

Bluebell rejects Richemont's arguments against Mr Trapani as a representative of 'A' shareholders and bylaws amendments

Bluebell Capital Partners rejects Richemont's arguments to oppose the appointment of Mr Trapani as 'A' shareholder representative and proposed bylaws amendments



LONDON, UNITED KINGDOM, August 16, 2022 /EINPresswire.com/ -- The statement (the "Richemont Statement") released on August 15, 2022 by Mr. Johann Rupert, Chairman of the



We believe Richemont's Letter to Shareholders puts forward specious and unreasonable arguments against our proposals and intends to deprive shareholders of their legitimate right of representation"

Giuseppe Bivona, Co-CIO & Partner

Board of Directors (the "Board") of Richemont to oppose the designation and appointment of Mr. Trapani as a representative of the holders of the 'A' shares and the changes in Richemont's articles of association intended to correct the existing distortion in the company's governance, are unfounded and do not offer any valid reason for the holders of the 'B' shares for vetoing the election to the Board of the proposed director to be designated as representative by the holders of the 'A' shares.

A) Bluebell's proposal to designate and appoint Mr. Trapani to Richemont's Board, as an independent representative of the holders of 'A' shares.

The reasons indicated by Richemont's Chairman Mr. Johann Rupert against the designation and appointment of Mr. Trapani are in our opinion specious and unreasonable and are intended to deprive the holders of the 'A' shares of their legitimate right to appoint one director (out of 16 (or 17) directors) to the Board.

Richemont's Board made its recommendation essentially for the following reasons:

- (i) alleged lack of independency of Mr. Trapani because of the "long history of close relationship with the LVMH group and its main shareholder" (Richemont Statement) and his role as director at Tiffany & Co. (2017-2019);
- (ii) "the Company already has the best jewellery and luxury experts inhouse, both on the Board and in the executive management" (Richemont Statement);

(iii) alleged role of Mr. Trapani within Bluebell as “one of its representatives” (Richemont Statement) and absence of legitimacy of Bluebell to represent all ‘A’ shareholders on the Board as a result of its “relatively small stake in the Company” (Richemont Statement); and
(iv) the designation of Ms Wendy Luhabe as an alternative representative of the holders of the ‘A’ shares.

Regarding point (i), Mr. Trapani, as acknowledged also by Richemont, ceased to hold any executive position, directorship and advisory role at LVMH in 2016.

We were surprised to learn that Richemont’s Board contests Mr. Trapani’s independency because of his role as a director up to six years ago at LVMH, especially since Richemont’s Board designated – in August 2021 – Mr. Patrick Thomas (whom we consider a great addition to the Board) as an independent director who had relinquished his role as CEO of Hermès – also a direct competitor of Richemont [1] – in 2014, i.e., seven years before. Such a timing gap is comparable with Mr. Trapani’s six-year time gap. Mr. Thomas was CEO of Hermès for 11 years from 2003 to 2014, having previously been COO for 8 years (1989-1997).

An additional argument in favor of Mr. Trapani's independency is the fact that, on February 21, 2017, he was appointed as an [“independent director”](#) to the Board of Tiffany & Co., at the time a competitor of both LVMH and Richemont (Mr. Trapani ceased office in 2019).

Furthermore, it seems inconsistent for Richemont’s Board to contest the independency of a director because of his role six years prior to the contemplated designation and appointment, considering that six directors designated by the Board as ‘independent’ at the 2021 AGM (four of whom are named for re-election as independent also at the 2022 AGM) were reclassified by a leading proxy advisor as ‘non-independent’, including two close relatives of Chairman Mr. Johann Rupert.

As a final consideration on item (i), according to the Swiss Code of Best Practice for [Corporate Governance](#), the cooling off period for an executive to qualify as independent is three years [2].

On point (ii), Richemont’s Jewellery & Watches divisions represent over 100% of the company’s EBIT: while we recognize the sector expertise and contribution to the board of executive directors Mr. Rupert and Mr. Lambert, there is currently not a single independent director on the Board whose core skills are in hard luxury. We are convinced that Mr. Trapani’s long experience and strong expertise in the hard luxury sector will be an invaluable asset to Richemont and that he will significantly contribute to Richemont’s future growth and success.

On point (iii), it is factually incorrect to say that Bluebell intends to designate and appoint to the Board of Richemont “one of its representatives” (Richemont Statement), as Mr. Trapani is no longer a representative of Bluebell [3] : Bluebell has proposed Mr. Trapani to represent the holders of ‘A’ shares because of his undisputable leadership in the jewellery and global luxury goods industry, with more than three decades of exemplary track record.

Furthermore, Swiss courts have repeatedly pointed out that the right to propose a representative also benefits minorities, even if they represent only a fraction of the company's share capital. Bluebell can therefore – like any other holder of ‘A’ shares with a qualified share ownership of at least one million ‘A’ shares – legitimately propose the designation of a

representative of 'A' shares. To say otherwise would express a lack of appreciation for the 'A' shareholders by the Board.

Finally, as regards point (iv), Ms. Wendy Luhabe, – for whom we at Bluebell have the utmost respect, as for the other directors representing the holders of the 'B' shares – cannot legitimately serve as a representative of the holders of the 'A' shares for the simple reason that since 2020 she has already been serving on the Board as a representative of the holders of the 'B' shares and she has already been designated by Richemont's Board as a representative of the 'B' shares at the 2022 AGM (Item 5.9, Notice of Meeting, 5 August 2022): indeed, there is no doubt that if she were not to be designated as a representative of the 'A' shares, then she would nonetheless very likely be elected by the AGM as a Board member, since the AGM is de facto fully controlled by the holders of the 'B' shares. Therefore, all Richemont's shareholders will continue to benefit from Ms. Luhabe's contribution to the Board as a representative of the 'B' shares.

Independently from Ms. Wendy Luhabe, the designation of a director representing the 'A' shares made by a Board which today only represents the 'B' shares – for Richemont's own admission, "in the Company's 34 years of existence" (Richemont Statement) there has never been a formal representative of the 'A' shareholders – is by definition not credible.

B) Bluebell's proposal to amend the articles of association, increasing the minimum number of directors representing the 'A' shareholders (and 'B' shareholders), from one to three and consequently the minimum size of the board from three to six, effective as at the 2023 AGM. Richemont has referred to Bluebell's second proposal (Item 10, "Modification of art. 22 of the Company's Articles of Incorporation", Notice of Meeting, 5 August 2022) as a request for Article 22 of the Company's articles of incorporation to be modified "such that the minimal number of Board members is increased from three to six" (Richemont Statement).

This statement is incorrect and potentially misleading, since it does not make reference to Bluebell's proposal to also increase the number of representatives of the holders of the 'A' shares (and the 'B' share) from one to three, which consequentially would lead to increase the minimum size of the Board to six.

Currently, 'A' shareholders (as holders of 90.9% economic interest in Richemont) are entitled to one representative on the Board - as we said earlier, "in the Company's 34 years of existence" (Richemont Statement) there has never been a formal representative of the 'A' shares - which we view as highly inadequate.

The change of the articles of association requires the consent of the holders of the 'B' shares and the recommendation provided by the Board, lacking any specific supportive motivation – simply demonstrates that the existing Board only represents the 'B' shareholders.

C) Bluebell's proposal to amend the articles of association, requiring an equal number of directors in representation of the 'A' shares and 'B' shares, effective as at the 2023 AGM.

It is far from our intention to create a "regime in which directors are not expected to act in the best interest of the Company and its stakeholders as a whole, but only in the interest of either the "A" or the "B" shareholders" (Richemont Statement). The aim of our proposal is instead to ensure a fair board representation from holders of 'B' shares and 'A' shares in line with the 10:1

ratio on voting to economic rights.

A Board composed of sixteen directors, with only one representative for the holders of 'A' shares (as per current Richemont's articles of association), will imply a ratio between Board representation and economic rights across holders of 'B' and 'A' shares of 150:1. It is unfortunate that the Board did not take the trouble to set out – at least in summary form – the various arguments we put forward to justify the abovementioned statutory changes.

Also in this case, consent of holders of 'B' shares will be required and the Board failed to provide any specific argument of why the proposed change would be negative for Richemont, thus confirming that Richemont is currently run in the interest of the 'B' shareholders who are the sole party interested in having full control of the Board with minimum economic exposure.

*** FOR THE REASONS SUMMARIZED ABOVE, WE INVITE ANY SHAREHOLDERS OF RICHEMONT TO VOTE IN FAVOR OF OUR PROPOSALS (ITEM 4.1, 5.17, 10 and 11 OF THE NOTICE OF MEETING)

footnotes

[1] In benchmarking the remuneration of these executives, the Group considered compensation practices in a selection of multinational groups which it considers to be its peers. The criteria for selection included: industry focus on luxury goods, size in term of revenue and headcount, listed companies and international presence in relevant geographies. These peers were identified as follows: Multinational groups active in the Luxury Goods industry, such as LVMH, Kering and Hermes, amongst others..." (Richemont, 2022 Annual Report).

[2] "Independent members shall mean non-executive members of the Board of Directors who have never been a member of the Executive Board, or were members thereof more than three years ago, and who have no or comparatively minor business relations with the company. Where there is cross-involvement in other Boards of Directors, the independence of the member in question should be carefully examined on a case-by-case basis. – The Board of Directors may define further criteria of institutional, financial or personal independence" (Swiss Code of Best Practice for Corporate Governance).

[3] Mr. Trapani relinquished his position as Chairman of Bluebell Capital Partners on December 31st, 2021.

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