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<u>VIA E-MAIL (*policy@issgovernance.com*)</u>

October 31, 2011

Global Policy Board
Institutional Shareholder Services Inc.
2099 Gaither Road
Rockville, Maryland 20850

<u>Re</u>: ISS 2012 Proxy Voting Policies – Tax Gross-Ups Related to Restricted Stock

Dear Sir or Madam:

FedEx Corporation respectfully submits this letter to Institutional Shareholder Services Inc. ("ISS") to express our concerns about ISS's current policy regarding tax gross-ups related to restricted stock and to encourage ISS to eliminate this policy in its 2012 policy updates. We appreciate your willingness to solicit and consider the opinions of corporate issuers, such as FedEx, as you formulate and consider updates to your voting policies.

<u>Background</u>

In November 2010, ISS revised its list of "problematic pay practices" that, by themselves, are sufficiently problematic in most circumstances to warrant recommendations against say-on-pay proposals, compensation committee members and equity incentive plan proposals to include all tax gross-ups and to specifically mention tax gross-ups related to restricted stock. We strongly disagree with the inclusion on this list of tax gross-ups on restricted stock when the value of the tax payment is factored into the total target value of the award.

We constantly engage in dialogue with our investors regarding a wide-range of governance issues, including our executive compensation program. When certain of our investors voiced concern over certain tax reimbursement payments being made by FedEx, our Compensation Committee conducted in 2010 a comprehensive review of our executive pay program and philosophy. As a result of the Compensation Committee's review, we made several improvements to our program in 2010 to better align our executive compensation structure with current market practices and the interests of our investors. One such change was the elimination of tax gross-ups on a range of perquisites including financial counseling and tax preparation fees paid on behalf of executives.

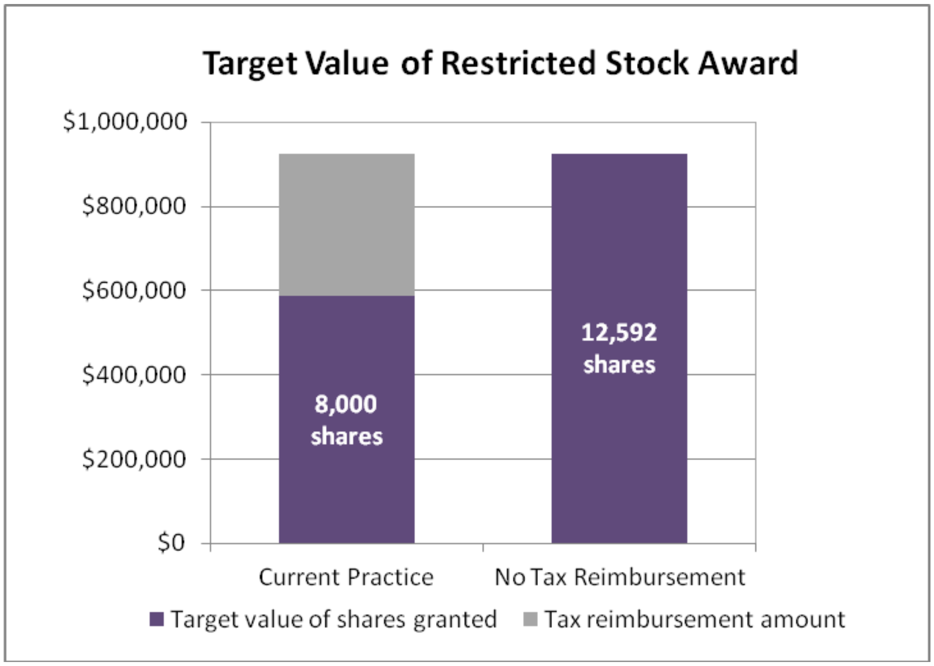
As Frederick W. Smith, our Chairman of the Board, President and CEO, and Steven R. Loranger, the Chairman of our Compensation Committee, explained during our meeting in July 2011 at your offices with several representatives of ISS (and discussed in detail below), the tax payments we make in connection with our restricted stock program are fundamentally different from those that investors find objectionable. These payments are an integral part of the program design and are fully accounted for by our Compensation Committee when establishing the annual compensation of our executives. Importantly, because such payments are fixed in advance by our Compensation Committee, they in no way increase the compensation these executives would otherwise have received from FedEx.

FedEx's Restricted Stock Program

FedEx's restricted stock program has been in place for over 20 years and has encouraged FedEx executives to own and retain company stock. Under our restricted stock program, FedEx pays the taxes resulting from a restricted stock award on behalf of the recipient to prevent the need for the officer to sell a portion of a particular stock award to pay the corresponding tax obligation. By facilitating the ownership of FedEx shares by our executives, we strengthen the alignment of their interests with those of our investors. While SEC disclosure rules require that these payments be included with tax reimbursement payments and reported as "other compensation" in our proxy statement, we do not believe that these payments are "tax gross-ups" in the traditional sense because their value is fully reflected in the number of shares ultimately delivered to recipients.

When granting restricted stock, FedEx first determines the total target value of the award and then delivers that value in two components: restricted shares and cash payment of taxes due. Therefore, the total target value of the award is the <u>same</u> as it would be if there were no tax payments. In particular, because the amount of the tax payment is included in the calculation of the target value of the restricted stock award, the officers receive fewer shares in each award than they would in the absence of the tax payment: fewer by an amount equal in value to the tax payment.

This methodology prevents the need for an officer to make a disposition of FedEx stock to cover the tax consequences of a restricted stock award and dilute his or her interest in FedEx. Conversely, absent the tax payment, the number of shares received in each award would be larger by an amount equal in value to the forgone tax payment, thereby having a dilutive effect on our stockholders' equity interest in FedEx. The following chart illustrates this principle, using the target value for the fiscal year 2011 restricted stock awards granted to FedEx Corporation executive vice presidents:



Not only is the value to the officer, as well as the cost to the company, generally the same as it would be otherwise, but this practice uses fewer shares of stock to arrive at the same benefit and has proved extremely successful in retaining executives and enabling them to retain their shares.

FedEx Stockholders Support Our Executive Compensation Practices

Our stockholders do not consider our restricted stock program — the details of which have been prominently disclosed in our proxy materials — to be a problematic pay practice. We are not aware of any investor who has voiced concerns about the program. In fact, when we discuss our restricted stock program with stockholders, they are uniformly supportive. Furthermore, the strong support for our advisory resolution on executive compensation at our recent 2011 annual meeting of stockholders — 96.3% of the voted shares in favor — is cogent evidence that our stockholders believe that our executive compensation practices, including our restricted stock program, are effectively designed and aligned with their best interests.

Conclusion

We have specifically discussed our restricted stock program with representatives of ISS several times over the last few years, including most recently in July 2011. In these discussions, no one from ISS has articulated any arguments for ceasing this practice, other than an aversion to tax gross-up payments generally. Likewise, in your 2011 policy updates, you did not provide any reason for characterizing this particular compensation practice as "problematic."

We have demonstrated why our restricted stock program continues to be appropriate for FedEx and to serve the best interests of our stockholders. Accordingly, FedEx strongly urges ISS to take a more nuanced view of our program and to amend its list of "problematic pay practices" to remove tax gross-ups on restricted stock.

Thank you again for considering our comments and concerns. If you would like more information, please feel free to contact me at your convenience.

Sincerely yours,

FedEx Corporation

/s/ CHRISTINE P. RICHARDS

Christine P. Richards
Executive Vice President,
General Counsel and Secretary

cc: Frederick W. Smith
Steven R. Loranger
Alan B. Graf, Jr.
Judith H. Edge
Robert T. Molinet
Arthur M. Foster

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