

# American Federation of Labor and Congress of Industrial Organizations



815 Sixteenth Street, N.W.  
Washington, D.C. 20006  
(202) 637-5000  
<http://www.aflcio.org>

## EXECUTIVE COUNCIL

**JOHN J. SWEENEY**  
PRESIDENT

Vincent R. Sombrotto  
Frank Hanley  
Douglas H. Dority  
Patricia Friend  
Carroll Haynes  
Arturo S. Rodriguez  
Martin J. Maddaloni  
Boyd D. Young  
John W. Wilhelm  
James P. Hoffa  
Edwin D. Hill  
Clyde Rivers  
Leo W. Gerard

**RICHARD L. TRUMKA**  
SECRETARY-TREASURER

Gerald W. McEntee  
Michael Sacco  
Stephen P. Yokich  
Michael Goodwin  
James La Sala  
Robert A. Scardelletti  
John M. Bowers  
Dennis Rivera  
Elizabeth Bunn  
Capt. Duane Woerth  
Joseph J. Hunt  
Cecil Roberts  
Melissa Gilbert

**LINDA CHAVEZ-THOMPSON**  
EXECUTIVE VICE PRESIDENT

Morton Bahr  
Frank Hurt  
Clayola Brown  
Joe L. Greene  
William Lucy  
Andrew L. Stern  
Sandra Feldman  
Bobby L. Harnage Sr.  
Michael E. Monroe  
Terence O'Sullivan  
Cheryl Johnson  
Edward C. Sullivan  
Edward J. McElroy Jr.

Gene Upshaw  
Gloria T. Johnson  
M.A. "Mac" Fleming  
Sonny Hall  
Leon Lynch  
Edward L. Fire  
R. Thomas Buffenbarger  
Stuart Appelbaum  
Michael J. Sullivan  
Harold Schaitberger  
Bruce Raynor  
William Burrus

July 31, 2002

## BY FACSIMILE AND US MAIL

Mr. Edward C. Johnson, 3rd  
Chairman and CEO  
Fidelity Investments  
82 Devonshire Street  
Boston, MA 02109

Dear Mr. Johnson:

I write you today regarding Fidelity Investments' refusal to disclose its mutual fund proxy voting decisions. As you know, our country faces a real crisis in corporate governance. Over the last two years, seven trillion dollars in value was destroyed and hundreds of thousand of workers lost their jobs and their retirement benefits due to the malfeasance committed by chief executives, board of directors and public auditors. Fidelity is the world's largest mutual fund firm and has the power to shape the corporate governance of many of its portfolio companies. Attached is a report on companies where it appears Fidelity did not support corporate reform, given what is known about Fidelity's proxy voting guidelines. As a top shareholder of companies such as Enron, WorldCom and other alleged corporate wrongdoers, your shareholder votes for corporate reform at these companies could have made a difference.

However, it appears that Fidelity used its clients' share voting power to support captive boards of directors, to overpay corporate executives and to vote for conflicted audit committees at many troubled companies. Fidelity clients must know how their investments are working for them. Therefore, I ask you to establish a policy for full and timely disclosure of all Fidelity's mutual fund proxy voting decisions and proxy voting guidelines.

The AFL-CIO is a federation of trade unions that represent 13 million working men and women who participate in the capital markets as investors through defined benefit and defined contribution plans as well as through mutual funds and individual accounts. AFL-CIO affiliate union sponsored benefit funds have over \$400 billion in assets and many of them are significant clients of Fidelity Investments.



*Letter to Mr. Edward C. Johnson, 3<sup>rd</sup>  
July 31, 2002*

As you know, investment advisers have a fiduciary duty to vote the shares of their clients in a manner that is consistent with the best interests of their clients. Under the Employee Retirement Income Security Act, the voting rights attached to company stock are considered to be “plan assets” that must be managed in the best interests of pension plan beneficiaries. The Securities and Exchange Commission recently confirmed that this same principle, that voting proxies is a fiduciary duty, also applies to all investment advisers, including mutual funds. In a February 12, 2002 letter to John P.M. Higgins, President of Ram Trust Services, SEC Chairman, Harvey Pitt, stated that “an investment adviser must exercise its responsibility to vote the shares of its clients in a manner that is consistent with...its fiduciary duties under federal and state law to act in the best interests of its clients.”

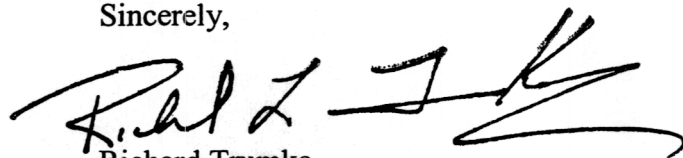
Unlike investment managers of defined benefit pension plans who routinely disclose their voting decisions, Fidelity refuses to tell their investors how it voted their shares. According to Ed Corrao of your legal department, “Fidelity Investments as a matter of policy does not disclose its vote decision with respect to a particular company, meeting or agenda item.”

Moreover, as the nation’s No. 1 provider of 401(k) plans, Fidelity has a self-interest in voting with management to avoid disrupting its business relationships. This conflict of interest does not end with Fidelity’s corporate clients, as Fidelity’s business interests discourage voting against the management of potential clients Fidelity hopes to win in the future. Fidelity faced possible conflict of interests, for example, at Enron that offered Fidelity funds in its 401(k) plan and at Lockheed Martin where a Fidelity subsidiary was a co-fiduciary for employee benefit plans. An Enron director candidacy met large investor opposition at Lockheed Martin this year. By refusing to disclose its proxy voting, Fidelity prevents mutual fund investors from monitoring this potential conflict of interest.

Only this spring, Fidelity announced that it is opposing companies’ plans to reprice options that increased their value. However, such a policy has little value unless Fidelity says how it is applied at specific companies. Many working families entrusted their retirement savings to Fidelity and disclosure of both the actual proxy votes cast and proxy voting guidelines will provide needed transparency, help reduce potential conflicts of interest and enable investors to make informed decisions about mutual funds.

I look forward to your response.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard Trumka", written in a cursive style.

Richard Trumka  
Secretary-Treasurer