First Super puts Orbis investment on watch due to ESG concerns related to XPO Logistics

The board of First Super has placed its investment in Orbis Investment Advisory on watch due to its holding of the US based freight and logistics company XPO Logistics, Inc (NYSE: XPO). Orbis is the largest institutional shareholder of XPO, holding approximately 23 percent of the outstanding shares.

First Super Chief Executive Bill Watson said today that the Fund recently met with Orbis investment personnel to review its stewardship record regarding XPO. The Fund has concerns that it is exposed to significant legal, regulatory and reputational risks in North America and Europe due to allegations of labour law and occupational health and safety violations at XPO.

“First Super is reconsidering its long-standing investment with Orbis,” Mr Watson said.

“XPO’s underperformance can arguably be attributed to its poor governance and labour practices. It is an interesting case study to illustrate the proposition that firms who lag on ESG imperatives can often constitute a poor investment over the long term.”

“First Super seeks better responsiveness from Orbis around our legitimate returns-based concerns about XPO.”

The Fund has raised concerns about XPO’s governance and Orbis’ voting against a shareholder resolution that would have split the role of chairman from the chief executive officer, a widely deemed corporate governance best practice. Orbis has also voted against shareholder proposals calling for sustainability reporting and policies to strengthen prevention of workplace sexual harassment.

First Super has A$143 million invested in Orbis Global Equity Fund. This fund is offered to Australian investors through the Australian registered Orbis Global Equity Fund, that totals A$3.1 billion. First Super has been invested in this unit trust since July 2010.

Today’s announcement is an example of First Super’s active approach to ESG issues across its investment portfolio. The Fund’s focus on ensuring its members attain and maintain a dignified retirement can only be achieved by ensuring that asset managers deliver on their environmental, social and governance obligations.

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First Super is the industry super fund for more than 45,000 workers in the timber, pulp and paper, furniture and joinery industries, with over $3.3 billion under management. Industry
super funds have lower than average fees, no commissions, and are run only to benefit members.