



**VIA E-MAIL ([policy@issgovernance.com](mailto:policy@issgovernance.com))**

October 29, 2014

Institutional Shareholder Services Inc.  
702 King Farm Boulevard, Suite 400  
Rockville, Maryland 20850

**Re: Proposed Updates to ISS's 2015 Proxy Voting Policies**

Dear Sir or Madam:

FedEx Corporation ("FedEx") respectfully submits this comment letter to Institutional Shareholder Services Inc. ("ISS") regarding the proposed updates to ISS's 2015 proxy voting policies that ISS published for comment in October 2014. We appreciate your willingness to solicit and consider the opinions of corporate issuers, such as FedEx, as you formulate and consider updates to your proxy voting guidelines.

**Independent Chair Shareholder Proposals**

ISS's current policy is to generally recommend a vote "for" independent chair shareholder proposals unless the company maintains a counterbalancing governance structure, including a robust lead director position, and has no governance or performance concerns. The proposed policy adds new governance, board leadership and performance factors to the analytical framework, including the absence/presence of an executive chair, recent board and executive leadership transitions at the company, director/CEO tenure and a longer (five-year) TSR performance period. Additionally, the revised policy allows ISS to consider these factors in a holistic manner. While we appreciate that ISS is proposing to update its independent chair voting policy with a holistic analytical framework, we urge ISS to adopt a case-by-case analysis that takes a particular company's circumstances into account and to clarify how it will apply the proposed factors.

As we have stressed before, we see no basis for an inherent presumption in favor of separating the chairman and CEO roles and believe that it should be eliminated. Rather, we believe that there are various reasons that different leadership structures may be appropriate for different companies. As the Securities and Exchange Commission ("SEC") has aptly stated, "different leadership structures may be suitable for different companies depending on factors such as the size of a company, the nature of a company's business, or internal control considerations, among other things." Moreover, neither the U.S. Congress, the SEC, nor any of the national securities exchanges has seen fit to prescribe or even recommend any particular governance structure in this regard. Instead, the legislation and regulation to date simply require

disclosure. According to the SEC, its rules “are not intended to influence a company’s decision regarding its board leadership structure.”

We acknowledge that ISS’s proposal, which applies a holistic analytical framework to independent chair proposals, is a positive development in its policy-making. The factors that ISS takes into consideration, however, are too narrow in scope to effectively determine whether an independent chair leadership structure is in the best interests of a company’s stockholders. We believe that a case-by-case analysis that takes into consideration a particular company’s circumstances, some of which may not fit neatly into a pre-determined list of factors, is the appropriate analytical framework for independent chair proposals. In such a case-by-case approach, a list of factors like those set forth by ISS could be the starting point in the analysis, but significant attention should be paid to a particular company’s circumstances and weighted more heavily than any list of factors.

Additionally, the proposal does not specify how the new factors, including the absence/presence of an executive chair, recent board and executive leadership transitions at the company, director/CEO tenure, director/CEO tenure and longer performance period, will be applied. The ambiguous nature of these factors prevents companies from understanding how ISS will analyze its leadership structure under the proposed framework.

ISS should recognize, as Congress, the SEC and most investors do, that all companies are unique and that the existence of a certain leadership structure should be considered in different lights depending on each particular company. Accordingly, we urge ISS to consider independent chair proposals on a case-by-case basis, placing significant weight on each company’s particular circumstances. To the extent that ISS adds new factors to its analysis, it should clarify how those factors will be applied.

### **Equity Plan Scorecard**

Under ISS’s current methodology, it will recommend a vote “against” an equity compensation plan that is being considered by a company’s stockholders if the plan fails any one of several tests. ISS has proposed an equity plan scorecard (“EPSC”) model for evaluating such plans by considering various factors relating to plan cost, plan features and grant practices. A company’s EPSC score will determine whether ISS recommends “for” or “against” an equity compensation plan. Given the intrinsic ambiguity of this approach and the difficulty that this uncertainty would impose upon companies when formulating equity compensation plans, we request that ISS continue to use its current equity compensation plan methodology rather than the EPSC model.

ISS’s current approach to equity compensation plans is superior to its proposed EPSC approach because the current approach applies more clearly defined tests that a company can follow when developing an equity compensation plan. Under the EPSC approach, ISS has not indicated how the proposed changes would be applied. For instance, it is not clear which factors would be considered problematic, such as the minimum vesting period that ISS would view as acceptable. Additionally, ISS has not specified how particular factors will be weighted on a



standalone basis or as compared to other factors. In fact, ISS states in its proposal that “some highly egregious features will continue to result in negative recommendations regardless of other factors” but only specifies one such feature, leaving companies to guess at other “egregious features” that would result in negative recommendations.

In the event that ISS chooses to implement the EPSC methodology, we believe that the shareholder value transfer factor should be given the most weight. This factor relates to a plan’s cost, which is the component that has the largest potential impact on both stockholders and companies and, therefore, should be weighted most heavily by ISS.

In sum, we urge ISS to continue using its current equity compensation plan methodology and not adopt the EPSC methodology because of the inherent uncertainty with which it would be applied. At a minimum, we request that ISS specify how each EPSC factor would be applied, including which factors would be considered problematic and the relative weight that would be afforded to any single factor. If ISS chooses to implement the EPSC method, we recommend that the shareholder value transfer factor be given the most weight.

Thank you for your consideration. Please call me if you would like to discuss these matters.

Sincerely yours,

**FedEx Corporation**



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