Corporate Political Activity

Tyson Foods

January 19, 2017

Ticker	Exchange	Meeting Date	Record Date	Annual Meeting Location
TSN	NYSE	2-9-2017	12-12-2016	Springdale, Arkansas

Agenda	
Item	**Proposal**
1	MGT: Elect directors
2	MGT: Ratify selection of auditors
3	MGT: Advisory vote on executive compensation
4	MGT: Approve frequency of advisory vote on executive compensation
5	SH: **Report on lobbying**
6	SH: Report on board diversity
7	SH: Proxy access
8	SH: Adopt water stewardship policy

Si2 Briefing Corporate Political Activity

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Links Proxy Statement; Code of Conduct; Sustainability Report

Resolved Clause

Resolved, the shareowners of Tyson Foods ("Tyson"), request preparation of a report, updated annually, disclosing the following:

1. Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications;
2. Payments by Tyson used for (a) direct or indirect lobbying or (b) grassroots lobbying communications, in each case including amount of payment and recipient;
3. Tyson's membership in and payments to any tax-exempt organization that writes and endorses model legislation;
4. Description of decision-making process and oversight by management and Board for making payments described in sections 2 and 3 above.

For purposes of this proposal, a "grassroots lobbying communication" is a communication directed to the general public that (a) refers to specific legislation or regulation, (b) reflects a view on the legislation or regulation, and (c) encourages recipient of the communication to take action with respect to the legislation or regulation. "Indirect lobbying" is lobbying engaged in by a trade association or other organization of which Tyson is a member.

Both "direct and indirect lobbying" and "grassroots lobbying communications" include efforts at local, state and federal levels.

	The report shall be presented to the Audit Committee or other relevant oversight committees and posted on Tyson's website.
Lead Proponent	Mercy Investment Services
Vote History	This is the second year in a row that this proposal has appeared at Tyson Foods. The 2016 proposal received 9.7 percent support. A similar proposal in 2015 was withdrawn after it was submitted too late.
Summary	Tyson Foods' lobbying disclosures include information on how it manages its lobbying and a brief trade association policy, but they do not provide any information on board oversight of lobbying activity, a list of trade association memberships, dues paid to trade associations or the amount of company funds used by those associations for political purposes, including lobbying. Tyson Foods has cut back on its disclosures compared with previous years by removing from its latest sustainability report most of its policy on trade association activity, as well as a previous list of trade association memberships. This change goes against the trend of most companies in the S&P 500 and the company's Consumer Staples sector—most have been adopting more comprehensive policies and providing more detailed information.

I. Tyson Foods and Political Activity

Financials			
($ millions)	**2015**	**2016**	**% Change**
Total Revenue	$41,373	$36,881	(10.9%)
Net Income	$1,224	$1,772	44.8%

Tyson Foods is one of the largest chicken, beef, pork and prepared foods producers in the world. The company processes fresh meat and sells it to retail, wholesale and food service markets globally. It also produces processed and pre-cooked meats, prepared foods and animal feeds. The company's most recognized brands include Tyson, Jimmy Dean, Hillshire Farms, Sara Lee, Ball Park, Wright, Aidells and State Fair.

During 2016, the company's Beef segment accounted for 39 percent of revenue, while the Chicken segment accounted for 30 percent. The Pork and Prepared Foods segments accounted for 13 percent and 20 percent of sales, respectively.

During 2015, the company sold products in approximately 130 countries around the world, but its major markets are the United States, Brazil, Canada, Central America, China, the European Union, Japan, Mexico, the Middle East, South Korea and Taiwan.

Tyson employs about 114,000 people, with most (108,000) in the United States.

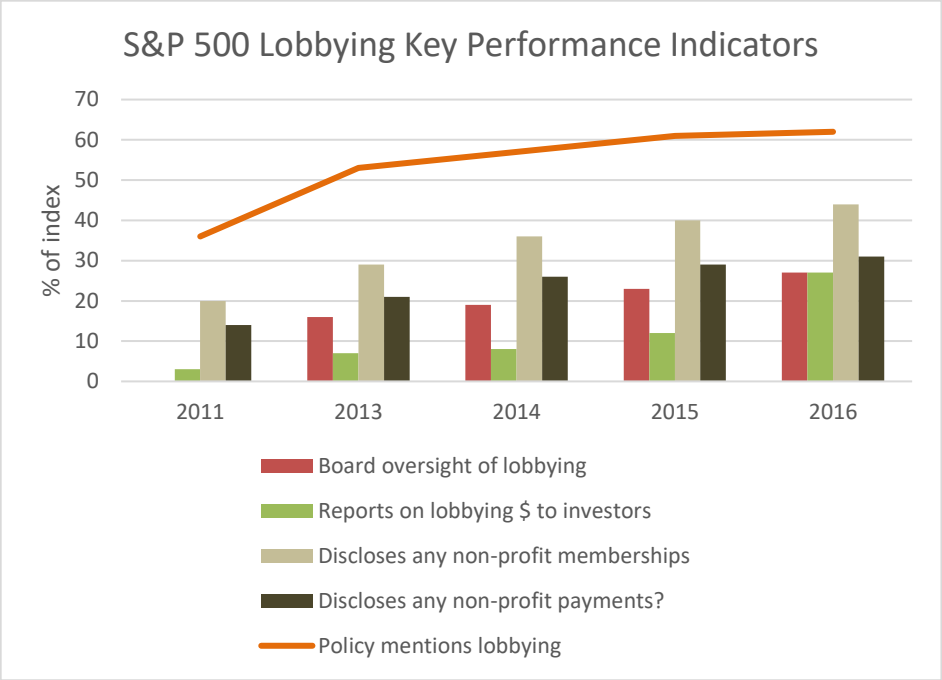
Lobbying Policies

The bar chart and table below *(next page)* provide comparative data from Si2's benchmarking research and show how board oversight and company disclosure on lobbying and intermediary group memberships and spending has increased in the last five years. The chart shows how the company's lobbying policy stacks up against companies in the index and in Tyson Foods' sector, using data from Si2's 2016 survey of the S&P 500.

Direct lobbying: Tyson Foods' policy on corporate lobbying is in its Code of Conduct and in the Public Policy and Political Contributions section of the company's Sustainability Report. It says:

> Representatives from all parts of our company impact public policy through direct interaction with policymakers, as well as through participation on industry committees and advisory boards. We believe this interaction ensures our views on key issues are heard and help shape sound public policy.

In the Code of Conduct, Tyson Foods references a Charitable and Political Contribution Policy, but that document is not available to the public.



Board oversight: Tyson Foods' policy does not contain any provisions for board oversight of direct corporate lobbying activity.

Management transparency: Tyson Foods explains that "Only Team Members authorized by external relations may contact a government official on behalf of the Company for charitable or political purposes."

Grassroots lobbying: The company does not address grassroots activity.

Corporate Lobbying Policies – Governance & Disclosure			
	Tyson Foods	**2016 Si2 Study Results**	
		Consumer Staples Sector	***S&P 500***
Governance			
Board oversight of lobbying	No	39%	27%
Management transparency on lobbying?*	Yes	56%	51%
Policies			
Federal lobbying mentioned?	Yes	75%	62%
State lobbying mentioned?	No	39%	32%
Intermediary Groups			
Trade association policy?	Yes	43%	55%
Other non-profit policy?	No	19%	30%
Discloses any memberships?	No	26%	44%
Discloses any payments?	No	24%	32%
Prohibits use of company $ for politics?	No	1%	7%
Spending Disclosure to Investors			
Federal lobbying $ reported?	No	22%	12%
Any state lobbying $ reported?	No	2%	3%

*Identifies corporate officer(s) involved in decision-making.

Indirect lobbying: The policy on trade association activity states:

> We work on regulatory and legislative policy issues that can have an impact on our business. We do this through our own involvement as an individual company and through membership in industry associations.
>
> Representatives from all parts of our company impact public policy through direct interaction with policy-makers, as well as through participation on industry committees and advisory boards..

The company's 2013 Sustainability Report, still available on the company website, contains a more comprehensive policy on trade association activity, but that language has been removed from the most recent Sustainability Report and does not appear anywhere else on the company website.

Membership and payment disclosure: As with its overall policy on trade association activity, Tyson Foods disclosed an extensive list of its memberships in trade associations in the 2013 report but no longer does so anywhere else. Additionally, the company does not report any dues or payments to such organizations or the subset used for political and lobbying expenditures. *(See below for more on the company's involvement with intermediary groups that lobby.)*

Lobbying Expenditures

Available information from the public record on the company's lobbying shows it has spent $6.3 million at the federal level in the last five years. These amounts may include contributions dispersed through intermediaries.

Company disclosure of lobbying activities: The company does not independently disclose federal lobbying expenditures. In addition, it does not discuss state lobbying or provide any links to relevant state disclosure websites.

Tyson Foods Federal Lobbying Expenditures 2011-2015

Year	Federal Lobbying Expenditures
2012	$1,893,344
2013	$1,451,816
2014	$1,163,838
2015	$1,136,493
2016	$669,318
Total	**$6,314,809**

*Through October 28, 2016.
Federal expenditures provided by the Center for Responsive Politics through their website OpenSecrets.org. Quarterly lobbying reports are available at the Senate Office of Public Records.

Trade Associations & Other Intermediaries

As noted, the company has ended its disclosures about memberships in tax-exempt groups that may spend on lobbying, although information released by such groups can be gleaned from other public information. *(See table.)* Dues paid by the company help underwrite a percentage of each association's political and lobbying expenses.

Company Involvement with Trade Associations

Organization	*Tyson Foods*				*Most Recent IRS Data*	
	On Board	*Member*	*2015 Contributions*		*Total Dues*	*Political Spending**
			Dues	*Political**		
American Chemical Society		X	ND	ND	$17.7 mil.	$1.5 mil.
National Chicken Council		X	ND	ND	$2.8 mil.	$341,794
North American Meat Institute	X	X	ND	ND	$2.3 mil.	$32,470
U.S. Chamber of Commerce		X	ND	ND	$195.5 mil.	$19.9 mil.

*Political and lobbying expenses non-deductible under Internal Revenue Code Section 162(e)1.

Memberships: Some business groups have taken positions at odds with public policy initiatives supported by leading institutional investor activists and corporate reformers. One organization supported by Tyson Foods that may advocate for positions at odds with other company policies is the U.S. Chamber of Commerce. *(A more detailed description of controversies about the group appears in Si2's Briefing Paper on Corporate Political Activity, pp. 28-30).*

II. Proponent Position

The proponent believes that without disclosure of the company's lobbying policies, procedures and expenses, shareholders cannot adequately assess the use of corporate funds and the risks that such spending may impose. In addition, the resolution states that without enhanced disclosure, the company may be inadvertently supporting communications, causes or policy objectives through trade association lobbying that do not coincide with the company's long-term interests and may pose risks to company shareholders.

Of concern to the proponent is the company's lack of disclosure for trade association memberships, payments to such groups and the portions of those payments used for lobbying purposes.

(Additional information on the proponent position appears in Si2's Briefing Paper on Corporate Political Activity.)

III. Management Position

Tyson Foods opposes the proposal and states that it has not spent the amounts quoted by the proponent on lobbying activities.

The company says it has lobbied at both the state and federal level in the past and that intend to continue to do so. It indicates all its lobbying occurs in accordance with guidelines set out in the Code of Conduct, available on its website. Tyson Foods also notes its federal lobbying disclosures are available through U.S. government websites.

Tyson Foods goes on to provide a brief overview of its requirements for corporate political and TYPAC contributions, neither of which are the concern of this proposal.

As for trade association activity, Tyson Foods says, "Participation as a member of these associations comes with the understanding that we may not always agree with all of the positions of the organizations or other members, but that we believe that the associations take many positions and address many issues in a meaningful and influential manner and in a way that will be to the Company's benefit." In addition, the company says it continually evaluates its memberships as well as the effectiveness of the political activities of significant trade associations to which it belongs and that all contributions to such organizations are disclosed as required by law.

Because of its current policies, the company believes that the requested disclosure would cause it to incur additional expense, without adding commensurate benefit to shareholders. In addition, such unilateral disclosure could also put the company at a competitive disadvantage, management believes.

IV. Analysis

For a general analysis of the issues raised by corporate lobbying, please see Si2's Briefing Paper on Corporate Political Activity. The following is specific to Tyson Foods.

Key Points at Issue

- Do shareholders have enough information about Tyson Foods's lobbying activities?
- Do the company's grassroots lobbying activities expose its shareholders to unnecessary risks?

Best practices: Tyson Foods policies and procedures address direct corporate lobbying as well as lobbying by trade association partners, but not the activities of other tax-exempt groups. The company's policies include very brief information on its management of direct corporate lobbying, but do not address board oversight. In previous years, the company's policy on trade association activity was more robust,

but it has removed that language from its latest Sustainability Report and replaced it with the much more general statements quoted above.

Disclosure: The company does independently disclose its federal lobbying expenditures for the previous year, but not any information on state-level lobbying. Required federal disclosure forms provide information on the issues and legislation the company lobbies about as well as which federal legislators or committees are contacted. But, since a public repository of all state level lobbying expenditures does not currently exist and state disclosure regimes vary, it is impossible to accurately determine how much the company spends in the states on lobbying. Efforts to compile such information take extensive time and labor and do not yield easily comparable information.

With respect to trade association activity, Tyson Foods previously listed 93 trade association memberships, but has never made public any information on the dues or payments made to the associations or the portion of dues used for political and lobbying purposes.

Relationships with trade associations and other politically active non-profit groups: Tyson Foods' relationship with the U.S. Chamber of Commerce may prompt concern among some shareholders given the views held by the group on climate change and other contentious issues.

Summing up: In short, while the company's lobbying disclosures to include management of lobbying and a brief trade association policy it does not provide any information on board oversight, list trade association memberships, dues paid to trade associations or the amount of company funds used by those associations for political and lobbying expenditures.

Tyson Foods has cut back on its lobbying disclosures compared to previous years, removing much of its policy on trade association activity and a former list of trade association memberships. This runs counter to the trend of the most S&P 500 companies and others in the Consumer Staples sector—where firms are adopting more comprehensive policies and providing more detailed information.

Voting Considerations

Voting in favor: Investors may want vote in favor of this proposal to underscore to management that current publicly available information provides an inadequate view of company lobbying. They may think that more information is vital for properly assessing risks associated with lobbying, including in the states and at the grassroots, and they may have concerns about reputational damage that can come from ties to controversial groups. Some investors may be particularly concerned about the way in which the company appears to have walked back previous transparency.

Voting against: Investors may decide to vote against the resolution because they think there is enough information available from the company and other sources about its lobbying, and that current disclosure laws are adequate. Some also may vote against because they consider corporate lobbying immaterial (either monetarily or from a public relations perspective). Finally, some also may believe that the company should participate in the political arena through lobbying to pursue its interests, and those of its shareholders.