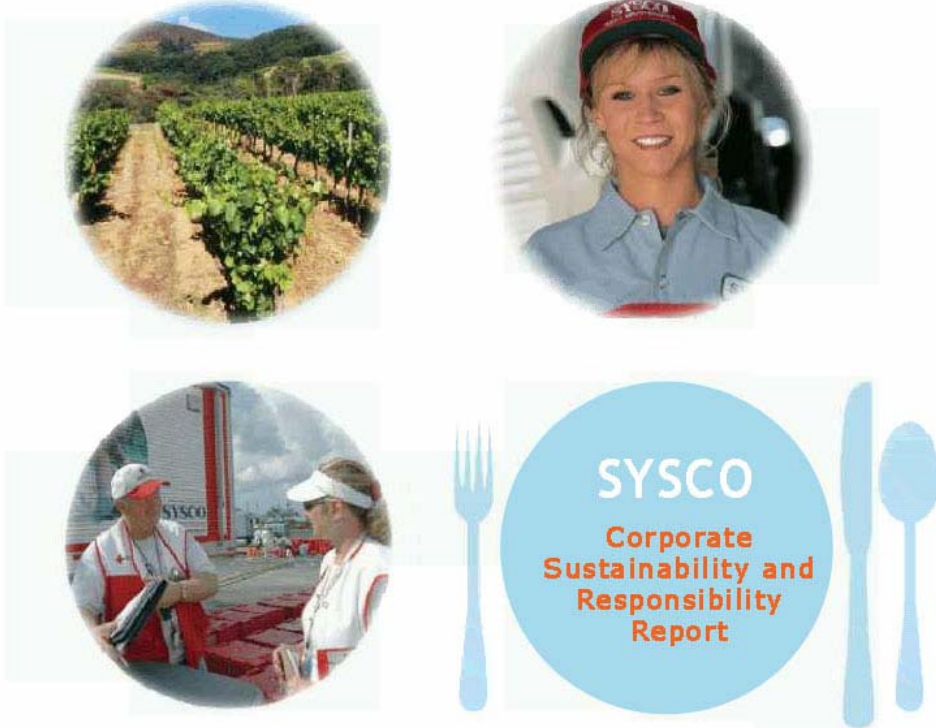


# **SYSCO Corporate Sustainability and Responsibility Report**



## **Letter from SYSCO's Chairman, CEO and President Richard J. Schnieders**

As the global leader of the foodservice industry, one of our goals is to have a sustainable company – one that can weather changes in the economy, the markets we serve and whatever the future may hold – and stay in business forever. We recognize that our success is tied inevitably with the success of our customers and our mission reminds us daily that we must continue to strive to help them succeed. Our financial success is also tied to managing our business in a responsible manner – not only by meeting the needs of our customers, but also by providing a workplace that fosters a diversity of talented employees and by embracing a corporate mindset that is concerned with the many environmental and community issues relating to the sustainability of the food supply.

We recognize that we must go beyond the basic sustainability of our business

and for many years, we have encouraged a number of social responsibility guidelines. However, this is our first endeavor to publish a report on our corporate social responsibility efforts. The journey has begun, but there is still some distance to go. We have, however, made good strides in a number of areas and set future goals for others. In some areas, we have no quantifiable data, although we are working toward developing and expanding the metrics we believe to be essential in demonstrating our concern for the environment. Over time, when more data becomes available, we will share additional information at least annually, and in the event that major events affect our company, we will report as they occur.

As we progress, we are committed to doing the right thing. The responsibility for our corporate social responsibility commitment ultimately rests on every individual in our organization, whether it is environmental, economic or social, although we do have several individuals who oversee key segments pertaining to these goals. We plan to continue to conduct our business on principles that have been ingrained in our culture -- integrity, reliability, entrepreneurialism and quality -- to ensure that our business remains profitable and sustainable for future generations to come. Should you have feedback or questions, we invite you to contact us at [www.contactSYSCO.com](http://www.contactSYSCO.com).

**Richard J. Schnieders**

**Chairman, CEO and President**

**January 29, 2007**

## **SYSCO Profile**

SYSCO is the global leader in selling, marketing and distributing food products to approximately 400,000 restaurants, healthcare and educational facilities, lodging establishments and other customers who prepare meals away from home. Our family of products also includes equipment and supplies for the foodservice and hospitality industries.

- **Our Mission.** Helping Our Customers Succeed
- **Our Vision.** SYSCO will be the global leader of the efficient, multi-temperature food product value chain.
- **Our Strategy.** SYSCO will provide the lowest total procurement costs for our customers.

## **Our Customers**

**SYSCO is committed to protecting the sustainability of supply**

## **sources**

We are ever mindful of -- and committed to -- our mission of helping our customers succeed, whether they are a major chain, an independent neighborhood diner, a hospital or long-term care facility, a school or a summer camp, or any of the variety of foodservice customers we serve. SYSCO is committed to protecting its sources of food supply for the long term and to the distribution of only those products that meet our specific and exacting quality and safety standards. In fact, in October 2004, Craig Watson, a 26-year SYSCO associate and Vice President of Quality Assurance, assumed additional responsibility for agricultural sustainability at SYSCO. His role is to broaden SYSCO's impact on agricultural sustainability issues and to initiate programs to foster the success of highly differentiated products that are profitable to all stakeholders, to encourage farmer ownership and control and to contribute to environmental stewardship and rural vitality.

## **Food Safety is a high priority**

As the leader in the foodservice distribution industry, we recognize the importance of food safety, not only with respect to the well being of consumers, but also as it relates to the success and reputation of our customers and our company. SYSCO takes every step that is mandated, as well as many more that exceed government requirements, to verify the safety of the foods we distribute and that these products are developed and processed in accordance with all government regulations. This also includes our SYSCO Brand products, which are developed and monitored by our staff of approximately 180 quality assurance professionals. These individuals are in the fields, on the production lines and in contact with our suppliers, and they represent a commitment to food safety that we believe is unsurpassed in the foodservice industry. SYSCO complies, and will continue to comply, with all applicable government regulations.

One of our highest priorities is the ongoing, successful and effective safety of the products we supply our customers to prepare meals for the consuming public. The company does and will continue to urge regulatory authorities to take all steps necessary, based on sound scientific principles, to assure that foods are safe for consumers and for the environment. Both directly and through the trade associations to which we belong, we will support and lobby Congress and the federal regulatory agencies to increase the funding for development of scientific analysis and regulations that will ensure the safety of America's foods.

## **Food safety programs help minimize foodborne illnesses**

Foodborne illnesses may be minimized by strict control of many factors including proper cooking, holding, cooling and storage temperatures; cleaning and sanitization of workspaces and utensils to prevent cross contamination; and strict personal hygiene. We take our responsibility to address these issues very seriously, which is why we have such stringent temperature controls in place in our warehouses and delivery vehicles. We

have also been instrumental in assisting our customers in applying safety techniques in their own operations. One of those endeavors is our sponsorship, along with other major food-related corporations and organizations, to endorse the ServSafe® food safety training program (<http://www.Servesafe.com>) developed by the National Restaurant Association's Educational Foundation.

The ServSafe organization promotes food safety training through a coalition of foodservice operators, suppliers and associations and has produced guidelines and training materials that involve all aspects of safe food handling techniques in the foodservice operation environment. The training addresses instruction in such areas as proper food storage temperatures, hygiene for food preparers, and avoiding cross-contamination of foods by using color-coded cutting boards and equipment. SYSCO, with its widespread market coverage, is in a unique position to make available this training and certification to its broad base of customers throughout North America. Since 1994, SYSCO has sponsored more than 5,000 ServSafe classes and trained nearly 99,000 foodservice managers, who are then qualified to train their own staff.

### **Warehouses and delivery vehicles maintain product integrity**

Food safety practices go hand in hand with our own system-wide procedures to preserve product integrity, including temperature-appropriate receiving docks, storage facilities and delivery vehicles. In our warehouses, the loading docks are refrigerated to ensure product integrity during receiving and loading. Within the warehouse storage area, the cooling systems provide varied storage temperatures that are zoned to accommodate the perfect temperature for each product's requirement. Most of our operating companies have four temperature zones, while some have five. For example, fresh meat and poultry is stored at 28 degrees to 32 degrees, dairy products and some produce items are kept at 34 degrees to 36 degrees, while the temperature for potatoes and onions would be in the 48- to 50-degree range and bananas at 55 degrees.

In addition, we operate the largest private fleet in the country with more than 9,000 delivery vehicles. These include tractor/trailers with multi-compartment trailers that are temperature regulated appropriate to the products being transported, to ensure their safety throughout the delivery cycle. These vehicles are routed by sophisticated computer systems that develop the most fuel-efficient routing to keep fuel usage to a minimum. They also monitor the operation of the vehicles for the safety and productivity of our drivers.

### **SYSCO Brand products meet strict standards, beginning in the fields and plants**

To ensure the integrity of approximately 36,000 SYSCO Brand products, the quality assurance team, led by Craig Watson, Vice President of Quality Assurance and Agricultural Sustainability, is responsible for developing

product specifications. This team is dedicated to ensuring that suppliers of the SYSCO Brand products adhere to SYSCO's strict standards for consistency of quality and freshness.

To SYSCO, this care in delivering products to the food-prepared-away-from-home market is an essential part of the distribution process. It is prevalent in every tiny link from farm to table, beginning with selecting products in the field and including on-site inspection of manufacturing and processing plants, as well as monitoring production lines, with every process attuned to maintaining the brand's integrity with our customers. This chain of service is a complex system of developing, tasting and refining foods that will one day become selections on a customer's menu. In recent years, the increasingly sophisticated tastes of consumers, their growing awareness and knowledge of nutrition and its effect on health, and their increasingly global mobility are significantly influencing consumers' eating habits and fostering new food trends.

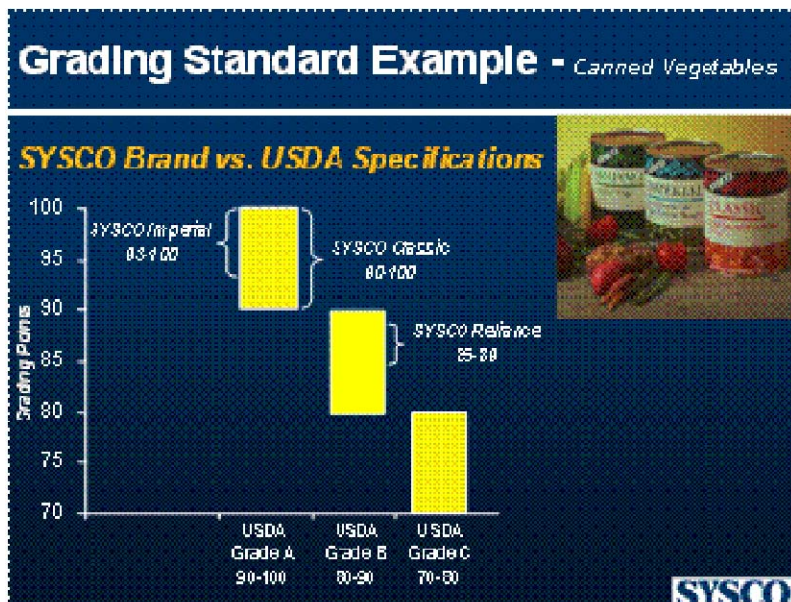
As these trends emerge, SYSCO arranges customer/supplier group forums that provide a receptive environment for customers to voice their "wish lists" and create the foundation for new product ideas. In response to the requests of customers at such forums, SYSCO works hand-in-hand with suppliers to develop specific lines of product that meet the requirements of certain market segments. Examples of foods that have emerged from these creative sessions include ethnic product lines, such as Italian, Mexican or Greek food families, as well as fruits and vegetables that have been chopped, sliced, diced or blended to save labor in food preparation.

As products manufactured for the SYSCO Brand are in production, members of SYSCO's quality assurance team will be in place on-site to ensure that SYSCO's rigorous quality standards that meet, and often exceed, USDA and FDA standards, are enforced. Each product packed under the SYSCO Brand has detailed specifications that set the standards for quality and consistency factors including size, color, net drained weight, tenderness, shelf life, packaging and other characteristics. The objectives of quality assurance are obtained by agreeing upon detailed product specifications with every SYSCO Brand supplier and enforcing those specifications on a daily basis. All existing SYSCO Brand suppliers are audited for compliance with our requirements, and products are routinely evaluated for conformity with all specifications as well as for performance against competitive products.

### **SYSCO takes an active role in encouraging regulatory steps to safeguard consumers**

At times, products may be determined to be unacceptable for consumption due to adulteration, mislabeling, or possibly toxic substances that may pose a threat to public health. SYSCO has very strict and comprehensive recall procedures for notifying customers in these situations and removing such products from the distribution chain. (Additional information about recall procedures may be found in the section titled "Our Suppliers.")

SYSCO has led the industry in implementing certain safeguards. For example, the USDA does not require metal detectors during food processing or manufacturing. In the early 1990s, SYSCO began requiring suppliers of SYSCO Brand products to use metal detectors. SYSCO also began requiring all its SYSCO Brand ground beef suppliers to have a written Hazard Analysis and Critical Control Point (HACCP) program for their facilities in the mid 1990s, although the FDA did not move forward with that requirement until 1997. Currently, SYSCO requires that HACCP principles be employed and that a thorough hazard analysis be conducted as the HACCP plan develops for all SYSCO Brand products. The FDA and USDA only require HACCP programs for meat, poultry, seafood and juice. Additionally, we require every SYSCO Brand produce supplier to have an annual third party audit that includes Good Agricultural Practices (GAP), even though the FDA currently does not require such audits. The USDA now requires zero tolerance for listeria pathogens in meat manufacturing environments. SYSCO also requires an environmental sampling program for spoilage and pathogenic bacteria for all potentially hazardous Ready-to-Eat meat products.



We have taken an active role in encouraging the United States Department of Agriculture to take additional steps to safeguard the public in the aftermath of the discovery of Bovine Spongiform Encephalitis (BSE) in the United States. SYSCO proposed that: 1) a national live animal identification program that traces beef or dairy cattle from birth to harvest; 2) the number of animals available for testing is increased to confirm that current surveillance programs have procedures to reduce delays of inventory through the supply distribution chain; and 3) tighter controls be implemented by the USDA in the governing of feed-milling companies to achieve zero tolerance so that beef animal byproducts do not enter beef and dairy cattle rations.

Another product line, seafood, is one whose quality may sometimes be compromised and one that is covered by fewer government regulations than many other products. Under the SYSCO Brand, SYSCO has both fresh and

frozen seafood lines, Hidden Cove and Portico. Our quality assurance team is known in the industry as requiring strict adherence to quality guidelines, not only in the selection of seafood products, but in all products sold under the SYSCO Brand. We are confident that the Hidden Cove and Portico seafood products are of the highest quality, are held at proper temperatures and are labeled with the appropriate species name.

The Company will continue to develop and revise plans to address business and food safety issues as they arise. SYSCO distributes products that comply with federal and state laws and labeling regulations. SYSCO will continue to work actively with our suppliers to develop even greater product choices for our customers, including certain GMO-free products, organic products, products farmed with Integrated Pest Management systems and food products with unique specifications such as those proposed by eco-label organizations that support sustainable agriculture.

### **Nutritional labeling helps consumers make healthy choices**

Many consumers are aware of nutritional issues and are actively trying to eat healthier. There is continued emphasis on fresh products, and unique flavor and taste profiles. Foodservice operators are challenged to address popular trends like low-carb foods, low-fat foods, organic foods and foods with fewer trans fats while maintaining good-tasting recipes. Consumers in North America love the whole experience of eating out – from finding new places, to trying new foods, to enjoying new experiences. They continue to come to the foodservice table and more emphasis is placed on the meal as entertainment than in past years, when a restaurant meal was an occasion to celebrate a specific event. Given the frenetic pace of today's lifestyles, eating meals prepared away from home has become a necessity more than a luxury. The consumer also has become more sophisticated about food choices and is seeking new tastes and food-centered experiences, continually shifting their eating habits.

One important way operators can stay knowledgeable about the content of the ingredients they use is through nutritional labeling. SYSCO believes that providing nutritional information is a competitive necessity to help customers keep their customers informed. SYSCO recently launched a real-time national data cataloging system to maintain and continuously update a data base on thousands of products, making it easier for our customers and consumers to track the nutritional content of meals prepared by our customers using SYSCO products.

## **OUR SUPPLIERS**

### **Supplier selection process includes strict criteria**

The farmers, growers, manufacturers and processors that supply products to SYSCO for eventual distribution to our customers are critical elements in the distribution chain. SYSCO's Quality Assurance team works hand in hand with

supplier partners to ensure that the products our customers receive are of the highest quality, consistency and are accurately represented.

The supplier selection process is intense and SYSCO Brand suppliers must be pre-qualified through the SYSCO Quality Assurance Initial Facility Audit process before being chosen. The initial facility audits are performed by the SYSCO Quality Assurance team and no supplier can produce SYSCO Brand products until they achieve an acceptable rating. These audits are detailed, objective, point-based surveys of a supplier's food safety procedures and they are designed to ensure that the supplier has adopted and implemented the best food safety practices available in the industry.

The implementation of these procedures must cover every aspect of the supplier's food chain, from farm to fork. The criteria evaluated includes a potential supplier's sanitation program, their pest control procedures, their food handling practices, their development and implementation of a science-based HACCP program (HACCP: Hazard Analysis and Critical Control Points, is a systematic proactive approach to food safety that addresses potential hazards as a means of prevention. For more information see: [www.cfsan.fda.gov/~lrd/hghaccp.html](http://www.cfsan.fda.gov/~lrd/hghaccp.html)), their testing and analysis programs and their ability to ensure traceability of all ingredients and products they produce.

### **Suppliers must undergo third-party evaluations**

Every SYSCO Brand food supplier must undergo, annually, a thorough third party evaluation of their food safety programs. This requirement is managed internally by the SYSCO Quality Assurance Department's Regulatory and Technical Services group. The audits are performed by highly qualified third party food safety and sanitation auditors such as The American Institute of Baking, Silliker Laboratories and NSF Cook & Thurber. These audits are a SYSCO requirement over and above routine FDA and USDA inspections of food processing facilities and in addition to audits of approved suppliers performed by our internal QA staff. These annual third party food safety and sanitation audits include a thorough review of the aforementioned programs. Specifically, sanitation programs; pest control procedures; food handling practices; testing & analysis procedures; HACCP implementation; and traceability are thoroughly reviewed.

Should a supplier fail to achieve an acceptable score on those point based audits they are de-authorized and are forbidden to pack SYSCO Brand. This program has resulted in the de-authorization of numerous suppliers, including 50 over the past three years. The most common reasons for deauthorization are that a company's food safety program doesn't meet our requirements and corrective action is not taken in a timely manner, or a company does not comply with the audit process.

### **Additional Requirements**

Additional examples of other SYSCO requirements that are over and above



routine FDA and USDA requirements include SYSCO's mandate that all raw materials used in the production of ground beef and veal products test negative for *e.Coli* 0157: H7. Additionally, all SYSCO Brand seafood products are subject to a point-source inspection program and third parties routinely evaluate these products against our specifications for quality and food safety.

## **Recall Procedures**

Suppliers are required to have strict procedures in place to respond quickly in the event of product recalls or withdrawals. Recalls of food products for potential food safety issues have become an increasing reality. SYSCO recognized that, due to our unique positioning in the distribution chain, it was absolutely essential for us to develop and implement an effective and efficient communication process to alert our customers of any and all food safety recalls that may impact them or their patrons. SYSCO QA monitors public information available from the FDA and the USDA and subscribes to a service that searches the internet for any current or potential recall activity.

Upon becoming aware of any food safety recall that may involve SYSCO, we immediately ascertain our involvement and implement our recall communication procedures. These procedures alert our operating companies, as well as key national account customers, and instructs them on how the product is to be handled – whether it should be destroyed or segregated from other products and held for SYSCO to pick up. This process ensures that we are reacting as rapidly as possible to remove any potentially unsafe products from the market place.

SYSCO has augmented this process to include the services of a third party call center with adequate staffing and resources to ensure contact of all key SYSCO executives and operating company personnel in the event of any nationwide recall of a product with a high probability to cause multiple illnesses (Class I recalls). This process is updated routinely and tested regularly to ensure its ongoing effectiveness.

## **Supplier Code of Conduct**

SYSCO Brand suppliers and new packer brand suppliers must adhere to a [Supplier Code of Conduct](#) that requires them to meet basic standards on ethics, child labor, non-discrimination, forced labor, fair wages, safe and healthy working conditions and non-retaliation. We are in the process of extending this requirement to all suppliers. An example of one instance where this was enforced to improve personal hygiene practices involves a supplier that was required to provide Port-o-Pots for its employees working in the growing fields.

## **Recognition of Outstanding Suppliers**

Once each year, SYSCO encourages and rewards outstanding suppliers/vendors through a recognition program honoring its top 100 suppliers. The winners are chosen based on criteria that include product

integrity, innovation, accuracy, cost effectiveness and efficiency, among others.

## **Animal Welfare**

SYSCO is committed to the humane treatment of animals. We believe it is our ethical responsibility to address issues involving the comfort, physical safety and health of the animals. SYSCO requires that all approved facilities comply with our rigorous standards that include documented information about raising and handling practices, feed, facility design, environmental conditions, employee training, medical practices and animal welfare at the farm, during transportation and throughout processing. SYSCO is committed to working with our beef, pork, poultry, veal and lamb suppliers, as well as our shell egg and processed egg suppliers to ensure animals are treated in a humane manner at all times. During calendar year 2006, 161 animal welfare audits were conducted. This is an increase of 3.2 percent over calendar year 2005, in which 156 audits were conducted. In 2006, 98 percent of the animal welfare audits conducted achieved a passing score; this is an 8 percent increase over the past year.

## **Our Workplace**

### **Corporate Governance**

We are committed to the highest integrity and ethics in serving our customers, partnering with our suppliers and working with our associates. Our strong corporate governance guidelines permeate throughout the SYSCO organization and provide the framework for the governance of our company (<http://www.sysco.com/investor/governance.html>). SYSCO's Board is comprised of 12 members, 10 of whom are not employed by the company. They include four women, one of whom is African American, and one Hispanic. Our policy of conducting business in an ethical manner includes complying with all applicable laws and treating SYSCO customers, suppliers and fellow associates with dignity and respect, standards that have been maintained since our founding. All directors, officers and employees receive ethics training annually and must sign and adhere to the Code of Business Conduct and Ethics ([http://intranet2.sysco.com/hrintranet/Associate%20Handbook/Associate\\_Handbook.htm](http://intranet2.sysco.com/hrintranet/Associate%20Handbook/Associate_Handbook.htm)) and a hotline is available to employees to address concerns they may have regarding breaches of this code.

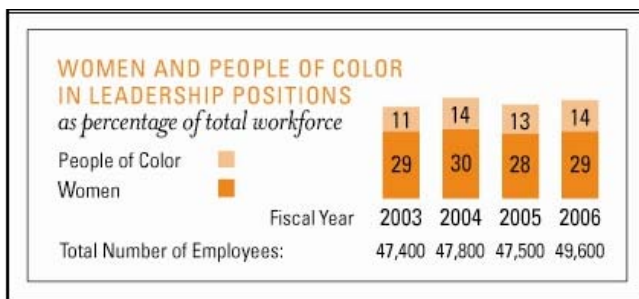
We promote responsible financial behavior throughout our organization and are committed to transparency in our financial reporting and investor relations functions. We expect our associates who have financial responsibilities to be knowledgeable of all applicable financial standards and requirements and to ensure that they are properly applied. SYSCO has a well-documented, effective and properly monitored compliance program supported by active involvement of the Board of Directors. Investors have internet access to Board members and questions and concerns are addressed

promptly.

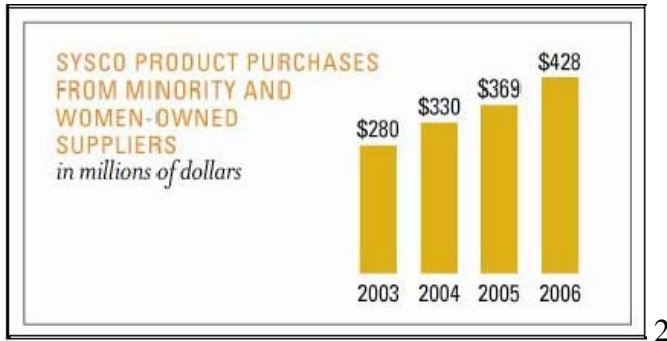
## Diversity

At SYSCO, we celebrate the way diversity enriches our society, our customers, our suppliers and our workforce. The customers we serve reflect the diversity of people, cultures and palettes of their dining patrons. The diversity of cultures, tastes and people in our world are what make our industry and our business so interesting. We are committed to mirroring that diversity in our workforce by recruiting the best talent available, developing associates from all walks of life and inspiring them to reach their full potential, from entry level to boardroom. Since 2003, we have had a number of workplace diversity initiatives in place. We have made progress and have opportunities to continue to improve. While our business has become more complex and sophisticated, it is challenging to interest and attract a diversity of individuals, although we are making definite progress.

We also are a business partner that is supportive of minority and women-owned suppliers, again reflecting the diversity of our customers, of consumers and of the many product choices available.



\*leadership denotes Senior Manager Level and above



2

### **Our work climate goal is to be one of the “best places to work”**

One of our goals is to nurture a work climate that promotes our company as one of the “best places to work.” Every 18 months, the company requests that employees complete satisfaction surveys implemented by a third party. These surveys cover the areas of leadership support, strength of front-line supervisors, rewards, quality of life and engagement/diversity. The scores are used to assess progress in this area and further drive improvements. On the most recent surveys completed, 87.3% of employees responded they were proud to work for SYSCO, while 82.1% believe SYSCO to be a good place to work.

### **Associates encouraged to improve knowledge and skills**

SYSCO encourages associates to gain knowledge and improve skills that will benefit their job performance and enhance their career opportunities with SYSCO. The Tuition Assistance Program is available to associates who are pursuing undergraduate level courses offered through accredited colleges and universities as well as courses offered by accredited/certified technical schools. In addition, tuition assistance can be utilized for graduate programs. Since 2001, we have provided \$432,703 to 253 employees through this program.

Additionally, SYSCO associates can enhance their skills by logging onto the corporate resource library of the Training & Development Department. The corporate resource library can provide an associate with books, tapes, and videos to support both individual and professional development initiatives, team development goals, and coaching resources.

Classes also are available through SYSCO Interactive University (SIU). SIU is designed to assist SYSCO Corporation in becoming a learning organization by providing processes, tools, and content that help achieve profitable double-digit sales growth, reduce expenses, decrease ramp-up time for acquisitions, foldouts, and foldins, improve job performance/ productivity, and help our customers succeed.

### **Scholarship programs foster higher education for associates’ dependents**

Since its inception, SYSCO has contributed to various scholarship programs to further higher education. In 1996, as a tribute to the corporation's founder, SYSCO established the John F. and Eula Mae Baugh Scholarship Program. These scholarships reinforce the Baughs' dedication to higher education and their generosity and concern in forwarding the interests of SYSCO's employees. Both the program and the selection of recipients are managed and administered by the Citizens' Scholarship Foundation of America, Inc., a national non-profit educational support and student aid service organization. Applicants must be dependents of employees who have at least five years of service, and must be under 24 years of age and planning to attend an accredited four-year institution. Each year seven scholarships valued up to \$10,000 each are awarded. The scholarships are automatically renewed for the remaining years as long as the recipient stays in the university and maintains the required GPA and their parent continues to be employed full-time by SYSCO. Since 1996, scholarships have been awarded to 96 students for a total of \$1,969,100 distributed. In addition, through SYSCO's Matching Gifts to Higher Education Program, SYSCO will match, on a dollar-for-dollar basis (up to \$5,000 per calendar year), personal contributions made by full-time employees and members of the Board of Directors to U.S. and Canadian colleges and universities and other eligible organizations

### **Employees eligible for Employees' Stock Purchase Plan**

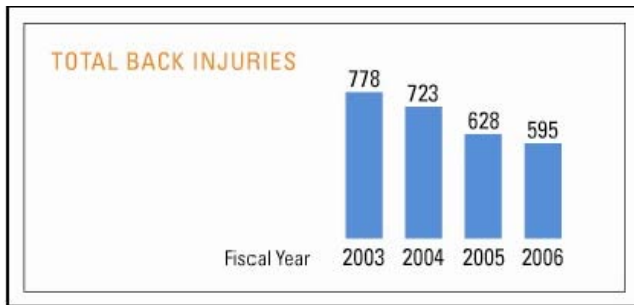
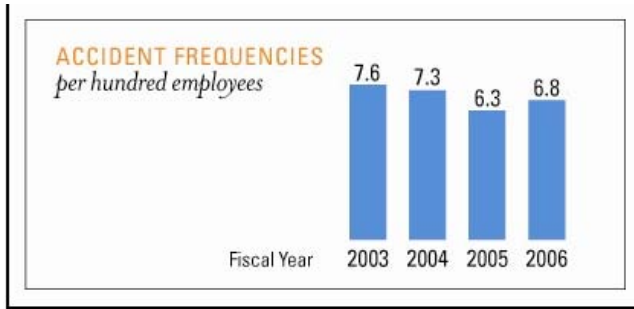
All associates, union and non-union, are eligible to enroll in the SYSCO Employees' Stock Purchase Plan. The plan provides an opportunity to purchase SYSCO common stock on a quarterly basis through automatic payroll deductions at a purchase price that is 85% of the closing market price on the last business day of the calendar quarter. As of December 30, 2006, 46.2% of our associates participated in the plan

### **Associate retention aids productivity**

Retention of associates is a valuable asset that boosts productivity. Marketing associates, or sales professionals, continue to learn and add value as their length of service increases, which is beneficial to sales. Our long-term goal is to retain 90% of new marketing associates hired, and in 2006, we reached an 83.6% retention rate.

### **Safety Programs**

To attract the *best of the best* employees, numerous initiatives have been implemented to ensure that SYSCO is a star employer. Workplace safety is essential to the well-being of our employees and also improves our bottom-line results. We are proud of our accomplishments in this area.



## Our Communities

### **Agricultural programs support local farmers and provide avenues to market more widely**

SYSCO encourages the further development of sustainable agricultural processes. To emphasize our commitment, Craig Watson, formerly Vice President, Quality Assurance, was given additional responsibilities as Vice President, Quality Assurance and Agricultural Sustainability. As part of his duties, Mr. Watson sponsors workshops across the country to educate and encourage local farmers to participate in SYSCO's programs.

Several SYSCO operating companies participate in programs to support local farmers and provide them an avenue to market their products more widely. These programs include:

*"Born in New Mexico"* – SYSCO Food Services of New Mexico allows customers to purchase and feature on their menus products grown and produced from family farms and local producers throughout New Mexico. Developed in conjunction with the New Mexico Department of Agriculture, the program includes fresh fruits and vegetables, pinto beans, pecans, pistachio nuts, salsa, fruit preserves, vegetable dips, condiments, and lamb and goat meat.

*"Minnesota Farmers' Market"* – SYSCO Food Services of Minnesota, in a joint effort with Heartland Food Initiative and local sustainable agricultural groups, markets locally grown and produced products that include such items as apple cider, potatoes, hams, sausages, fruits and vegetables, cheeses, pancake mixes, organic beef, pork, lamb and poultry, among others.

Sustainable, Local, and other programs – SYSCO Food Services of Portland, Oregon offers a variety of products that are organic, sustainable, Free Trade Certified and BST Free products. Some of these include: coffees; various breads and other bakery products; seafood; dairy products; vegetables, beef and seafood. The Fowler & Huntting Produce division of FreshPoint, a SYSCO produce subsidiary, supports locally grown produce to encourage farmland preservation and provide a true economic value to the communities it serves. In the process, the foods are produced with fewer chemicals and pesticides and transportation costs are lower. Fowler & Huntting's locally grown line includes a variety of fresh fruits and vegetables from apples and blueberries to green beans, corn, squash, and other fruits and vegetables.

### **Fighting Hunger**

As the largest foodservice distributor in North America, SYSCO is in a unique position to aid in the many programs that abound to help fight hunger. Each of SYSCO's operating companies not only donates our products, but also encourages employees to volunteer at community food banks.

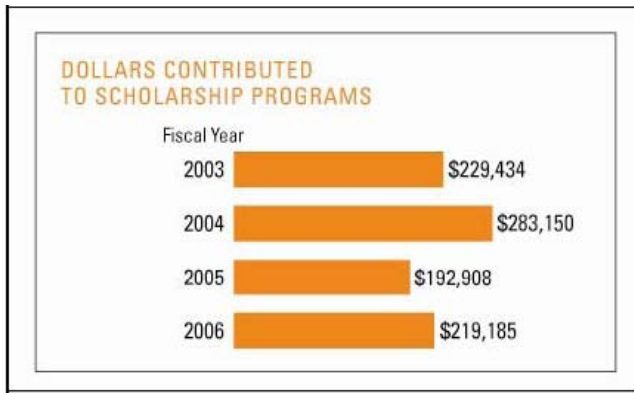
SYSCO also partners with Share Our Strength through financial gifts, product donations and volunteer services. Share Our Strength is the leading not-for-profit organization dedicated to eliminating childhood hunger. As part of that relationship, SYSCO is the official foodservice marketer and distributor for annual Taste of the Nation fundraising dinners featuring top chefs in local markets across North America.

### **Partnering with the Red Cross**

For many years, SYSCO has partnered with the American Red Cross, supplying food during disasters, and donating funds, products and employee volunteer time. Most recently, we committed even further, donating three self-contained mobile kitchens equipped to serve several thousand home-style, boil-in-the-bag or ready-to-bake meals daily to disaster victims across the U.S. The units, housed in Albany, New York, Houston, Texas and Ventura, California, can function around the clock at emergency feeding locations, saving time, mess and waste. The kitchens were used following hurricanes Dennis, Katrina and Rita in 2005 and during flooding in the northeastern part of the country this year. Total cost of the project was approximately \$350,000.

### **Supporting Education**

Another measure of our community commitment is our support of education to nourish leadership in a younger generation. Including scholarships offered to children of employees, as well as minority scholarship programs such as the United Negro College Fund, the Hispanic Association of Colleges and Universities, the Organization of Chinese Americans, and the American Indian College Fund, we have contributed nearly \$925,000 in total scholarships from 2003 through 2006.



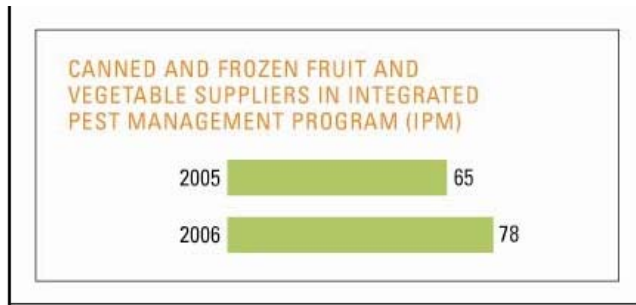
## Preserving the Environment

### Sustainable Agricultural Practices

We are pleased with the inroads we are making in sustainable agricultural practices. SYSCO actively participates in the Sustainable Food Laboratory, a business initiative of approximately 90 members from public and private companies, academia and research who are implementing several key food-related initiatives. SYSCO's primary activity is a sub-initiative known as "The Business Coalition for a More Sustainable Food System," which includes the activity of the Integrated Pest Management (IPM) program. This program promotes the protection of environmentally sensitive growing areas, soil and water conservation, and the prudent management of crop pests and herbicide use. The IPM program's goal is to use pesticides only to the extent necessary and, when necessary, to use only those that are environmentally friendly. Seventy-eight SYSCO Brand suppliers of canned and frozen fruit and vegetables, representing 168 food factories and about 375,000 acres of crop land were included in the highly successful first year of the program.

Using IPM practices, participating suppliers reported the avoidance of more than 300,000 pounds of active ingredient pesticides during the year. In addition, approximately 155,000 tons of organic waste material, 6,400,000 pounds of cardboard and paper, 2,900,000 pounds of metal products and 1,600,000 pounds of plastic were reused or recycled by those same suppliers. We also focus on the amount of machine oil recycled and measure fuel usage across the acreage to encourage less tillage.





## Natural Organics produce

SYSCO recently developed its Natural Organics produce line. These products are produced without the use of pesticides or synthetic (or sewage-based) fertilizers for plant materials, hormones or antibiotics for animals, genetic engineering or radiation. It also emphasizes the utilization of renewable resources as well as conservation of land and water. Natural Organics are grown, shipped and processed by supplier partners who have been certified through the National Organic Program (NOP) under the auspices of the U.S. Department of Agriculture. Our quality assurance professionals then verify through annual food safety audits that the products come from approved and certified organic sources. One of the challenges of continuing this program is that demand, while increasing somewhat, has not seen significant growth. Approximately 231,000 cases of SYSCO Natural Organic Products were sold in fiscal 2006.

## Emissions Reduction

In the transportation area, one of our projects involves the use of alternative fuels. Currently, we have 88 delivery vehicles in Houston, Los Angeles and Dallas that have been converted to use Liquid Natural Gas (LNG) in conjunction with diesel fuel to burn cleaner and we are scheduled to implement programs in Phoenix, Atlanta and Denver. This program:

- Provides cleaner air for the cities we service and reduces noise levels.
- Will allow SYSCO to become less dependent on diesel for fuel in the future.
- Enables SYSCO to be a leader in environmentally friendly partnerships.
- Results in fewer contaminants to the internal parts of the engine, which means less maintenance and longer-lasting engines, which drives down our costs.

State and local governments are encouraging companies with large fleets to explore ways to reduce emissions. However, some of the challenges involved are the approximately \$30,000 cost per vehicle for the LNG converter and

the necessity to find sources for fueling, which are limited at this point.

We have formed alliances with various local governmental agencies and the United States Department of Energy (DOE) and they have been most generous in making some funds available to assist us with this project.

During fiscal 2006, the price of diesel fuel reached all time highs, affecting not only the cost of the fuel we use to deliver products but also consumers' decisions to drive fewer miles for meals prepared away from home.

We continually upgrade our fleet so that our vehicles are safer, more efficient and produce fewer emissions. Several SYSCO locations have converted vehicles to dual-fuel units, which can reduce engine emissions. This program is not in widespread use due to its significant cost and the fact that newer diesel engines produce fewer emissions than their older counterparts.

In addition, we are reducing engine idle time and the number of miles traveled by routing delivery vehicles more efficiently. One fiscal 2007 goal is to reduce our diesel gallon usage by five percent and portions of operating company executive bonuses are directly related to achieving this goal.

## **Warehouse Energy Efficiency**

We are committed to minimizing our effect upon the environment through energy-efficient, environmentally-friendly warehouse and vehicle refrigeration, fuel and fuel storage systems and warehouse equipment. The first phase of our new "green" corporate office complex, a 12-story building, was completed in September 2006. Some of the environmentally-friendly factors incorporated in the design include:

- optimizing energy performance by using high efficiency equipment, capturing return air to heat the buildings in lieu of additional electrical or gas elements
- Use of sensors to monitor natural lighting levels and turn lighting on and off only when needed to reduce light pollution
- Landscape and exterior design used to reduce temperature differences between developed and undeveloped areas
- Minimizing building footprints to maintain more than 50% of the building site open and undisturbed
- Use of building materials manufactured within a 500-mile radius to reduce energy used in transportation
- Managed control of storm-water run-off to be less than previously
- Water conservation through efficient irrigation and high efficiency water fixtures

As we design new distribution centers, we are including energy reduction measures while we are implementing various energy-saving initiatives in our existing operations. For example, lighting retrofits, including motion detectors, and variable frequency controls on refrigeration equipment should help us reach our fiscal 2007 goal of reducing electric kilowatt hours by five

percent. Portions of operating company executive bonuses are directly related to achieving this goal.

### DfE Program

SYSCO has joined the U.S. Environmental Protection Agency's (EPA) Design for the Environment (DfE) program which seeks and promotes innovative chemical products, technologies and practices that benefit human health and the environment. As part of the membership agreement, SYSCO has developed an improved set of 16 of its Earth Plus brand cleaning products for institutional laundering, dish washing, glass and surface cleaning, odor treatment and multi-purpose cleaning. Using these substances, which contain no inorganic phosphates, chlorine bleach or environmentally harmful surfactants common to most detergents and cleaners, 92,142 pounds of phosphates have been replaced by DfE reformulations since the program was initiated.

### Safer Detergents Stewardship Initiative

SYSCO also has been removing nonylphenol ethoxylate surfactants from SYSCO Brand chemical products since 2004. These surfactants are used in many sectors, including cleaning for detergents and in industrial processes. Both nonylphenol ethoxylate and their breakdown products can harm aquatic life. Since 2004, we have replaced 345,876 pounds of nonylphenol ethoxylate surfactants, commonly referred to as NPEs, with safer formulations in SYSCO Brand products. The U.S. Environmental Protection Agency (EPA) is developing the Safer Detergents Stewardship Initiative (SDSI) to recognize companies, including SYSCO, and others who voluntarily phase out or commit to phasing out the use of these products. SYSCO, along with other major corporations, is committed to the total replacement of such formulations by the end of calendar 2007 and we are working with suppliers to accomplish this.

