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Proxy advisers split on Karoon board challenge

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Karoon Gas executive chairman Robert Hosking. **Photo: Paul Jones**

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Rebel Karoon Gas shareholder Pegasus CP One has hit a hurdle in its quest to force a change of strategy at the explorer after proxy advisers CGI Glass Lewis and Ownership Matters advised investors to vote against the election of most of its nominated directors.

While both firms still voiced concerns about corporate governance at Karoon, their stance is more supportive of the current leadership under executive chairman Robert Hosking than another proxy adviser, ISS.

The debate over the make-up of Karoon's board and its future direction comes ahead of an expected stormy annual shareholder meeting in Melbourne on March 27 when the board also faces a potential "second strike" against the remuneration report.

Both CGI Glass Lewis and Ownership Matters advised investors not to support the election of former BP executive Colin Goodall as chairman, nor of David Bamford as a director, both put forward by Pegasus, which is unhappy with Karoon's performance and strategy.

While Ownership Matters also recommended against the third Pegasus nominee, Glenda McLoughlin, she has received a tick from CGI Glass Lewis.

Ownership Matters cited concerns that the election of the Pegasus nominees to the board "may add risk to Karoon Gas" and could be "disruptive" for the company.

"OM understands from discussions with the proposed candidates that they intend to implement a business strategy that is different to the current strategy which may include a focus on the Asia-Pacific region and a potential secondary listing in Singapore," it said.

But CGI Glass Lewis said the election of Ms McLoughlin, a former investment banker and a founding director of Metgasco, "would add appropriate experience" to the board.

Overall, however, CGI said Pegasus had not made a compelling case that all of its nominees should be elected.

Meanwhile, Mr Hosking has reacted angrily to “misinformation” he said was being spread by Pegasus over his sales of shares in Karoon just as investors were voting on the AGM resolutions.

He said that while he has sold about \$27 million of shares since Karoon’s inception, he had also spent more than \$20 million on share purchases, which had been overlooked by Pegasus.

Mr Hosking also defended related-party transactions by Karoon, which he said were meticulously scrutinised.

Mr Hosking said Karoon’s biggest shareholder, Wellington Management, has “been in the company for a long time and have always been 110 per cent supportive”.

Karoon has already taken steps to split the executive chairman role of Mr Hosking. He is to step into a role as managing director once a new independent chairman is in place, expected by the year-end.

The Australian Financial Review



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