

Investment Stewardship

Vote Bulletin: Grupo México, S.A.B. de C.V.

Company	Grupo México, S.A.B. de C.V. (BMV: GMEXICO)
Market and Sector	Mexico, Materials
Meeting Date	28 April 2022
Key Resolutions ¹	Item 7: Annual election of board members
Key Topics	Board quality and effectiveness, climate risk
Board Recommendation	The board recommended shareholders vote FOR item 7
BlackRock Vote	BlackRock voted AGAINST item 7

Overview

Grupo México, S.A.B. de C.V. (Grupo México) is a materials company, based in Mexico, that engages in copper production, freight transportation, and infrastructure activities. The company is the fourth largest in the country in terms of market capitalization, operates in six countries in addition to Mexico, and employs nearly 30,000 people.²³

BlackRock Investment Stewardship (BIS) engages company leadership to reflect a long-term investor perspective and better understand how companies identify and manage risks and opportunities that we believe can impact their ability to deliver sustained financial performance for long-term investors, like BlackRock's clients.

In our multi-year engagement with Grupo México, we have often shared that we look to companies to provide timely, accurate, and comprehensive disclosure on all material governance and business matters, including environmental, social, and governance (ESG) issues. This transparency allows us to appropriately understand and assess how relevant risks and opportunities are being effectively identified and managed. In our engagements we have also explained that when company reporting and disclosures are inadequate or we believe the approach taken is inconsistent with long-term value creation, we may not support the (re)election of directors whom we consider have related responsibility.

¹ Bolsa Mexicana de Valores (Grupo BMV). "[Convocatoria de Asamblea Ordinaria Anual – Grupo México, S.A.B. de C.V.](#)" 8 April 2022.

² The company has activities in Argentina, Chile, Ecuador, Mexico, Peru, Spain, and the U.S. and serves clients in Asia, Europe, Latin America, and the U.S. See "[About Grupo México](#)" to learn more.

³ Bolsa Mexicana de Valores (Grupo BMV). "[2021 Annual Report – Grupo Mexico, S.A.B. de C.V.](#)" Page 313.

Rationale for BlackRock's vote

Item 7: Annual election of board members

BIS determined that it is in the best interests of our clients as long-term shareholders to not support the director bundled ballot election at the 2022 AGM. The company has not updated their sustainability-related reporting, and in particular, their climate-related disclosures since the release of their “2020 Sustainable Development Report.” In addition, the company has not addressed shareholder concerns, including BlackRock's, regarding the quality and effectiveness of their Board of Directors.

At this year's Annual General Meeting (AGM), shareholders voted on the election of 14 directors to Grupo México's board. Grupo México bundles director elections under a single ballot item, rather than holding individual director elections.

As explained in our [proxy voting guidelines for Latin American securities](#), BIS encourages Latin American issuers to adopt best in-class global disclosures and operational processes that facilitate participation from international investors. These best practices include: publishing the shareholder meeting circular with supporting materials, such as financial statements, at least approximately 30-45 days prior to the meeting date; providing biographical information regarding director candidates as part of the shareholder meeting notice; accommodating for individual (rather than bundled) annual board elections to allow shareholders to reaffirm their support periodically; ensuring that the investor relations team includes individuals who speak languages commonly used by the company's foreign shareholders; and providing dedicated seats on the board for directors nominated by minority investors.

By way of background, we have engaged extensively with the company since 2020 on the issues of board quality and sustainability disclosures. At Grupo México's 2020 AGM, BIS did not support the bundled board elections given that the company did not provide timely nor detailed disclosures to: 1) better inform our assessment about how each director's skills and experience support long-term corporate strategy; and 2) further understand how the board provides appropriate oversight on the identification and management of material risks – including climate-related risks – given the nature of the company's operations.

BIS considers the performance of the board key to the economic success of a company and the protection of shareholders' interests. In our view, companies with experienced, engaged, and diverse board directors, who actively advise and oversee management, better contribute to the company's long-term value creation. That is why we see the election of directors as one of our most impactful responsibilities. We look to directors on key committees to demonstrate that they have taken into consideration the interests of long-term shareholders – such as BlackRock's clients – and other stakeholders as they make the decisions that shape their companies' ability to deliver long-term financial returns. Following the 2020 AGM, BIS engaged with Grupo México to share our perspective on board quality-related issues. BIS also encouraged the company to hold director elections individually, rather than bundled under a single ballot item, as this allows us to identify individual directors responsible for specific risk oversight.

BIS has also frequently provided constructive feedback on how the company could improve their climate-related disclosures,⁴ including fully aligning them with the Task Force on Climate-related Financial Disclosures (TCFD) framework. While this is a voluntary, admittedly complex, and evolving reporting recommendation, we believe that companies that consider all aspects of the TCFD framework and provide suitable detail will be in a

⁴ Grupo México is part of the [BIS climate focus universe](#), a list of approximately 1,000 carbon-intensive public companies that represent nearly 90% of the global scope 1 and 2 greenhouse gas (GHG) emissions of our clients' public equity holdings. The list is derived from public information and is intended to focus BIS' climate engagement efforts. Many of these companies are leaders in their sectors—they have detailed climate adaptation strategies, rigorous GHG emissions reduction targets, and are creating the technology and solutions that are vital for a low-carbon transition. Others are at a much earlier stage in this journey. We look to company leadership to disclose to investors how climate risks and opportunities might impact their business, and how these factors are addressed in the context of a company's business model and sector.

better position to maintain investor confidence and support. In their “2020 Sustainable Development Report,” Grupo México committed to “align [our] internal practices and [our] sustainable development reporting with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) to inform [our] stakeholders about the company’s potential exposure to climate-related risks and opportunities.”

At the company’s 2021 AGM, BIS supported all of management’s recommendations as a result of improved disclosures and – albeit partial – alignment with the recommendations of the TCFD.⁵

After the 2021 AGM, BIS continued to engage with the company – on several occasions jointly with our Fundamental Active Equity colleagues – to provide further feedback on their improved sustainability-related reporting. We encouraged the company, specifically, to disclose forward looking emissions reduction targets and to conduct scenario analysis as part of their efforts to enhance their TCFD-aligned disclosures. As explained in our commentary, “[Climate risk and the global energy transition](#),” consistent with the TCFD, we look to companies to demonstrate how their business model aligns to scenarios that limit temperature rise to well below 2°C, moving toward net zero emissions by 2050. We, and other investors, are better able to assess progress and identify innovative leaders, when companies disclose scope 1 and 2 emissions, along with short-, medium-, and long-term science-based reduction targets, where available for their sector. We have also continued to provide constructive feedback on the company’s board quality-related disclosures and, specifically, have encouraged leadership to demonstrate how the board composition and expertise ensures adequate consideration of risks and opportunities in relation to the company’s strategy and operations.

The company has made progress in addressing several environmental and social controversies that resulted in a violation of the United Nations Global Compact (UNGC) Principles. While we are encouraged by the company’s measures – signaling the board’s involvement in addressing the controversies – the relevant information disclosing the specific progress to date is currently scattered and hard to navigate. We have encouraged the company to provide, in the form of public disclosures, a summarized version of their progress in one single location, within its sustainability reporting or portal.

The company has yet to update their disclosures since publishing their first, and partially TCFD-aligned, report. In addition, the company did not provide sufficient detail of their proposed board prior to the 2022 AGM, limiting shareholders’ understanding about how the collective experience and expertise of the board aligns with Grupo México’s long-term strategy and business model. Given the company’s limited progress in enhancing their disclosures to date, and our outstanding board-quality related concerns, BIS determined that it is in the best interests of our clients as long-term shareholders to not support the director bundled ballot election at the 2022 AGM.

BIS has also directly engaged Grupo México in relation to Southern Copper Corporation, (SCC) – one of the largest integrated copper producers in the world. SCC is a majority-owned, indirect subsidiary of Grupo México.⁶ We have communicated our interest in engaging directly with SCC to discuss, among other issues, how they intend to deliver long-term financial performance through the energy transition, in the context of their business model, sector, and geography.⁷ SCC, however, has yet to respond to the multiple engagement requests we have raised over the past four years. Through our voting on behalf of clients, BIS has signaled our concerns about board independence/diversity issues, poor risk oversight of environmental and social-related controversies, as well as lack of detailed disclosures. Grupo México has communicated that SCC will address our concerns, however, as of the publication of this Vote Bulletin, the company remains unresponsive.

BIS will continue to engage Grupo México to share our concerns and to encourage the company to clearly articulate how the board oversees executive leadership’s approach to material risks and opportunities, and the

⁵ Grupo México. “2020 Sustainable Development Report.” Page 273.

⁶ Southern Copper Grupo México. “About Southern Copper Corporation – Corporate Structure.”

⁷ SCC is part of the BIS [climate focus universe](#).

company's strategy overall, in alignment with shareholders' long-term interests. We will also aim to gain further insight into the company's plans to update their environmental and social-related disclosures.

We aim to be a supportive, long-term focused shareholder who takes the context in which a company operates into consideration and makes voting decisions to advance our clients' interests. As we are long-term investors on behalf of our clients, how well companies navigate challenges and capture opportunities will have a direct impact on our clients' investment outcomes and financial well-being.

About BlackRock Investment Stewardship (BIS)

Our clients depend on BlackRock to help them achieve their investment goals. These clients include public and private pension plans, governments, insurance companies, endowments, universities, charities and ultimately individual investors, among others. Consistent with BlackRock's fiduciary duty as an asset manager, BIS' purpose is to support companies which we invest for our clients in their efforts to create long term durable financial performance.

BIS serves as an important link between our clients and the companies they invest in – and the trust our clients place in us gives us a great responsibility to advocate on their behalf. That is why we are interested in hearing from companies about their strategies for navigating the challenges and capturing the opportunities they face. As we are long-term investors on behalf of our clients, the business and governance decisions that companies make will have a direct impact on our clients' investment outcomes and financial well-being.

We look to boards and executive management to demonstrate that they are taking into consideration the interests of long-term shareholders and other stakeholders. Our, often multi-year, dialogue with the leaders of these companies provides us the opportunity to improve our understanding of, and provide feedback on, the governance and sustainability (ESG) risks and opportunities that are material to their businesses and thus to their ability to generate long-term returns for our clients. For those clients who have given us authority, we vote proxies in their best long-term financial interests, in line with our public [voting guidelines](#) and informed by our analysis of company disclosures and, where relevant, our engagements.⁸

To support investors' assessment, it is helpful when companies provide timely, accurate, and comprehensive disclosure on all material governance and business matters, including sustainability-related issues. This transparency allows shareholders to better understand and assess how relevant risks and opportunities are being effectively identified and managed. Where company reporting and disclosure is inadequate or we believe the approach taken may be inconsistent with sustainable, long-term value creation, we will engage with a company and/or vote in a manner that signals our concerns.

We are committed to transparency in the stewardship work we do on behalf of clients. We inform clients about our engagement and voting policies and activities through direct communication and through disclosure on our [website](#). For shareholder meetings where a vote might be of particular interest to clients, we may publish a vote bulletin after the meeting, disclosing and explaining how we voted on key proposals.

Want to know more? blackrock.com/stewardship

contactstewardship@blackrock.com

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⁸ As detailed in our [Global Principles](#), proxy voting involves logistical issues which can affect BlackRock's ability to vote such proxies, as well as the desirability of voting such proxies. As a consequence, BlackRock votes proxies on a "best-efforts" basis.