Vanguard Investment Stewardship Insights

Voting insights: Oversight of health and safety risks at Tyson

Vanguard publishes Investment Stewardship Insights to promote good corporate governance practices and to provide public companies with our perspectives on important governance topics and issues that come up for shareholder votes.

February 2021

Company: Tyson Foods, Inc. (Tyson)

Meeting date: February 11, 2021

Proposals: Item 1—Election of Directors; Item 4 (shareholder proposal)—Report on Human Rights Due Diligence; Item 6 (shareholder proposal)—Report on Lobbying Payments and Policy

How the funds voted

At Tyson's annual meeting, the Vanguard funds voted to support two shareholder proposals involving oversight of strategic risks. The first proposal requested that the board prepare a report on the company's human rights due-diligence process. The second proposal requested annual disclosure of the company's lobbying policy, procedures, and spending. The funds also voted against the reelection of Director Robert Thurber, chair of the board's Governance and Nominating Committee, for accountability reasons, given the committee's specific role in overseeing worker health and safety matters.

Vanguard's principles and policies

Boards are responsible for overseeing a company's long-term strategy and any material risks. As part of our Investment Stewardship activities, we regularly assess how well a board of directors understands the company's strategy and the board's own role in identifying, mitigating, and disclosing material risks.

Tyson, a large U.S. processor of chicken, beef, and pork, has faced years of scrutiny over its management and disclosure of human rights risks, including concerns about employee health and safety and questions about lobbying activity on waivers from regulatory requirements when those waivers could contribute to poor working conditions. The company's response to risks from the COVID-19 pandemic further exacerbated these concerns. If the Vanguard Investment Stewardship team finds that a company's investors would benefit from enhanced risk oversight or greater disclosure, the Vanguard funds may vote in favor of proposals calling for such measures.

Analysis and voting rationale

This is the third consecutive year that Tyson has received a shareholder proposal about human rights, and the sixth consecutive year it has received one about lobbying payments and policy. The Vanguard funds have not supported these proposals in the past. We conduct fresh analysis each year, examining new data, evaluating risk oversight and disclosures, and considering evolving market norms. Thus, through engagements with companies and other stakeholders, and through research and monitoring, our assessment of the materiality of issues may change.

In analyzing this year's human rights shareholder proposal, we engaged with both Tyson and representatives of the shareholder proponent. The proponent was concerned about Tyson's lack of information describing the company's due-diligence process for addressing human rights. The proponent noted there was little public disclosure about how Tyson assesses, identifies, prevents, mitigates, and remedies actual and potential human rights impacts on its workforce. During our engagement with Tyson, company executives provided perspectives on its human rights practices and expressed the belief that Tyson's existing programs adequately addressed the proposal's request.

Through our independent research, we identified that Tyson had realized legal, regulatory, reputational, and investment risks. We believe these were in part because of the board's lack of oversight on human rights risks. In our assessment, the shareholder proposal's request allowed enough flexibility and discretion for Tyson to address the concerns without having the proposal dictate changes in company strategy. In addition to supporting the human rights proposal, the Vanguard funds voted against the Governance and Nominating Committee chair to express concerns about inadequate risk oversight.

Vanguard employs a materiality-based, case-by-case approach to evaluating shareholder proposals, including those regarding political spending. In evaluating the proposal seeking disclosure of Tyson's lobbying policy, procedures, and spending, we found that Tyson had an opportunity to improve disclosure of its corporate political activity policy and that clarity about the board's oversight of corporate political activity risk was lacking, especially compared with its industry peers. We believe that greater disclosure will enable investors to assess whether Tyson's lobbying activities are in line with the best long-term interests of its shareholders, and the Vanguard funds supported the proposal.

What we expect from companies on this matter

Poor board oversight, coupled with a lack of public disclosure, may lead to financial, legal, and reputational risks, jeopardizing a company's long-term performance. Vanguard expects boards to be fully engaged in the oversight of both strategy and risk and to provide clear, decision-useful disclosure of its material risks and related practices. In Tyson's case, we believe the company can better articulate how its board identifies and mitigates risks related to human rights and corporate political activity and can better disclose those risks to investors.

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