

American Federation of Labor and Congress of Industrial Organizations



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AFL-CIO Discloses Healthcare Director Conflicts at Large Companies Tells SEC of Plans to File Resolutions at Companies in 2008 Proxies

WASHINGTON, Oct. 5—In a report to the U.S. Securities and Exchange Commission, the AFL-CIO expressed concerns about widespread conflicts of interest by directors from the healthcare industry on the boards of the largest U.S. corporations.

In an October 4 letter to SEC Chairman Christopher Cox, the AFL-CIO said that the presence of these directors on the boards of as many as 21 of the largest U.S. companies raised serious concerns about conflicts of interest. In many cases, the equity holdings of these directors in pharmaceutical and health insurance companies far exceeds their ownership of the companies where they serve as directors.

Healthcare industry directors on the boards of the largest U.S. companies may also have violated their fiduciary duties to shareholders by barring the purchase of generic drugs instead of name brands, and blocking companies whose boards they sit on from supporting federal legislation that could have saved shareholders billions of dollars.

“We are concerned these conflicts may have led to non-healthcare companies failing to manage their pharmaceutical health costs aggressively,” Daniel Pedrotty, director of the AFL-CIO office of investment, said in the letter to Cox. The conflicts of healthcare industry directors may also have resulted in corporations taking public policy positions contrary to their best long-term interests.

The 21 companies mentioned in the AFL-CIO report to the SEC include four of the five corporations with the highest retiree healthcare liabilities. Among them are General Motors Corp., Verizon Communications Inc., and General Electric Co.

The AFL-CIO also noted concern over General Motor’s aggressive intervention to protect the drug Nexium within its formulary at the same time Percey Barnevik, retired CEO of

AstraZeneca PLC, was a GM director and chairman of its board policy committee. At the same time, other large companies were substituting cheaper, generic versions of Nexium to counter rapidly rising drug costs.

“We believe companies that have these conflicts embedded in their boards should adopt policies to manage these conflicts in the interest of the companies and their shareholders,” Pedrotty said in the letter to the SEC.

The AFL-CIO and other large investors intend to file shareholder resolutions at these companies, it told the SEC in the letter.

For a copy of the report to the SEC please visit <http://investment.aflcio.org>

The AFL-CIO is the umbrella organization for America’s unions, representing 10 million workers nationwide. Union sponsored plans hold approximately \$400 billion in assets, and union members participate in benefit plans with \$5 trillion in assets.