Bluebell asks Richemont to add items to 2022 AGM - appointment Mr. Trapani to the Board and amendments to its by-laws

Bluebell Capital Partners asks Richemont to add three items to the agenda of the 2022 AGM, on September 7th, 2022

LONDON, UNITED KINGDOM, July 20, 2022 /EINPresswire.com/ -- Following Richemont's press release dated July 19th, 2022, Bluebell Capital Partners ("Bluebell") confirms it has asked the Board of Director of Richemont to add three items to the AGM, scheduled for September 7th, 2022:

1.To elect Mr. Francesco Trapani to the Board, as an independent director, representative of the holders of 'A' shares [1].
2.To amend the by-laws, increasing the minimum number of directors representing the 'A' shares (and 'B' shares), from one to three and consequently the minimum size of the board from three to six, effective the 2023 AGM.
3.To amend the by-laws, requiring an equal number of directors in representation of the 'A' shares and 'B' shares, effective the 2023 AGM.

Item No. 1
According to Richemont's by-laws, the holders of the 'A' shares are entitled to have one representative on the Board. However, none of the current directors represent the holders of 'A' shares. Currently all directors are designated by the Board and are elected at an AGM, fully controlled by the holders of 'B' shares.
Bluebell is proposing to elect Mr. Francesco Trapani as an independent member of the Board representative of the holders of 'A' shares. Mr. Trapani is an indisputable leader in the jewelry and global luxury goods industry, with an exemplary track record of over 30 years (CEO of Bulgari from 1984 to 2011, Head LVMH's Jewelry & Watch division from 2011 to 2014 and director to 2016, director of Tiffany & Co. from March 2017 to November 2019).
Bluebell asks Richemont to implement all adequate measures to ensure that holders of the 'A' shares resolve on the proposal to appoint Mr. Trapani, independently from the holders of the 'B' shares.

Item No.2
Currently, 'A' shareholders (as holders of 90.9% economic interest in Richemont) remain

inadequately represented on Richemont's Board, especially in the context of the current size of the Board (expected to be composed of sixteen directors [2]).
Bluebell therefore proposes, effective from the 2023 AGM, to amend the by-laws, increasing from one to three, the minimum number of directors in representation of the holders of the 'A' shares (and the 'B' shares) and consequentially to increase the minimum size of the Board from three to six.

Item No.3
Since the 'A' shares and the 'B' shares confer the same voting rights (i.e., one vote per share), the holders of the 'B' shares possess disproportionate voting rights, relative to the holders of the 'A' shares, in the ratio of 10:1. However, the disproportionate ratio between voting rights and economic rights across holders of 'B' and 'A' shares (10:1) is further exacerbated in terms of Board representation, due to the under-representation of holders of 'A' shares on the Board.
For example, assuming a Board composed of sixteen directors, with only one representative for the holders of 'A' shares (as per current Richemont's by-laws), the ratio between Board representation and economic rights across holders of 'B' and 'A' shares is actually 150:1.
Bluebell therefore proposes, effective from the 2023 AGM, to amend the by-laws, such that the Board will be composed of an equal number of representatives of holders of 'A' shares and holders of 'B' shares [3], in which case the ratio between Board representation and economic rights across holders of 'B' and 'A' shares will be fixed at 10:1 (i.e. for one unit of capital held, the holders of 'B' shares have ten times more Board representation than that of the holders of 'A' shares), in line with the ratio between voting and economic rights across holders of 'B' and 'A' shares (10:1).
Our proposal considers that companies with a disproportionate gap between voting rights and economic rights are more likely to (i) lack independent Board leadership; (ii) exhibit related-party transactions involving Directors; (iii) reduce accountability to the economic owners of the business, entrenching management and skewing incentives and (iv) create a moral hazard, due to the fact that controlling shareholders (with disproportionate voting rights) enjoy the benefit of private control: they will not fully internalize the costs associated with value-destroying decisions nor inefficient capital allocation, thus do not have the appropriate incentives in place to facilitate efficient value-maximizing decision making. Richemont is significantly exposed to all of the above criticism [4].

Bluebell is convinced that the approval of the above items will significantly improve Richemont's governance and hence contribute to the long-term success of the company.

[1] Richemont's share capital is composed of an equal number of (i) 'A' shares, with a nominal value of one Swiss franc (CHF 1.00) each, and (ii) 'B' shares, with a nominal value of one tenth of a Swiss franc (CHF 0.10) each. All 'B' shares (not publicly traded) are currently owned by the Main Shareholder (Compagnie Financière Rupert). Since the 'A' shares and the 'B' shares confer the same voting rights (i.e., one vote per share), the holders of the 'B' shares possess 50% of Richemont's voting rights, with an economic interest of just 9.1% (whereby the holders of the 'A' shares only possess 50% of Richemont's voting rights, with an economic interest of 90.9%).

[2] Further to press release issued on August 5, 2021, Bluebell understands that Richemont has signalled its intention to reduce the size of the Board from eighteen to sixteen at the 2022 AGM.

[3] Considering that the Chairman of the Board benefits from a casting vote (art. 713 para. 1 Swiss Code of Obligations).

[4] Based on Richemont's annual reports (i) 11 board members out of 18 cannot be deemed in substance to be independent (3 on tenure, 3 executives, 3 on related-party transactions, 2 family members); (ii) the Chairman of the Audit Committee is not independent from a substantive standpoint as stated also by ISS on account of his role in the formation of Richemont in 1990 and his presence on the board of four other entities related to the Main Shareholder; (iii) in the past five years, three current board members were involved in related-parties transactions for an aggregated amount +EUR10M

Matthew Low
Bluebell Capital Partners Limited
+44 20 3826 0100
info@bluebellcp.com
