12th July 2022

The Board of Directors

Fomento Economico Mexicano, S.A.B. de C.V.

General Anaya No. 601 Pte.,

Colonia Bella Vista

Monterrey, NL 64410

Mexico

Dear Members of the Board:

Talaria Capital manages USD 500m in its long-only global equity fund. Over the last decade we have delivered compound annual returns of more than 10% with lower average market exposure than is usual.

We own over 215,000 shares of FEMSA in the Fund. The investment case for FEMSA hinges on the reinvestment of cash flows into the high returning Comercio stores.

**Engagement**

We consider various ESG factors as part of our investment process. We believe that risks associated with ESG can, amongst others, affect profitability, cost of capital, and ultimately shareholder return. We also believe that these risks are growing as stakeholders become increasingly concerned with such issues.

**Governance**

Although garnering less attention than environmental and social impacts, governance factors are important when considering whether to invest in a share.

We were disappointed by the recent announcement by FEMSA of the acquisition of Valora. It was surprising to see this acquisition justified on the grounds of “growth”: the last five years has seen a significant decrease in the number of outlets they operated as well as a decrease in revenues of 16%. It is therefore difficult to see how this might be called a “growth” company rather than, at best, a “turnaround”.

It seems the market agrees with us given the destruction in value of FEMSA’s stock since the announcement is twice the purchase price.

Most importantly, if the FEMSA board wanted to invest in a growth stock then there is a far more obvious candidate close at hand: FEMSA’s stock itself. It is our view that such a shareholder-friendly action – or a special dividend – would narrow the stock’s discount to NAV far more materially than any other possible action.

Additionally, the convoluted shareholding structure makes it difficult for investors to clearly see the value. We urge you to simplify the structure to make the stock easier to analyse.

I thank the Board for considering Talaria’s thoughts on these matters and I look forward to hearing from you.

Yours sincerely,

Stuart Morgan

Senior Investment Analyst