporated principles of corporate governance for listed companies on the BMV as:

- ✓ Recognition of minority rights (Shareholders with 10% of the equity)
- ✓ Board should be composed by a minimum of 5 and a maximum of 20 Directors from which at least 25% should be independent.
- ✓ The board shall meet at least once every three months.
- ✓ Have an audit committee composed of Directors. The President and the majority must be independent.
- ✓ The limits for the issuance of shares without voting or limited or restricted rights (25% of the equity)

Report of the degree of adherence to the BCPC for Stock Issuers or Bonds Issuers:

- ✓ According to the Internal Rules of the BMV, issuers must present through Emisnet, no later than June 30 of each year, a report of the degree of adherence to the BCPC.



3. Evolution and enforcement of the BCPC

Requirements for listed companies

Information Disclosure

- **Disclosure requirements**
 - Listing (prospectus).
 - Quarterly + Annual (audited) Financial Statements.
 - Corporate Events.

Through EMISNET

Corporate Governance

- **Board Composition:** 25% minimum of independent members.
- Corporate practices and audit Committees, composed of independent members.

Minority rights

Minority rights	Rights for joining to a Sale
5% - Civil lawsuit vs Board or Management.	Offer with no control purposes shall not exceed 10%; otherwise it should be 100% at the same price.
10% - 1 member of the Board.	
10% - Convene shareholders meeting.	Offer of 30% shall extend to 100% of the shares at the same price.
20% - Legal opposition to shareholder resolutions.	



3. Total Issuers required to report the BC

	2010					2011					2012					2013				
	Total	Delivered		Not Delivered		Total	Delivered		Not Delivered		Total	Delivered		Not Delivered		Total	Delivered		Not Delivered	
	#	#	%	#	%	#	#	%	#	%	#	#	%	#	%	#	#	%	#	%
Equity (1)	131	121	92%	10	7%	126	119	94%	7	5%	130	122	93%	8	6%	129	120	93%	9	7%
Long Term Debt	60	54	90%	6	10%	56	56	100%	0	0%	64	64	100%	0	0%	60	56	93%	4	7%
Previous Listing	2	0	0%	2	100%	1	0	0%	1	100%	0	0	0%	0	0%	1	0	0%	1	100%
Total Obligated	193	175	90%	18	9%	183	175	95%	8	4%	194	186	96%	8	4%	190	176	93%	14	7%
With out Obligation*	159					172					190					160				
TOTAL ISSUERS LISTED	352					355					384					350				

(1) From July 2013 to June 2014, 3 issuers were unsubscribed and 2 were registered companies.

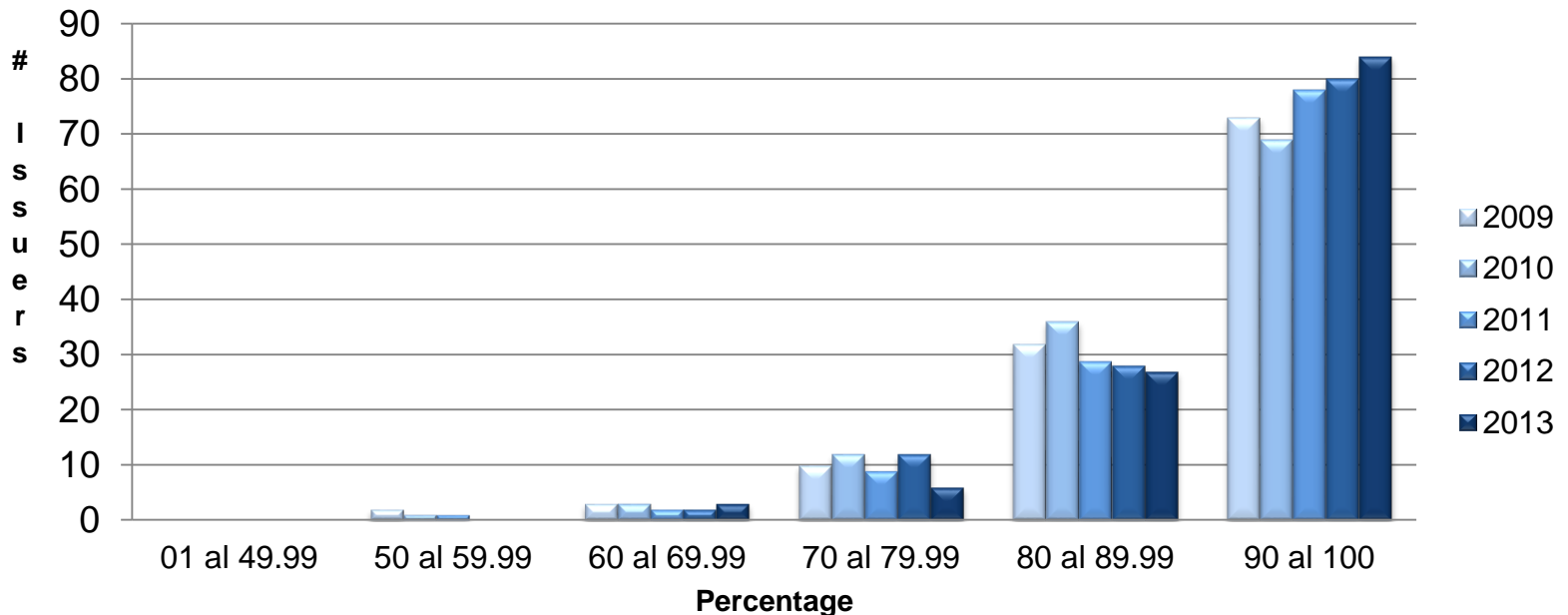
* TRUSTS, WARRANTS, SHORT-TERM DEBT AND FOREIGN



3. Percentage of the degree of adherence to all BCPC concepts: Equity Issuers from 2009 to 2013

SHARES	2009 120 Issuers	2010 120 Issuers	2011 119 Issuers	2012 122 Issuers	2013 120 Issuers
01 to 49.99	0	0	0	0	0
50 to 59.99	2	1	1	0	0
60 to 69.99	3	3	2	2	3
70 to 79.99	10	12	9	12	6
80 to 89.99	32	36	29	28	27
90 to 100	73	69	78	80	84
TOTAL	120	121	119	122	120

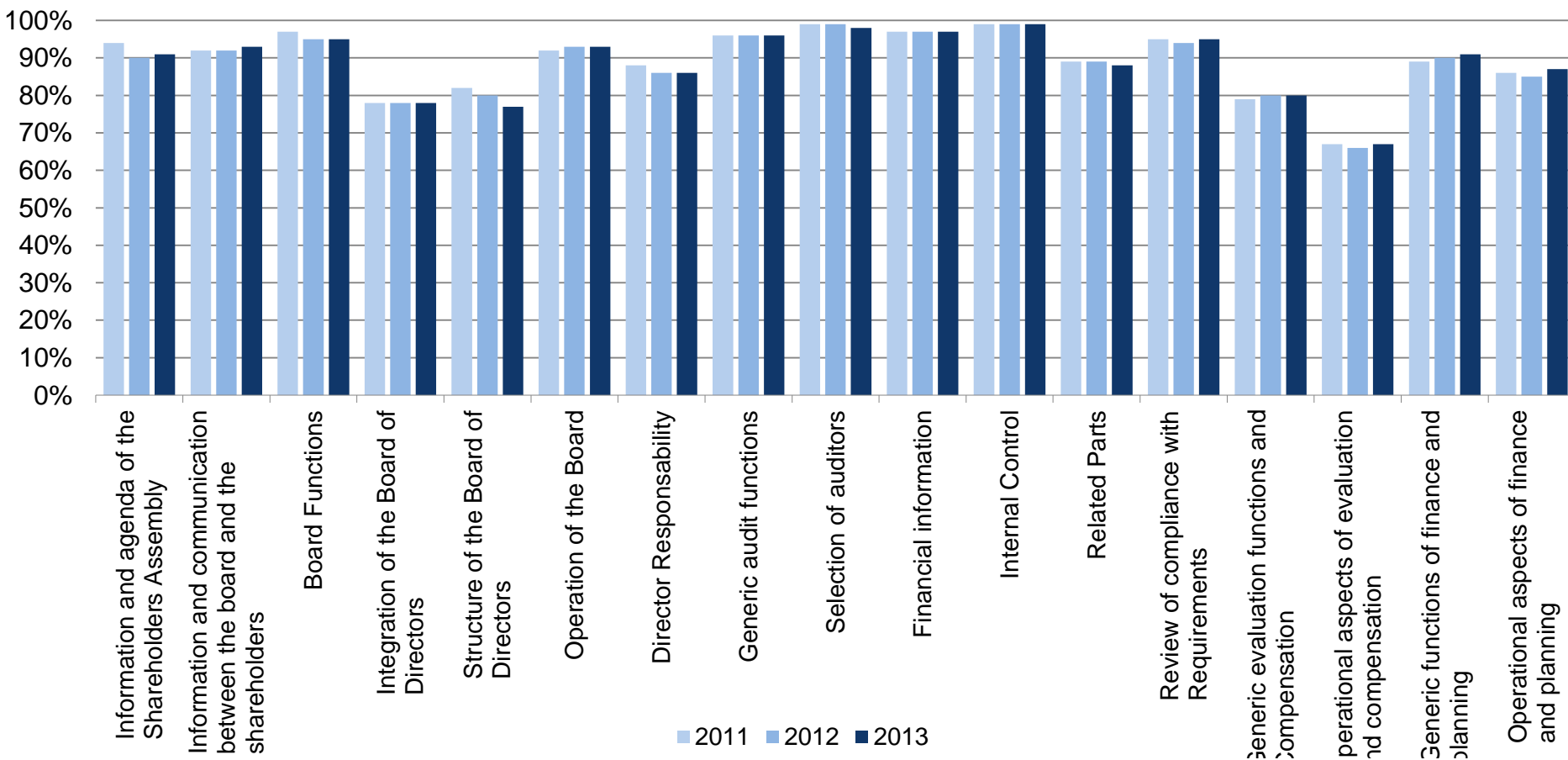
**% of the degree of adherence to all BCPC concepts :
Issuers of Shares**





3. Percentage of adherence to the BCPC by function of the 120 Equity Issuers

Percentage of the adherence to BCPC by function of the 120 Equity Issuers

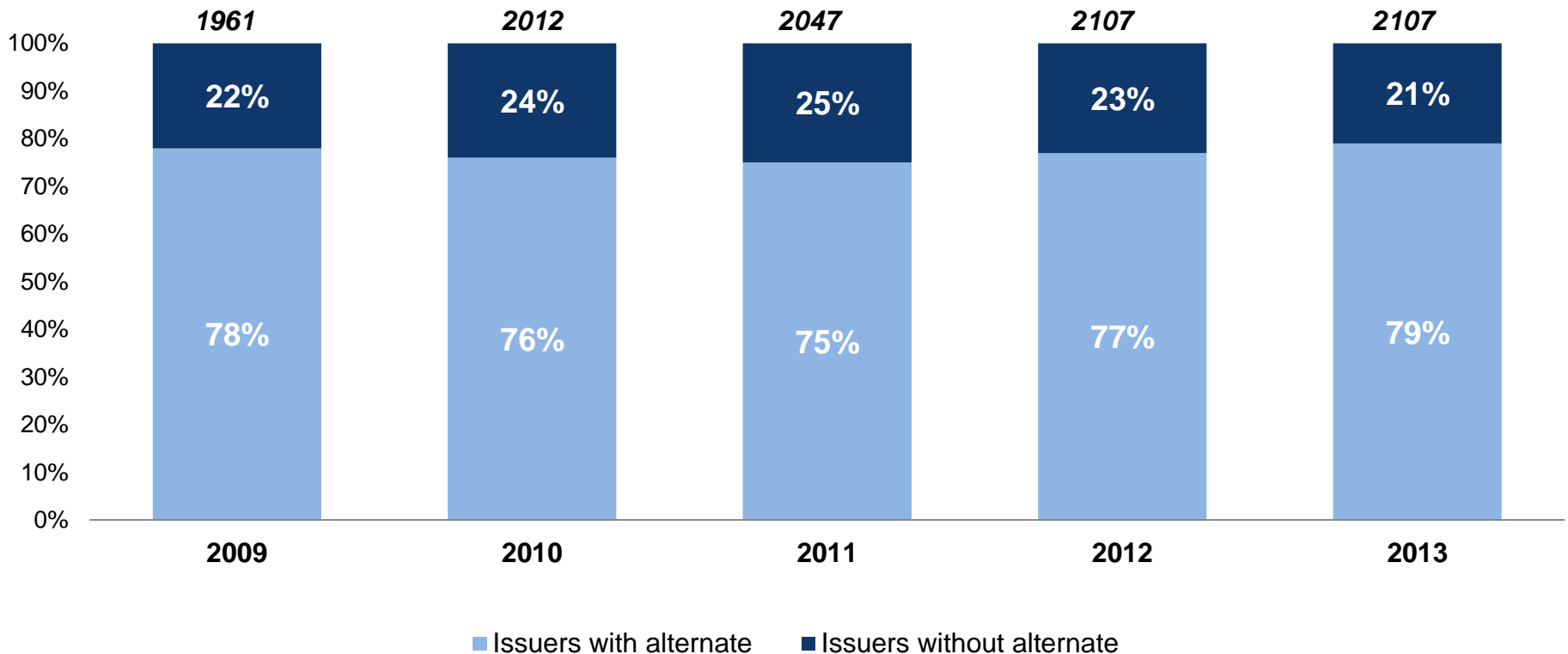




3. Equity Issuers with and without Alternate Directors

Percentage of Equity Issuers
2009-2013

All Issuers

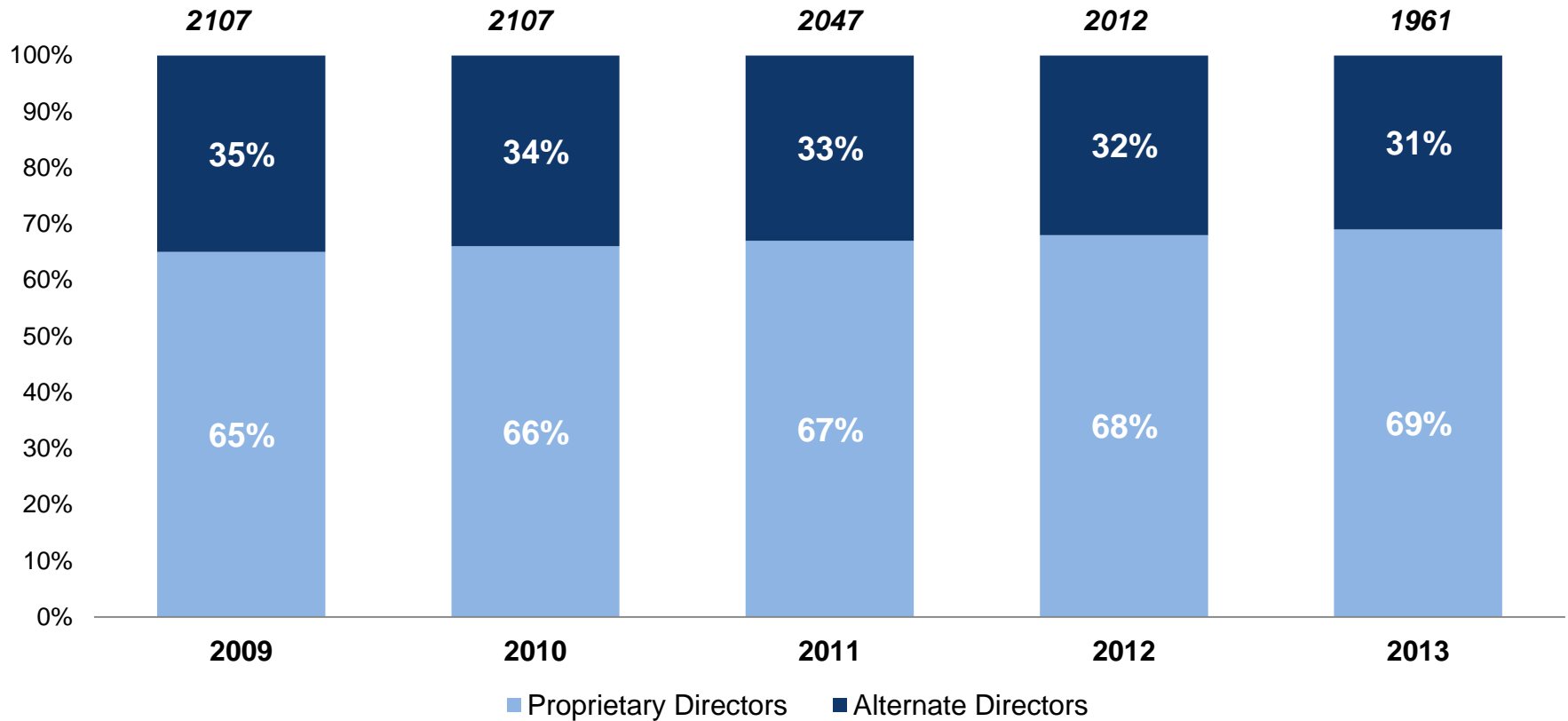




3. Number of Board Members of the Equity Issuers

Percentage of Board Members
2009-2013

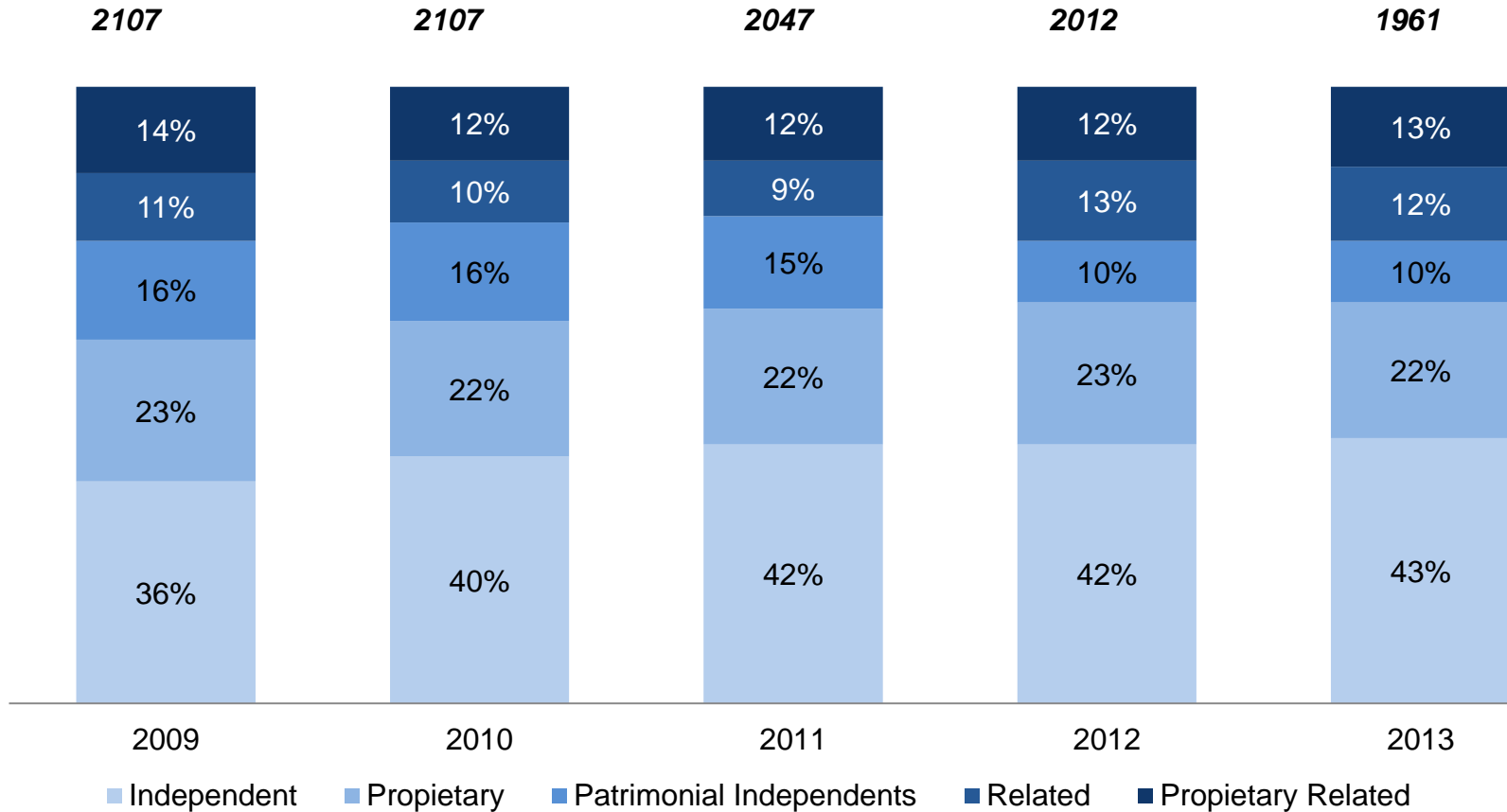
All Members





3. Integration of the Board of Equity Issuers

Total Members of the Board of Directors
All Members

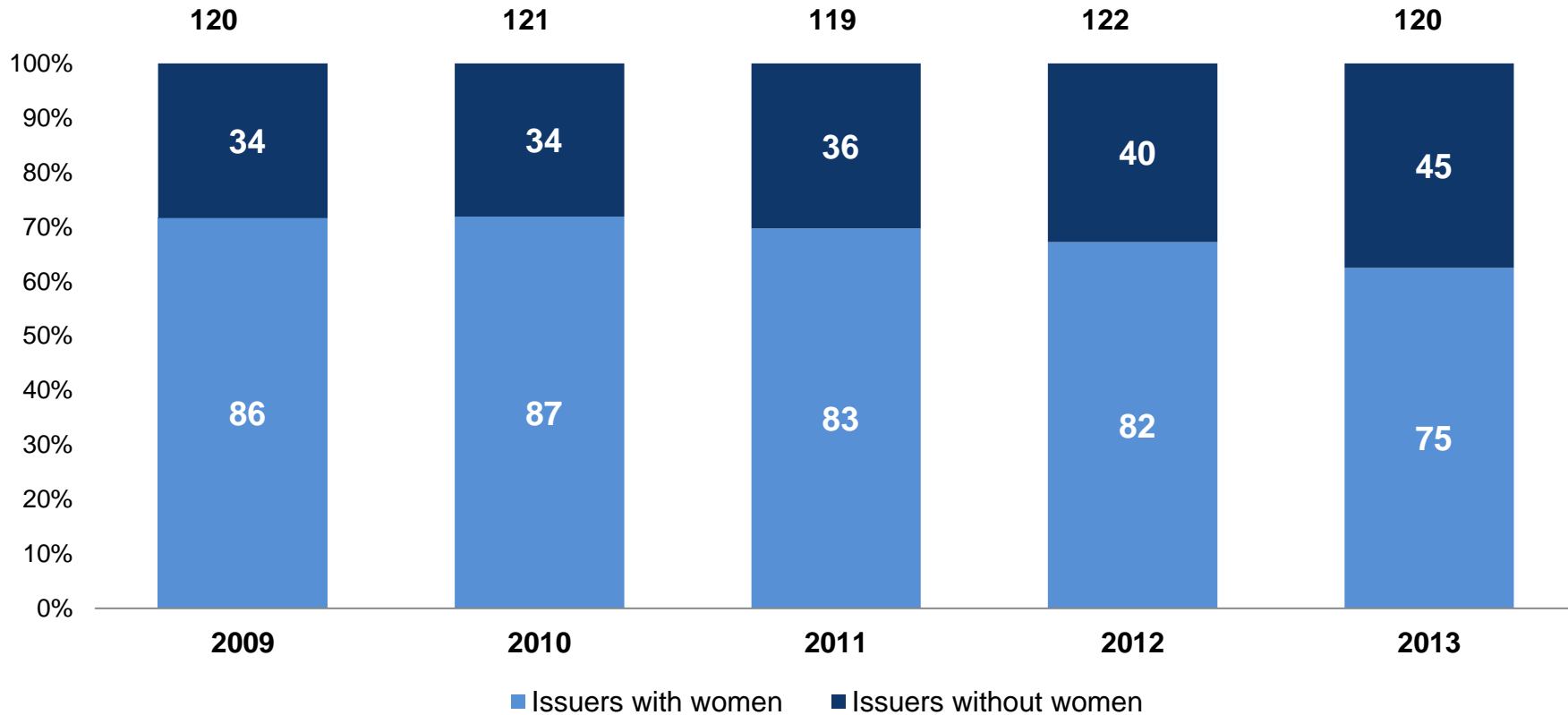




3. Equity Issuers where women participate

Equity Issuers with women on the Board of Directors

All Issuers

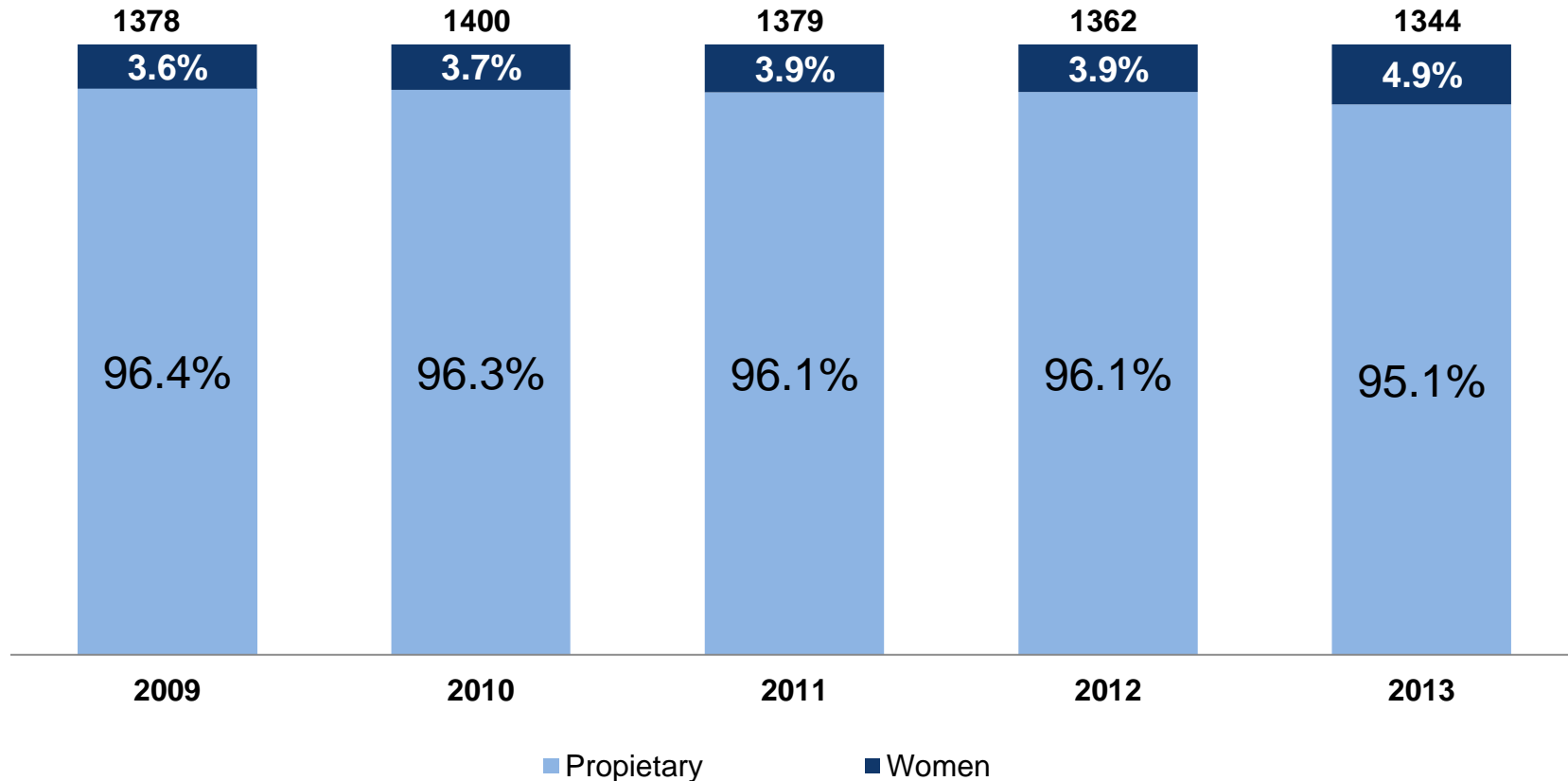




3. Integration of women in the Board of Directors of Equity Issuers

Proportion of women of all board members

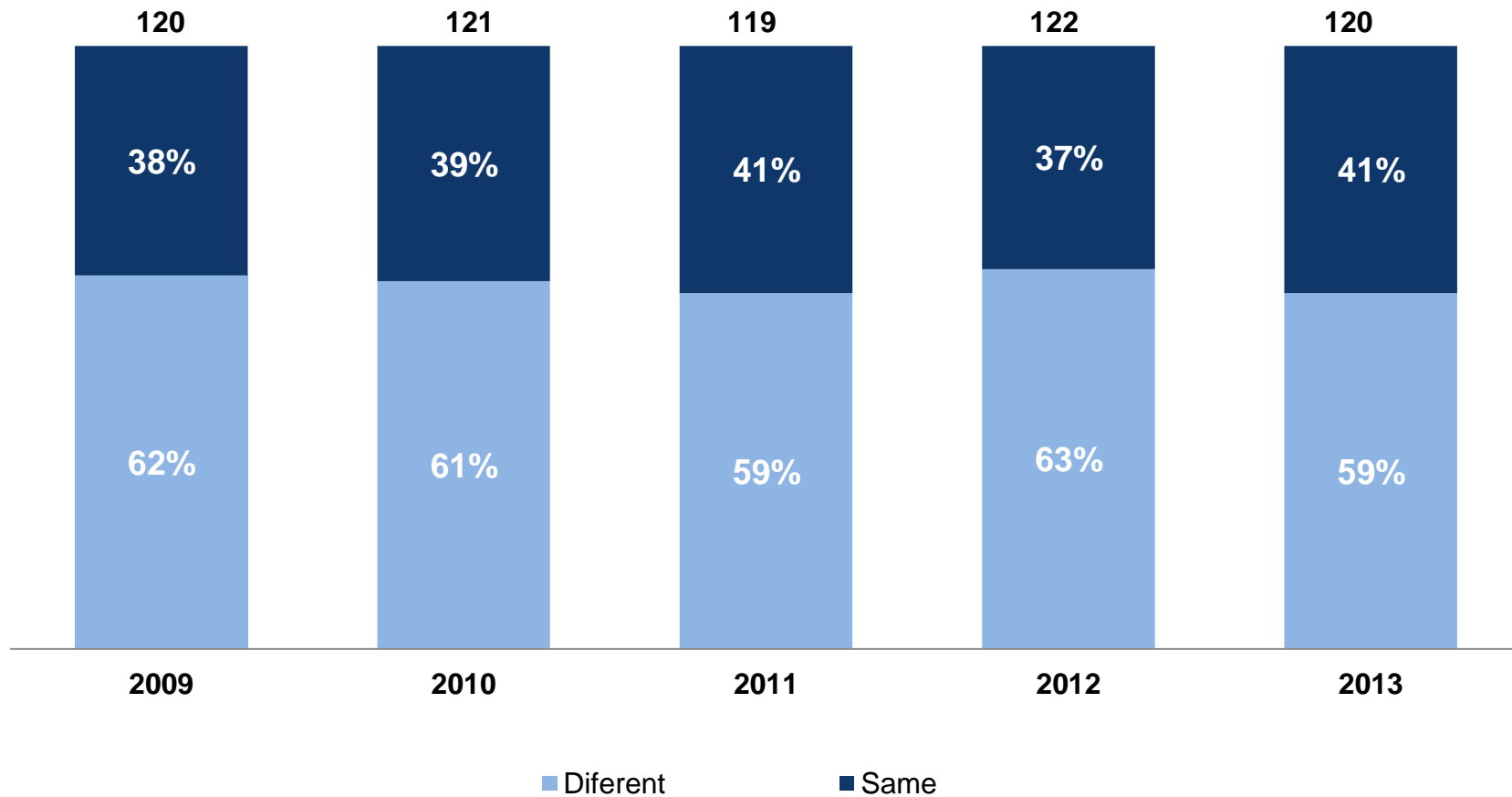
All Members





3. CEO and President of the Equity Issuers

All Issuers

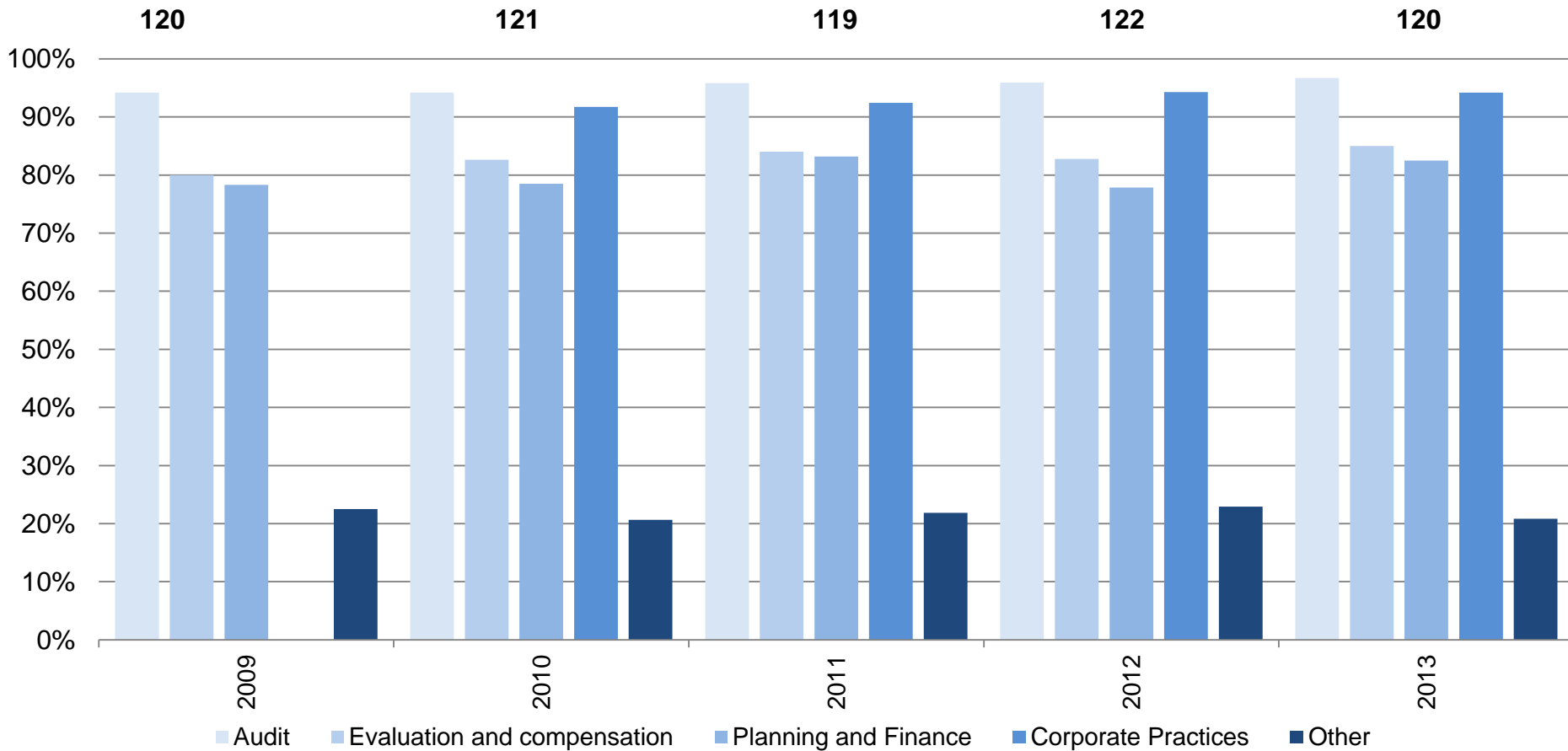




3. Committee Distribution of the Equity Issuers

Board Distribution

All Issuers

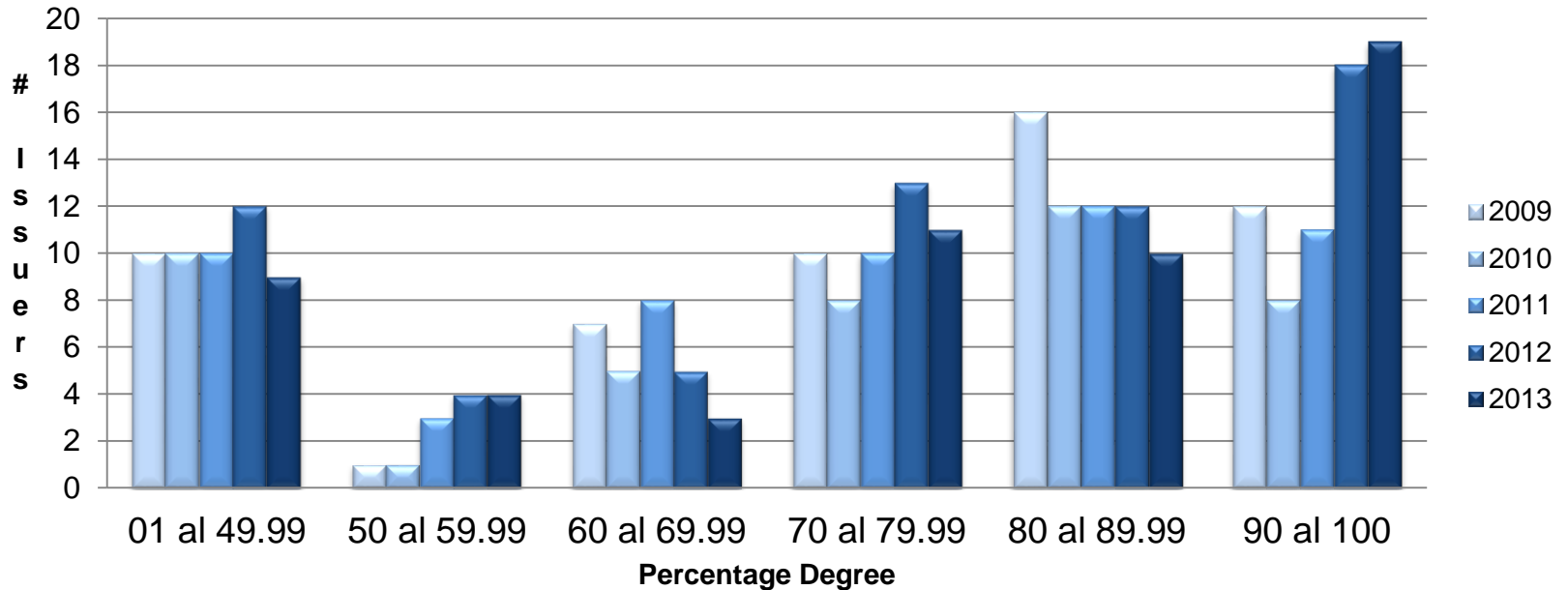




3. Percentage of the adherence to all the concepts in the BCPC: Debt Issuers from 2009 to 2013

DEBT	2009 56 Issuers	2010 44 Issuers	2011 54 Issuers	2012 64 Issuers	2013 56 Issuers
01 to 49.99	10	10	10	12	9
50 to 59.99	1	1	3	4	4
60 to 69.99	7	5	8	5	3
70 to 79.99	10	8	10	13	11
80 to 89.99	16	12	12	12	10
90 to 100	12	8	11	18	19
TOTAL	56	44	54	64	56

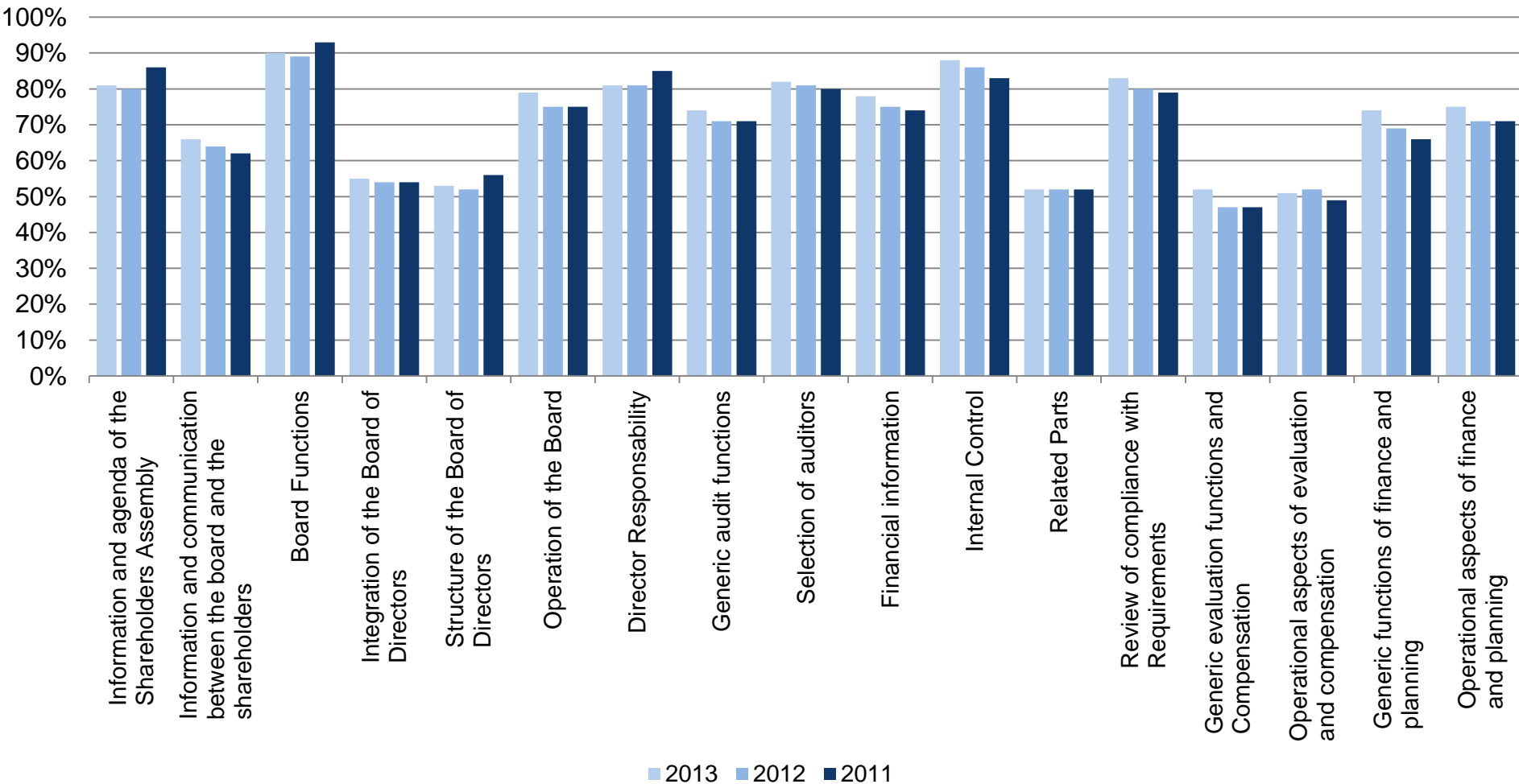
Percentage of the adherence grade to all concepts BCPC:
Debt Issuers from 2009 to 2013





3. Percentage of adherence to BCPC by function of the 56 Debt Issuers

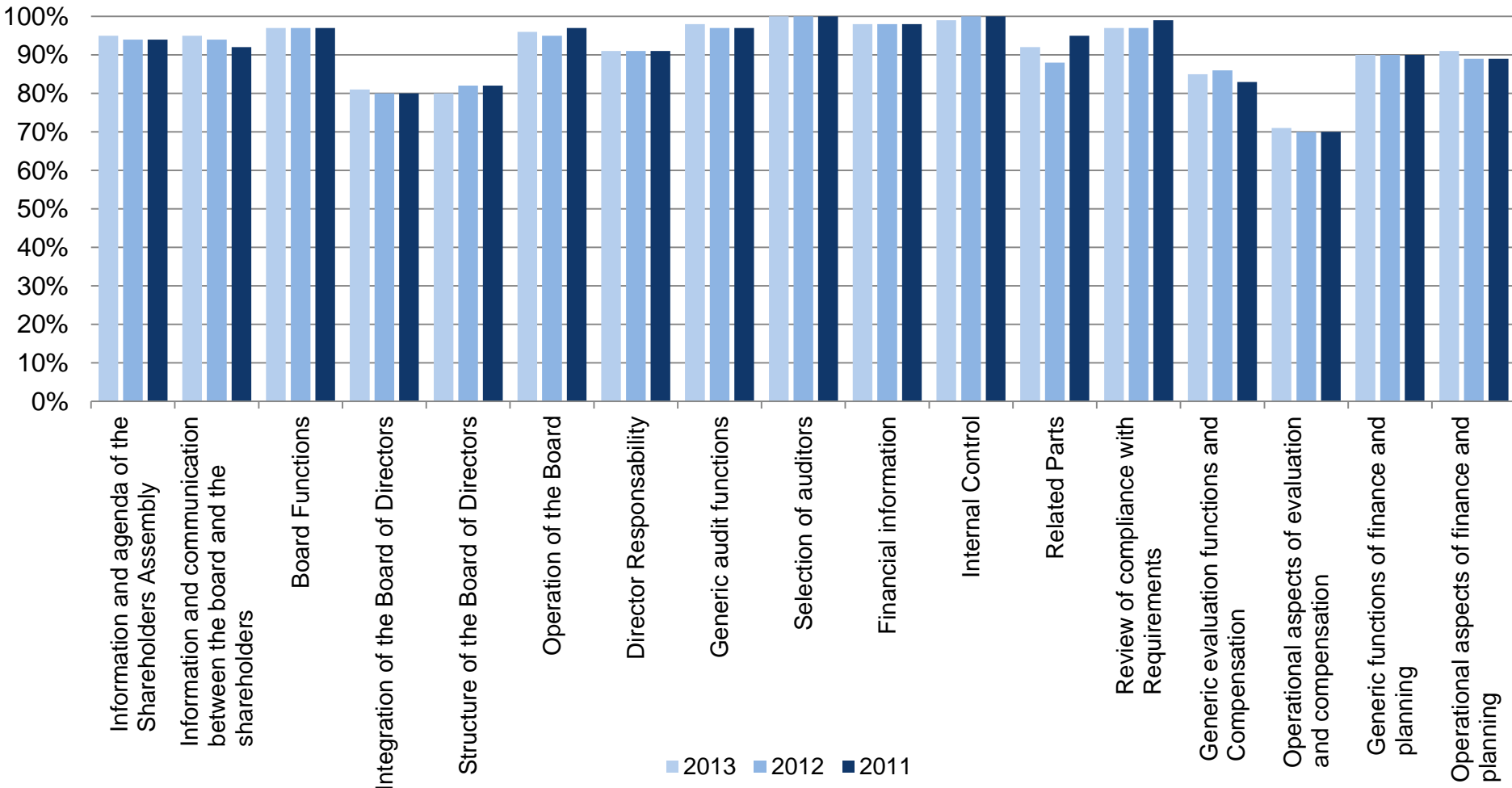
Percentage of adherence to BCPC by function of the 56 Debt Issuers





3. Percentage of adherence to BCPC by function of the 35 Equity Issuers of the IPC

Percentage of adherence to BCPC by function of the 35 Equity Issuers of the IPC





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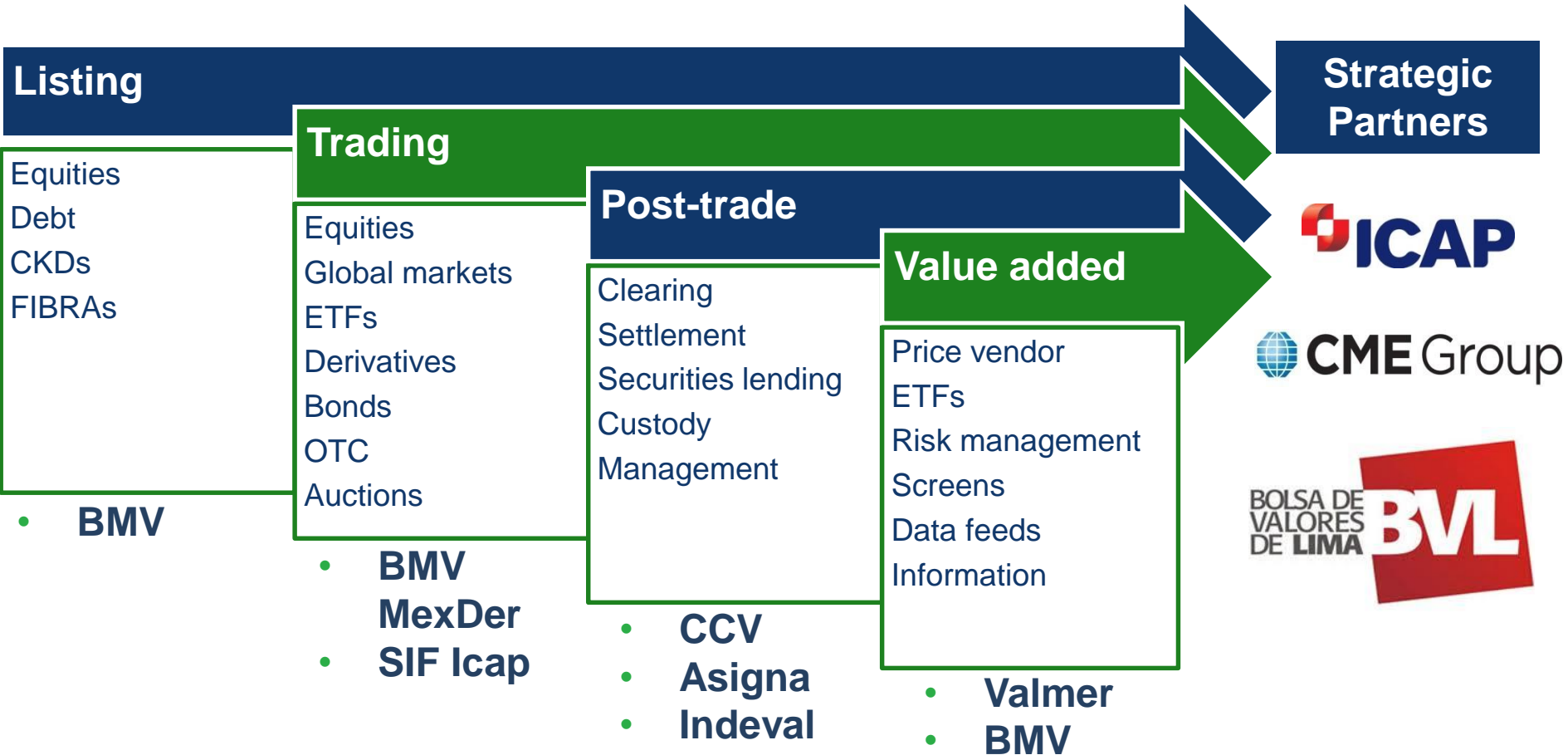
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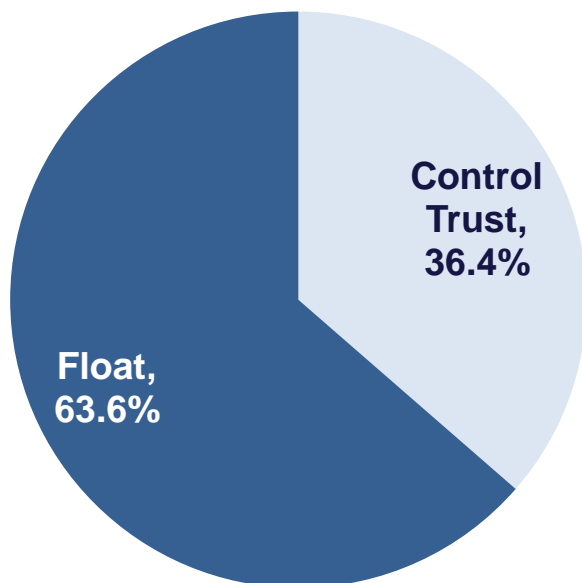
4. The BMV Group. A fully integrated Exchange

Bolsa Mexicana de Valores, operates full service cash and derivatives exchanges, with equities and fixed income securities listings. It offers fully electronic platforms for cash equities, financial derivatives and OTC fixed income and derivatives. Including an order routing agreement with the CME, the largest derivatives exchange in the world. Post trade activities include central counterparts, clearing services and custody.

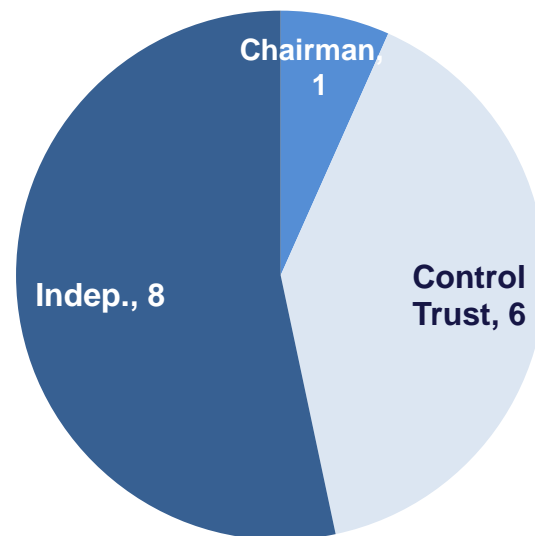


4. Ownership Structure and Committees

Shareholder Structure



Board of Directors



➤ Committes in Group BMV:

- ✓ Audit Committee.
- ✓ Member Admission Committee
- ✓ Corporate Practices Committee
- ✓ Internal Ruling Committee
- ✓ Disciplinary Committee
- ✓ Listing Committee
- ✓ IT Committee
- ✓ Indexes Methodology Committee





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5. Conclusions

- The implementation of corporate governance gives a company **long term permanence** due to: **the improvement in competitiveness** and an organized succession plan.
- The natural process of institutionalization **implies modifying** some traditional corporate values and replacing them with standards of Corporate Governance as:
 - **Transparency:** Periodic Disclosure;
 - Boards and committees with **independent members**.
 - Setting **goals, strategies and actions** from the Board of Directors.
 - Establishing the necessary mechanisms for proper **internal controls** to ensure the reliance of information.
 - Development of **information systems**.

Institutionalization does not mean "de-familiarization"



5. Conclusions

- Now the process to access the Market can be orderly and gradual through the different types of corporations (Securities Market Law).
- A good implementation of corporate governance within the corporate culture of each company, provides new and positive perspectives of quality and value.
- Globalization and openness require competitiveness and flexibility.
- To a great extent competitiveness can be achieved through greater technological inclusion in order to allow the most appropriate and reliable answers.
- Based on the results of the last eight years (2005- 2013):
 - The Equity Issuers that have an adherence to the BCPC equal or above 80% has increased from 63% to 93%.
 - Debt Issuers that have an adherence to the BCPC equal or above 80% have increased from 23% to 52%.

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