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## Shareholders Encouraged to Vote FOR Resolution at Tyson Foods on Policy to Address Water Impacts of Business Operations and Suppliers

**Lead Filer:** American Baptist Home Mission Society

**Co-filers:** Congregation of Sisters of St. Agnes, Daughters of Charity, Province of St Louise; Dignity Health, PGGM Vermogensbeheer B.V., Trinity Health, Sisters of Providence, Mother Joseph Province

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Tyson shareholders are encouraged to vote FOR the following resolution at the 2017 Annual Meeting of Tyson Foods, Inc.

Resolved: Shareholders request the Board of Directors adopt and implement a water stewardship policy designed to reduce risks of water contamination at: Tyson-owned facilities; facilities under contract to Tyson; and Tyson's suppliers.

Supporting Statement: Proponents believe the water policy should include:

- Requirements for leading practices for nutrient management and pollutant limits;
- Financial and technical support to help implement the policy;
- Robust and transparent measures to prevent water pollution incidents;
- Specific time-bound goals to ensure conformance with the policy; and
- A transparent mechanism to regularly disclose progress on adoption and implementation of the policy.

### **Overview of Water Risk and Resolution**

Tyson Foods has a history of water contamination incidents at its facilities and among suppliers and contract farmers and its business is exposed to significant water risk. Meanwhile Tyson has no policy to comprehensively manage water stewardship. Proponents of this resolution share a common concern regarding the financial and reputational risks associated with water contamination from the company's operations and its supply chain, and shareowners request that Tyson Foods adopt and implement a water stewardship policy that outlines leading practices to improve water quality for all company-owned facilities, facilities under contract to Tyson, and suppliers.

### **Tyson Does Not Sufficiently Manage Water Risk:**

- ▶ While Tyson has an Environmental Management Systems (EMS) at each facility that it states helps to achieve environmental sustainability goals, there is **no transparency** on how these systems improve water management and reduce risks of serious contamination incidents. The EMS is **limited only to Tyson facilities** does not address risks of contamination within the supply chain or among contract farmers where water risk is greatest.
- ▶ Tyson Foods operates 35 full treatment and 52 pre-treatment facilities and has a long-term goal to eliminate Notices of Violations and permit exceedances. Government oversight and permitting amounts are insufficient to manage wastewater discharges, as demonstrated by Tyson's history of violations and fines (see more on fines below). In addition, Tyson's wastewater treatment facilities **only serve the company processing plants, and do not address risks of water contamination from non-point source pollution from contract farmers.**

- ▶ While Tyson Foods has a Water Council to understand the landscape for water management, this Council is **focused primarily on water conservation** (i.e. quantity of water used not quality) and addresses only Tyson operations, not supply chain risks. The greatest risk for fines and illegal activity lies within the potential for contamination, not over quantity of water used.
- ▶ Tyson has faced **finances and controversies** related to water. Tyson faces an ongoing federal criminal investigation related to the discharge of wastewater from a Missouri treatment plant into a local stream that caused fish kills and pollution. Tyson paid a \$540,000 judgment in response to the civil suit and the U.S. Environmental Protection Agency’s criminal investigation linked to this incident could cost the company up to \$500 million annually if government contracts are suspended.
- ▶ Tyson reported 117 wastewater **permit exceedances**, 29 notices of violation, and 11 chemical releases in 2015, which may represent financial or legal liabilities.<sup>1</sup> An Environment America report from 2016 found that Tyson “dumps more toxic pollution into the nation’s waters than any other agribusiness,”<sup>2</sup> discharging over 20 million pounds of toxic pollutants to the nation’s waters in 2014<sup>3</sup>.
- ▶ Tyson reports on water usage in its Sustainability Report, but this reporting **does not include information on water management in its supply chain or contract farmers**. Tyson reported to CDP Water Questionnaire in 2016 for the first time, but did not include information about water risk in the supply chain and reporting focused on quantity of water used.
- ▶ Tyson Foods does business with 4,000 independent poultry farmers, 4,000 cattle producers and 3,000 pigs farms across the and requires that these facilities comply with law. Information about Tyson monitoring of these facilities is not available. **State law requirements vary** for critical water protection mechanisms, such as nutrient management plans. This leads to different behavior by different contract farmers and does not adequately manage water risk throughout the broad supply chain. Even if there are laws requiring a nutrient management plan, a state may lack capacity to adequately enforce these laws to reduce risk.
- ▶ Tyson indicates that it encourages its contract farms to be independent and sustainable. However, in poultry production, Tyson maintains control over nearly every aspect of growth and production of the eggs, chicks, and processing of the chickens it sells. **Yet Tyson does not provide support, guidance, training, or incentives to reduce the risk of water contamination from animal waste**. Tyson provides a Handbook to farmers in addition to high levels of oversight and guidance on the production of animals, including providing feed, monitoring the quantity of feed used, scheduling visits from field technicians, providing veterinary services and medication. The company retains title to the birds, feed, and administered medication throughout its growth period with the contract farmers.
- ▶ The Company has had a [Supplier Code of Conduct](#) since 2010 that includes protection of the environment. However, **the Supplier Code of does not address water management** and lacks specific requirements and standards that could reduce the risk of water pollution. No incentives are provided to contract farmers to manage animal waste in a manner that would reduce the risk of contamination.

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<sup>1</sup> <http://www.environmentamerica.org/sites/environment/files/reports/CorpAgFoulingWaterways2016-web.pdf>

<sup>2</sup> <http://www.environmentamerica.org/news/ame/report-tyson-1-water-polluter-among-agribusinesses>

<sup>3</sup> <http://www.environmentamerica.org/news/ame/report-tyson-1-water-polluter-among-agribusinesses>

## Background About Tyson Foods and Water Risk

- ▶ **Tyson is the single largest producer** of both beef and poultry in the country. It acquired Hillshire last year, increasing its pork business. **Tyson has a vertically integrated structure** for its poultry operations, allowing it to maintain control over nearly every step of animal rearing and production: Tyson provides the chicks and feed to independent contract farmers who care for and raise the chicks according to company standards then the company processes them.
- ▶ **Wal-Mart Stores, Inc. accounted for 16.8%** of Tyson’s fiscal 2015 consolidated sales. Tyson and its suppliers must be prepared to meet Wal-Mart’s evolving standards for supplier sustainability, fertilizer optimization, and water management.
- ▶ **Feed represents roughly 64% of the cost** of growing a live chicken domestically, indicating this is a key area of water risk for Tyson, as it relates to fertilizer optimization and pollution from runoff.
- ▶ **Potential Sources of Water Contamination Risk in Tyson’s operations:**
  - Waste disposal and chicken litter runoff at contract farms;
  - Nutrient runoff from fertilizer at farms that provide feed - corn, soybean meal are primary inputs for feed ingredients;
  - Wastewater from 60 processing and slaughtering facilities. Discharges are permitted, but still contaminate waterways.
  - Water contamination associated with commodity based raw materials used in prepared foods (e.g. corn, flour and vegetables) – from fertilizer

## Tyson Has Not Made Changes to Address Concerns in This Resolution

- ▶ Since this resolution was filed for consideration at the 2015 and 2016 Annual Meetings, there have been **no significant public changes** to Tyson’s management of water stewardship.

## Water Contamination Poses Financial Risk For Tyson Foods

<i>History of Water Pollution Incidents &amp; Fines at Tyson Foods</i>	
<b>January 2015</b>	In a settlement with the Attorney General of Missouri, Tyson agreed to <b>pay a fine of \$540,000</b> , consisting of natural resource damages, civil penalties, and environmental improvements relating to the Monett, MO facility wastewater discharge incident.
<b>May 2014</b>	Missouri attorney general filed a civil lawsuit after incident where feed supplement discharged from Tyson plant in Monett, MO; Criminal investigation launched by Environmental Protection Agency (EPA) with <b>risk of debarment</b> from Government Contracts.
<b>September 2013</b>	United States Department of Justice (DOJ) alleged that one of company’s subsidiaries did not comply with the Clean Water Act with respect to a spill that occurred in North Carolina in January 2010. Settled the allegations and underlying claims for <b>\$305,000</b> .
<b>April 2013</b>	Paid <b>\$3.95 million</b> and settled a case with the EPA and DOJ after releasing anhydrous ammonia at facilities in Missouri, Kansas, Iowa, and Nebraska

<b>2012</b>	Arkansas rice growers filed <u>suit</u> alleging that 3-Nitro, linked to high arsenic levels, was present in chicken litter.
<b>2009</b>	NE Fecal Coliform and nitrates enter Missouri River, violating a permit <b>\$2 million civil penalty and \$4.1 million fine</b>
<b>2003</b>	20 felony counts for MO Untreated waste into tributary of Lamine River <b>\$7.5 million fine</b> to EPA and <u>DOJ</u>
<b>2001</b>	<b>\$7.3 million fine</b> for pollution of drinking water in Tulsa, Ok

*For questions regarding Tyson Foods Proposal for a Policy to Address Water Impacts of Business Operations and Suppliers please contact Mary Beth Gallagher, Tri-State Coalition for Responsible Investment, (973) 509-8800 or [mbgallagher@tricri.org](mailto:mbgallagher@tricri.org)*