

Glass Lewis Recommends Voting in Favour of Sierra Metals Management Nominees

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Sierra Metals Inc. (TSX: SMT) ("Sierra Metals" or the "Company") today announces Glass Lewis' recommendation that shareholders vote FOR all of management's nominees at the Company's upcoming annual and special meeting of shareholders scheduled for June 28, 2023 (the "Meeting").

Glass Lewis emphasized its "substantial concerns" with Arias Resource Capital's ("ARC") "general candor" and corporate governance track record, stating that:

"[ARC] generally suggests the reintroduction of ARC nominees to the [Company's board of directors (the "Board")] would represent a panacea to the foregoing operational downturn, often framing analytical commentary through a filter predicated on the point in time at which certain ARC representatives, including ARC founder and namesake Alberto Arias, left the [Board]. We consider this representation fairly charitable to [ARC], as Mr. Arias was, in fact, pointedly ousted by [Sierra Metal's] investors at the Company's June 2021 annual meeting (46.4% support), an outcome made more dramatic with reference to ARC's substantial ownership influence at the time of the vote. Vaguely framing this dour outcome as representatives of [ARC] simply "leaving" the board - language which arguably implies a much more elective determination than was actually at play - while also failing, in our view, to grapple with either the impetus for that vote result or the apparently contemporaneous efforts of Mr. Arias to surreptitiously restructure the [B]oard in ARC's favor collectively raises substantial concerns around [ARC's] general candor and corporate governance bona fides, in our opinion."

This recommendation by Glass Lewis and the further support for the Company received by its non-conflicted shareholders suggests that shareholders are not buying ARC's transparent and self-serving motivation to seize control of the Board, including its continuing misleading statements in its June 12, 2023 press release and ARC's circular dated June 2, 2023 (the "ARC Circular"). The Company would like to address the most recent round of false and misleading statements made by ARC.

1. In its recent credit agreement, the Company aggressively (and successfully) negotiated away certain covenants that may have entrenched the Board, while the lenders were insistent about requiring protective measures for changes in management. Furthermore, the vast majority of the management nominees have been serving on the Board for less than two years. The Board is motivated to avoid a frequent turnover of executives (like the 5 CEOs that served while Mr. Arias was Chair of the Board) and as such the Company entered into full-time employment agreements with its CEO and CFO (immediately following the conclusion of their interim agreements).
2. Shareholders expressing a desire to support the current Board without an ulterior motive (other than seeing the Company continue on the trajectory of its recent successes) may be a foreign concept to ARC and Mr. Arias. The shareholders who have contacted the Company have expressed their interest to support future financings of Sierra Metals should the opportunities present themselves. There are no financial arrangements or agreements between the Company and the supportive shareholders respecting the voting for the Board's nominees.

ARC and Mr. Arias continue to create fictitious narratives rather than providing more fulsome information on their incomplete disclosure. The Company notes:

1. Mr. Arias was recently invited to speak to the Board (at Mr. Arias' insistence despite numerous Board members speaking with Mr. Arias over the preceding weeks). The Board agreed to this request and informed Mr. Arias that the meeting would be about the Company. At this meeting, when Board members asked Mr. Arias about his proposed direction for the Company, Mr. Arias refused to answer and was only willing to discuss whether the Company would agree to propose four of his nominees to the Board.
2. To this day, ARC, which holds a majority equity position in Kolpa, has repeatedly neglected to communicate to fellow Sierra Metals shareholders the dilutive effect of Kolpa's proposed merger with the Company (on a diluted and non-diluted share basis).

3. The opening sentence of the ARC Circular includes the statement "ARC is seeking your support to elect a slate of five highly-qualified and experienced independent director candidates." In turn the Company notes the following affiliations of the ARC nominees:

ARC⁽¹⁾

Kolpa

Largo Inc.

J. Alberto Arias - Founder and Portfolio Manager

Daniel Tellechea - Member of Investment Advisory Committee J. Alberto Arias - Board Member J. Alberto Arias - Non-E

Ricardo Arrarte - Director

Alonso Checa - Board Member Daniel Tellechea - Inter

Alonso Checa - Director

(1) Including affiliates of ARC.

It will be difficult to say that the ARC nominees will be independent in their decision making based on their affiliations with entities in which Mr. Arias is involved. To quote from Glass Lewis:

"[W]e note considerable friction exists with respect to Kolpa's involvement with and interest in [Sierra Metals], which the [B]oard frames as dubiously structured and poorly explained by Kolpa, in all cases despite purportedly good faith efforts by the Company to engage with Kolpa around mutually agreeable terms. We note [ARC] asserts the terms currently offered by Kolpa were and remain attractive, though, to date and to the best of our knowledge, further detail around this offer remains unavailable. In any event, in the pendency of further developments or considerably expanded disclosure, we consider it would be decidedly premature to appoint directors who would otherwise be expected to represent the interests of Kolpa or its owners, which could create material conflicts of interest. With that in mind, we note: (i) Kolpa is majority owned by ARC; (ii) Mr. Arias serves as a member of the board of Kolpa; (iii) Mr. Arias is also the non-executive chair of [Largo Inc.](#), for which [ARC] nominee Daniel Tellechea serves as interim CEO; and (iv) [ARC] nominees Ricardo Arrarte and Alonso Checa are each directors of ARC. We are thus concerned the substantial bulk of the ARC slate is principally comprised of individuals within the direct professional ambit of ARC, Kolpa and/or Mr. Arias, which, in our view, raises doubt about their ability to effectively and independently adjudicate the array of alternatives prospectively available to [Sierra Metals], including any arrangement relating to Kolpa."

Annual Meeting Materials

For accurate information, the Company encourages its shareholders to rely on its public disclosure. The Company has filed the meeting materials ("Meeting Materials") for the Meeting under its directory on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com. Shareholders should have received the Meeting Materials by mail or electronically and are encouraged to vote using the enclosed green form of proxy. The Company has also posted the Meeting Materials to a website accessible at <https://carsonproxy.com/SierraMetals>.

The Meeting Materials include a letter to shareholders from the Chair of the Board and Chair of the Corporate Governance and Nomination Committee (the "Letter"). The Letter outlines the successful turnaround delivered by the Company's leadership team over the past six months that has addressed long-standing issues and re-established a positive trajectory for long-term growth.

The Meeting Materials put forward seven nominees for the Board. The nominees include six current directors, namely Miguel Aramburu, Ernesto Balarezo, Oscar Cabrera, Douglas Cater, Robert M. Neal and Carlos Santa Cruz. The Company is nominating Beatriz Orrantia as a new candidate for election to the Board. Ms. Orrantia has over 17 years of mining industry experience in both legal and operational capacities with expertise in ESG/Sustainability, and has previously held roles as VP Special Projects at Barrick Gold and as an M&A, securities and mining lawyer at law firms including McCarthy Tétrault and Gowlings. Current director Koko Yamamoto has elected not to serve on the Board following the Meeting.

About Sierra Metals

Sierra Metals is a diversified Canadian mining company with green metal exposure including copper, zinc and lead production with precious metals byproduct credits, focused on the production and development of its Yauricocha Mine in Peru and its Bolivar Mine in Mexico. The Company is focused on the safety and productivity of its producing mines. The Company also has large land packages with several prospective regional targets providing longer-term exploration upside and mineral resource growth potential.

For further information regarding Sierra Metals, please visit www.sierrametals.com.

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