

# INTERNATIONAL BROTHERHOOD OF TEAMSTERS

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September 10, 2012

## Dear Fellow FedEx Shareholder:

We urge you to vote "FOR" Proposal 4 at FedEx Corporation's **[NYSE: FDX]** annual meeting of shareholders on September 24, 2012, to support independent board leadership.

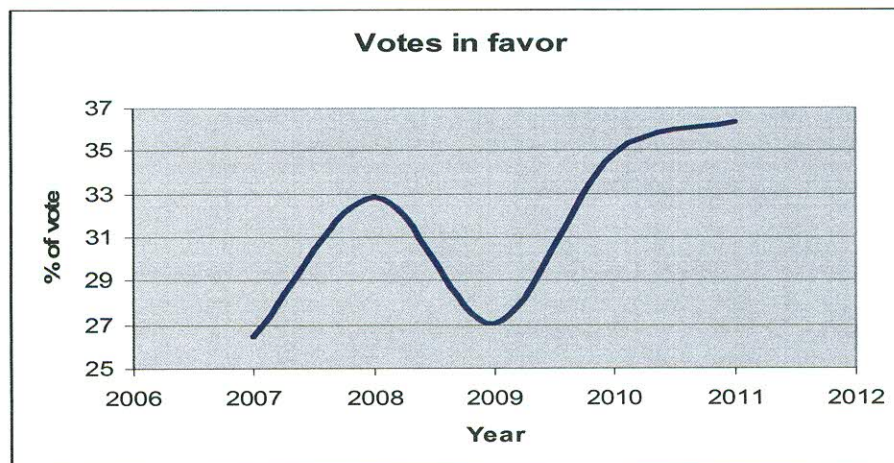
We believe that FedEx founder Fred Smith's dual role as chairman and chief executive officer has resulted in a board incapable of providing the rigorous, independent oversight of management that investors deserve. The lack of independent board leadership, poor stock performance, and excessive executive pay at FedEx underscore the urgent need for an independent chairperson to hold management accountable and provide proper strategic oversight and guidance.

## FedEx Shareholders Increasingly Support Independent Board Leadership

FedEx shareholders have demonstrated increased support for independent board leadership over the years. The first year it was proposed—2007—the proposal earned a significant 26.48 percent of the votes cast. This figure includes the large number of shares controlled by insiders including Mr. Smith and his family. Adjusting results to exclude these shares pushes the percentage of votes in favor of the proposal even higher.

In 2011, support for the governance reform reached 36.32 percent (42 percent if excluding the shares held by Fred Smith and the Smith family).

The following graph depicts the level of support the proposal has received over the years:



**This is not a proxy solicitation and no proxies will be accepted.  
Please DO NOT send your proxies to the International Brotherhood of Teamsters.**



The ever-increasing support for this proposed reform clearly demonstrates a growing unease with the company's CEO, Fred Smith, also serving as its chairman of the board.

### **Independent Board Leadership is Governance Best Practice**

The board's responsibility to provide independent oversight of management is compromised, we believe, when the chairman of the board is also the chief executive of the company. In the case of FedEx, this conflict is exacerbated by the fact that founder, chairman and CEO Fred Smith, has led the company for more than 40 years.

Having an independent chairman of the board is a widely-accepted corporate governance best practice. Experts agree:

- The Millstein Center for Corporate Governance and Performance at the Yale School of Management argued in its 2009 report, "*Chairing the Board: The Case for Independent Leadership in Corporate North America*" that:  
“(t)he independent chair curbs conflicts of interest, promotes oversight of risk, manages the relationship between the board and CEO, serves as a conduit for regular communication with shareowners, and is a logical next step in the development of an independent board.”
- ISS and Glass Lewis, the country's leading proxy voting advisory services, recommend investors vote “FOR” the shareholder proposal at the Company's 2012 annual meeting.

### **Lead Director Jackson is No Substitute for an Independent Chair**

Rather than adopt the proposal for independent board leadership, Smith has tried to appease investors with an inferior solution.

Prior to last year's annual meeting, the board established a “presiding director” role in lieu of an independent board chairperson. In response, shareholder support for the proposal reached an all-time high of 36.3 percent.

Mr. Smith's latest contrivance to counter building shareholder discontent on this issue is to establish an independent lead director position. As per the 2012 FedEx proxy statement, Nominating & Governance Committee Chairperson Shirley Ann Jackson, PhD now serves as the board's lead independent director.

This gesture offers little by way of a meaningful solution, in our view. Dr. Jackson is an over-committed, long-serving director, who last year received the least investor support on the FedEx board by a significant margin.

The Corporate Library, a leading resource for corporate governance analysis, rates this board as a “D” due to ongoing concerns related to board composition and executive compensation. Dr. Jackson's nominating committee is responsible for the board's composition, while the

compensation committee, on which Dr. Jackson also serves, oversees executive pay. We fail to see how this track record positions Dr. Jackson as the most-qualified candidate for lead independent director.

As for the FedEx board, five directors are long-tenured with at least 13 years of service, including two directors who have served for more than two decades. Dr. Jackson is part of that club, having served on the FedEx board for 13 years.

Prior to Dr. Jackson's appointment to lead independent director, The Corporate Library had singled her out as, "over-committed" for serving on 15 committees at five public companies. She also serves as chairperson of four of those board committees. According to the National Association of Corporate Directors, board members spent an average of 200 hours per year—or roughly four hours a week—for each board on which they serve. For Dr. Jackson, this approximates 20 hours a week of her time.

But Dr. Jackson's full-time job is president of Rensselaer Polytechnic Institute for which she works 70 hours per week according to the Institute's filings with the Internal Revenue Service.

In addition she also serves on the:

- Smithsonian Institution Board of Regents;
- Council on Foreign Relations Board of Directors;
- U.S. Council on Competitiveness, serving as Vice Chair;
- Brookings Institution, serving as a Trustee;
- Hyde Museum Board of Directors; and is a
- Life Member of the MIT Corporation Board of Trustees.

Apparently, investors increasingly agree with the assessment of Dr. Jackson's stewardship as a FedEx independent director. Last year, Jackson stood out among all FedEx directors for receiving the least investor support – securing only 84 percent of the vote when every other director received more than 90 percent support. In fact, two-thirds of directors received more than 96 percent support.

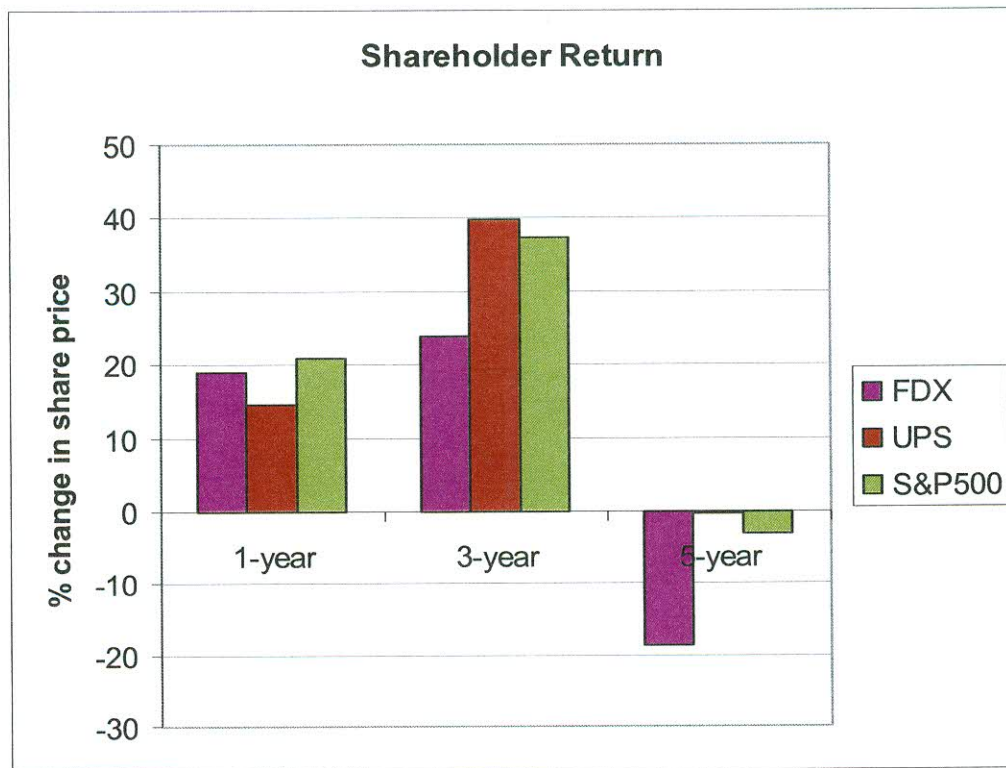
With a portfolio of professional and charitable responsibilities this vast and varied, Jackson cannot possibly provide meaningful independent oversight of FedEx management – particularly when the chief manager is the domineering Fred Smith, founder and leader of the company for more than 40 years.

Given the extremely long tenure and advancing age of Fred Smith, investors are understandably concerned about the leadership vacuum that would occur should he find himself suddenly unable to lead. FedEx would suddenly have not just one but two vital positions left empty.



### **Lackluster Returns Support Change in Board Leadership**

We believe the governance structure at FedEx interferes with investors' interest in maximizing shareholder value. Over three and five-year periods, FedEx stock underperformed both the S&P 500 index and its main competitor, UPS (see chart):



As recently as September 4, 2012, FedEx again disappointed investors and analysts alike with the news that earnings would fall short of their expectations. In the past six months, the company has begun to restructure itself down to a smaller size, including retiring 24 aircraft and offering buyouts to U.S. employees. FedEx faces further uncertainty from the United States Postal Service, whose \$1 billion contract with FedEx will be put up for bid next year and could potentially be lost to rival UPS.

### **Board Rewards Poor Performance with High CEO Pay**

Surprisingly, in the midst of a company-wide restructuring initiative and a weak world economy, Fred Smith's pay increased dramatically. In fiscal 2011, Mr. Smith received total compensation of \$7.26 million. In fiscal 2012, his pay skyrocketed to \$13.68 million, driven by massive non-equity incentive compensation that jumped \$6.2 million over the prior year. By taking a massive pay increase while trying to cut costs just further demonstrates that Fred Smith is out of touch with FedEx investors. We need a strong and independent voice in the boardroom to stand up for shareholder interests.

**Please join us once again in calling for independent leadership and increased accountability on FedEx's Board of Directors by voting "FOR" Proposal 4 at FedEx Corporation's Annual Meeting of Shareholders on September 24, 2012.**

We welcome the opportunity to review our concerns in greater detail with fellow shareholders. Please contact Carin Zelenko, Director of the IBT Capital Strategies Department, at (202) 624-8100 or email her at [czelenko@teamster.org](mailto:czelenko@teamster.org) to discuss these issues further.

Thank you.

Sincerely,



Ken Hall  
General Secretary-Treasurer