

Karoon chairman Bob Hosking confident

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Matt Chambers

KAROON Gas Australia founder and executive chairman Bob Hosking says he is confident his board will prevail in the face of a campaign by activist shareholder Pegasus CP One to install new directors and change the big explorer's strategy.

And the Karoon founder, who is getting close to appointing an independent chairman for the company he floated in 2004, said he planned to be managing director for only the next two or three years before taking on more of a mentor role. "We're confident that we will have a positive outcome (at the AGM)," Mr Hosking said yesterday.

Asked whether that included confidence in avoiding a second strike on the remuneration report this year, he said it did, based on two out of three proxy advisers recommending it be voted through.

The Karoon confidence that Pegasus's plans to install three new directors, appoint a new chief executive and chairman and change strategy to one that focuses on Asia will not get through may have good grounding.

It is understood at least some of the company's major shareholders are backing the board, with market suggestions the top two holders, Talbot Group and Wellington Management, who own a combined 24 per cent of the stock, are on side. Institutional shareholders *The Australian* spoke to believe Pegasus has some valid points around corporate governance, but that the push to change the strategy had failed to sway some big investors, most of whom are in Karoon because they believe in the quality of the assets.

But the company's moves to improve governance, including appointing more independent directors, and Mr Hosking relinquishing his executive chairman role, have struck the right note with some shareholders.

Still, one institutional shareholder said there was still a case for some sort of change at the AGM.

Proxy advisers Ownership Matters and CGI Glass Lewis have both recommended the remuneration report be voted for, based on improved disclosure this year. They have also advised against appointing the three directors nominated by Pegasus, with the exception of former Metgasco chief financial officer Glenda McLoughlin, who CGI has recommended.

ISS, the other main Australian proxy adviser, has recommended voting against the remuneration report and for the directors proposed by Pegasus.