

# Vote Bulletin: Tyson Foods, Inc.

Company	<b>Tyson Foods, Inc. (TSN)</b>
Market and Sector	Americas, Consumer Staples
Meeting Date	11 February 2021
Key Resolutions <sup>1</sup>	<p><b>Item 4.0:</b> Shareholder proposal – Human rights due diligence report</p> <p><b>Item 5.0:</b> Shareholder proposal – Recapitalization to establish “one share-one vote”</p> <p><b>Item 6.0:</b> Shareholder proposal – Lobbying report</p>
Key Topics	Human capital management, corporate governance, and corporate lobbying disclosures
Board Recommendation	The board recommended voting AGAINST the three shareholder proposals
<b>BlackRock Vote</b>	BlackRock voted FOR the three shareholder proposals

## Overview

Tyson Foods, Inc. (Tyson Foods) is a multinational, protein-focused food company headquartered in Arkansas, U.S. The company produces approximately 20% of the beef, pork, and chicken in the U.S., in addition to a portfolio of food products under the company’s multiple brands.<sup>2</sup> Tyson Foods is also the leading protein provider to many national restaurant chains and international customers, and the only company that sells chicken, beef, pork, and prepared food products through all major retail distribution channels.<sup>3</sup>

Tyson Foods is a controlled company with a dual class structure. Tyson Limited Partnership (TLP) controls 70.63% of the company’s voting stock. Board Chair John Tyson is a general partner of TLP.

BlackRock Investment Stewardship (BIS) regularly reviews Tyson Foods’ governance structure and risk profile. We have engaged consistently with the company’s management team on a range of material issues driving long-term shareholder value, including human capital management, product safety, and board oversight of and disclosure of ESG-related risks.

<sup>1</sup> Tyson Foods, Inc. “[Proxy Statement](#).”

<sup>2</sup> Tyson Foods, Inc. “[What We Do](#).”

<sup>3</sup> See previous footnote.

## Rationale for BlackRock's Vote

### **Item 4.0: Shareholder proposal regarding report on human rights due diligence (FOR)**

**BIS voted FOR the proposal requesting the board of directors prepare a report on the company's "human rights due diligence process to assess, identify, prevent, mitigate, and remedy actual and potential human rights impacts"<sup>4</sup> given that the company has limited disclosure regarding its supply chain audits.**

At Tyson Foods' 2020 Annual Meeting, BIS supported the shareholder proposal requesting a report on the human rights risk assessment process because we were not satisfied with the company's disclosures and practices around sustainable working conditions (the proposal received 15% support). After continued engagement on the matter, we remain concerned about the company's lack of robust disclosures.

As noted in our [2021 Global Principles](#), we expect companies to implement, to the extent appropriate, monitoring processes (often referred to as due diligence) to identify and mitigate potential adverse impacts, and provide grievance mechanisms to remediate any actual adverse impacts.

The company's board has represented that its "present policies and practices appropriately and adequately address the concerns raised in the proposal."<sup>5</sup> The company also considers that its additional practices – such as the social compliance audit program it conducts at its facilities on a yearly basis, as well as its United Nations Global Compact (UNGC) membership – further make the report requested by the proponent unnecessary.

During our most recent engagement, the company disclosed that an independent third-party audits approximately 25% of Tyson Foods' production facilities each year to verify their adherence to the company's social compliance program. The results are published in the company's sustainability report issued each year.<sup>6</sup> In BIS' view, the percentage of facilities subject to a third-party audit represents a very small proportion of the company's total operations, limiting shareholders' full understanding of the company's approach to human rights due diligence and its effectiveness. In addition, existing disclosures lack clarity on whether the company's suppliers and subcontractors are complying with Tyson Foods' standards.<sup>7</sup>

As a member of the UNGC, Tyson Foods is required to produce an annual Communication on Progress (COP) report reiterating the company's commitment to the Global Compact's 10 principles. In our engagements, company representatives could not confirm whether these annual COP reports are publicly available.<sup>8</sup>

In relation to the company's response to COVID-19, the company expressly disagrees with the implications raised in the proposal regarding the health and safety of its employees. The proponent claims that "during the coronavirus pandemic, Tyson has maintained punitive attendance policies (with minor exceptions), inconsistent or insufficient access to testing, workstations ill-equipped for social distancing, high line speeds, and incomplete COVID-19 reporting, which has already resulted in over 10,000 reported positive cases and at least 35 worker deaths." The company has repeatedly stated that "early on in response to the COVID-19 pandemic, [they] put in place significant protections at all facilities that meet or exceed CDC and OSHA guidance for preventing COVID-19," including the creation of a chief medical officer position and the plans to add almost 200 nurses and administrative support staff to supplement the current 400+ health services team members. Despite these initiatives and in light of the recent investigation into COVID-19 related allegations,<sup>9</sup> BIS remains concerned about Tyson Foods' health and safety protocols, as well as the overall corporate culture.

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<sup>4</sup> Tyson Foods, Inc. "[Proxy Statement](#)."

<sup>5</sup> See previous footnote.

<sup>6</sup> The company's [2019 Sustainability Report](#) informs that in FY2019, 37 production facilities were audited using a combination of Sedex Members Ethical Trade Audit (SMETA) and Workplace Conditions Assessment (WCA) criteria, with half of the facilities having one or no findings on: health and safety requirements, labor that involved overtime hours and consecutive workdays, and environmental findings.

<sup>7</sup> Tyson Foods, Inc. "[Certifications and Programs](#)."

<sup>8</sup> [COP reports](#) provide investors, and other stakeholders, insights into a company's efforts to support global progress in the areas of human rights, labour, environment, and anti-corruption. Companies that fail to report over time may be removed from the global initiative.

<sup>9</sup> Tyson Foods, Inc. "[Tyson Foods Completes Waterloo Investigation](#)." 16 December 2020.

## Item 5.0: Shareholder proposal regarding establishing “one share-one vote”- (FOR)

**BIS voted FOR the proposal requesting the board of directors “to retain an investment banker to develop a plan for a recapitalization to result in one vote per share for all outstanding stock of the Company.”<sup>10</sup>**

Tyson Foods’ capital structure has two classes of common stock: Class A common stock with one vote per share and Class B common stock with ten votes per share. As a result, TLP controls 70.63% of the aggregate vote of Class A common stock and Class B common stock.<sup>11</sup> The company’s board of directors believes that the capital structure, in existence since Tyson Foods reincorporated in Delaware in 1986, is in the best interests of the company and its shareholders.

As noted in our [2021 proxy voting guidelines for U.S. securities](#), BIS prefers a “one vote for one share” capital structure for publicly traded companies. We believe that certain fundamental rights should be attached to share ownership, starting with equal voting rights for all shareholders so that they can act to protect their economic interests in a company. While we recognize the potential benefits of dual class shares to newly public companies in certain circumstances as they establish themselves, we believe that these structures should have a specific and limited duration.

## Item 6.0: Shareholder proposal regarding corporate lobbying (FOR)

**BIS voted FOR the proposal requesting the preparation of an annual report “to assess whether Tyson Foods’ lobbying is consistent with Tyson’s expressed goals and the best interests of shareholders.”<sup>12</sup>**

As discussed in our commentary on [our perspective on corporate political activities](#), BIS regularly engages with companies to understand how their activities and disclosures related to political spending and lobbying are consistent with a company’s overall strategy and long-term shareholder value creation. Companies that engage in political and lobbying activities should develop and maintain robust processes to guide these activities and mitigate risks, including through effective board oversight. Companies should provide accessible and transparent disclosure so that investors and interested stakeholders can understand how a company’s public messaging and strategy are aligned with its contributions or affiliations. Moreover, we expect companies to monitor the positions taken by trade associations of which they are active members for consistency on major policy positions and to provide an explanation where inconsistencies exist.

Tyson Foods has launched an internal review to identify approaches to enhance transparency of their federal, state lobbying, and political activity at the direction of the executive management team. The company has said that this review should be concluded by the end of March 2021. While BIS welcomes the internal review and views it as a step in the right direction, we supported this proposal given the company’s limited disclosures of its political contributions and corporate lobbying activities at present.

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<sup>10</sup> Tyson Foods, Inc. [Proxy Statement](#).

<sup>11</sup> See previous footnote.

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## About BlackRock Investment Stewardship (BIS)

BIS plays a fundamental role in the activation of BlackRock's purpose of helping more and more people experience financial well-being. Consistent with the firm's fiduciary duty, BIS advocates for sound corporate governance and business practices that deliver the sustainable, long-term financial returns that enable our clients to meet their investing goals. This objective drives our engagements and votes at company meetings.

We engage company leadership on key environmental, social, and governance (ESG) topics that, if not adequately addressed in policies, managed, and overseen, could expose the company to material economic, operational or reputational risks. Every year, we determine our [engagement priorities](#) based on our observation of market developments and emerging governance themes. Engagement also informs our voting decisions.

Our approach to investment stewardship is grounded in an expectation that the board will oversee and advise management, influencing management's approach to key business issues. When effective corporate governance is lacking, we believe that voting against the responsible director(s) and / or supporting a shareholder proposal that addresses a material risk are often the most impactful actions a long-term shareholder can take.

We are committed to transparency in our stewardship practices. Where we believe it will help to understand our decisions on key votes at shareholder meetings, we will publish a Vote Bulletin explaining the rationale for how we have voted and (where relevant) providing information around our engagement with the company.