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Adjustments to four PEMEX subsidiaries

On June 24, the Board of Directors of Petróleos Mexicanos (PEMEX) issued several adjustments to the Creation Agreements of four subsidiaries of PEMEX, that is, Pemex Exploration and Production, Pemex Industrial Transformation, Pemex Logistics and Pemex Fertilizers (“Adjustments”).

The Adjustments, which entered into force on July 1, essentially regard the inclusion of the concept of business schemes, defined as “business opportunities execution models for PEMEX, its subsidiaries and, where appropriate, affiliate companies, aligned with the business plan and different from equity investments which include, among others, associations and joint participation with other public and private entities.”

The concept of “business scheme” replaces that of partnerships, joint partnerships or consortia that was previously used in reference to mechanisms for investment attraction and project development.

According to the Business Plan 2019-2023, submitted by PEMEX on July 16, business schemes include:

1. The updating of Exploration and Extraction Services contracts (EESC) where PEMEX keeps the ownership of the assignment and control over the operation.

2. Investment agreements, which are regulated instruments that allow a private entity (user) to carry out investments required to expand or recover the infrastructure capacity, while PEMEX keeps the ownership of assets.

3. Different schemes of partnerships with private entities for the development of projects through private investment, where PEMEX coordinates and holds all decision making regarding such projects.

The Business Plan 2019-2023 is available in the following link:

https://www.pemex.com/acerca/plan-de-negocios/Documents/pn_2019-2023_total.pdf

Beyond the concept of “business schemes”, the Adjustments also include the following changes:

1. Members of the subsidiaries’ board of directors shall be appointed by PEMEX own board of directors. Such members shall in turn appoint and remove their alternates.

2. PEMEX board of directors and, where appropriate, members of the subsidiaries' boards, may disregard any of the requirements set forth for the appointment of other members and alternates, provided there is no conflict of interest.

3. Chairmen of subsidiaries' board of directors may not be removed discretionally by PEMEX board of directors.

4. At the proposal of PEMEX CEO, the boards of each subsidiary may appoint and remove managers with lower positions than their respective CEO's.

5. The Adjustments eliminate the obligation to inform of agreements taken by the subsidiaries' boards of directors to independent members of PEMEX board, and the power of independent members to request such information is also removed.

6. As a result of the Adjustments, security conditions of the subsidiaries' personnel, assets and facilities are no longer subject to international standards but only to provisions determined by PEMEX policies.

7. Supervision and audit of the subsidiaries will be carried out by PEMEX Internal Audit or by a delegate appointed by its board of directors for such purpose.

For information regarding this subject, please do not hesitate to contact us at 9178 7000 or through the following e-mail: contacto@ritch.com.mx