



Sustainability Bond Framework
February 2020



Introduction

Sysco Corporation has a longstanding commitment to acting ethically and responsibly to service our customers, while producing positive, lasting change. In 2018, we announced long-term goals themed *Delivering a Better Tomorrow*, aligned to three focus areas: people, products and the planet. Our People goals include increasing spend with women- and minority owned-suppliers and expanding our products with health and wellness benefits. Our Product goals include minimizing negative environmental, social or ethical impacts by setting responsible sourcing commitments for our commodities. Our Planet goals include advancing sustainable agriculture practices, reducing our carbon footprint and diverting waste from landfills.

Sysco is committed to expanding our relationships and spending with minority- and women-owned business enterprises (MWBEs), creating a diverse and inclusive work environment, and enabling healthy choices. We continue to make progress towards including organic choices and options for emerging dietary and lifestyle preferences in our portfolio. We have also strengthened our communication channels to better inform our customers about our MWBE suppliers.

Sysco also works with suppliers to improve sustainability in the seafood supply chain and implement responsible agriculture practices. Sysco supports numerous Fishery Improvement Projects (FIPs) around the world as part of our 2025 goal to identify and develop responsible sourcing commitments for key commodities. We also plan to double the availability of organic produce and expand our Integrated Pest Management (IPM) program, which encourages limitations on the use of pesticides, and promotes waste reduction.

Sysco is committed to reducing the carbon footprint of our fleet. We are collaborating with manufacturers to develop new models that can meet the specialized requirements of food delivery, while significantly reducing our impact on the planet. The energy intensity of Sysco's global operations is material from an environmental perspective and an area of intense focus as we strive to improve organizational efficiency and business performance.

Sysco has several sustainability priorities where we believe we can make the most positive environmental and social impact:

- **Reducing the carbon footprint of our fleet and operations** – by sourcing 20 percent of our electricity from renewable sources and powering 20 percent of our truck fleet with alternative fuels by 2025
- **Increasing our energy and resource efficiency** – by deploying smart practices and better technology to reduce the energy and resource intensity of our expansive global operational footprint
- **Supporting sustainable fisheries and responsible agriculture** – by improving the sustainability of our seafood procurement practices, enhancing our ability to trace seafood products throughout the supply chain, expanding the IPM program to five fresh crops, reducing waste through recycling and conserving energy and water in farming, processing and distribution
- **Expanding our organic produce offering** – by doubling the availability of Sysco Brand organic produce by 2025
- **Increasing the diversity of our suppliers** – by expanding the number of supplier relationships and increasing overall spend with MWBEs

In accordance with its strategy, Sysco has designed this Sustainability Bond Framework (“the Framework”) under which Sysco may issue Green, Social and / or Sustainability Bonds to finance or refinance projects that have environmental and / or social benefits. This Framework details:

- Which project types are eligible for financing / refinancing through use of proceeds of potential issuances of Green, Social, or Sustainability Bonds;
- How projects are evaluated and selected;
- How proceeds are managed; and
- How Sysco intends to provide allocation and impact reporting.

The Framework is designed to be in line with the International Capital Market Association (“ICMA”) Green Bond Principles 2018, Social Bond Principles 2018 and Sustainability Bond Guidelines 2018.

The Framework

1. **Use of proceeds:** Sysco intends to allocate amounts equivalent to the net proceeds of potential issuances of Green, Social or Sustainability Bonds to finance and / or refinance, in whole or in part, new and / or existing “Eligible Green / Social Projects”. Such allocations may occur either both in the form of direct investments by Sysco or funding provided to third parties. Eligible Green / Social Projects may include projects of our subsidiaries.

Eligible Green / Social Projects include those which have received funding in the three years prior to the issue date of a series of bonds. Sysco intends to allocate all or substantially all of the net proceeds from any Green, Social or Sustainability bonds that may be issued in the future within two years of issuance.

Sysco has long-term CSR goals around three pillars, People, Product, and Planet. We would issue one or more series of Sustainability Bonds to help us make the most environmental and social impact as part of our commitment to the following areas:

- **People:** we will care for people by giving back, doing good and changing lives in our communities; creating a diverse and inclusive work environment; and empowering associates, customers and the next generation to make healthy choices about lifestyles and diet
- **Product:** we will supply products responsibly by improving animal welfare in the foodservice industry; minimizing negative environmental, social or ethical impacts when sourcing products; and ensuring that human rights are respected in our operations, as well as the global supply chain
- **Planet:** we will protect the planet by advancing sustainable agriculture practices, reducing our carbon footprint and diverting waste from landfill, in order to protect and preserve the environment for future generations

“*Eligibility Criteria*” means any of the following¹:

- a. **Renewable Energy:** expenditures related to the development, construction, and acquisition of renewable energy projects as well as sourcing electricity for our operations with renewable energy, such as solar and wind energy. Sourcing expenditures must be pursuant to long-term power purchase agreements (PPAs) which were entered into prior to commercial operation of the related facility
- b. **Energy Efficiency:** expenditures related to the development of energy efficiency projects in

¹ Eligibility criteria has been mapped to the ICMA Green Bond Principles (2018), Social Bond Principles (2018) and Sustainability Bond Guidelines (2018).

- new or existing corporate and supply chain facilities². Includes installing technologies such as LED lighting and increasing refrigeration efficiency systems
- c. **Clean Transportation:** expenditures related to reducing emissions in our truck fleet. Includes pursuing electrification of our truck fleet, installation of electric charging infrastructure within our facilities, and using new technology to identify the most economically and environmentally efficient route to transport shipments, and developing and testing new technologies such as zero-emissions trailer technologies
 - d. **Waste Reduction:** expenditures related to reducing/preventing waste. Includes reducing waste to landfill, and capital expenditures related to expanding recycling programs
 - e. **Sustainable Water and Wastewater Management:** expenditures related to water-saving opportunities. Includes recycling water from our vehicle washing stations, using rainwater for landscaping, and installing technology that can capture and recycle condensation from cooling processes in refrigeration
 - f. **Environmentally Sustainable Management of Living Natural Resources and Land Use/Food Security:** expenditures related to implementing practices to protect sensitive areas, improve air, water, soil and wildlife resources, and conserve nonrenewable mineral resources. Includes procurement of products³ which are certified organic or through the Sysco IPM program
 - g. **Aquatic Biodiversity Conservation/Food Security:** expenditures related to supporting transformational change in the management of global fisheries and promoting responsible aquaculture. Includes procuring seafood products from fisheries certified by the Marine Stewardship Council (MSC), farms certified by the Aquaculture Stewardship Council (ASC), and/or certified against a minimum two-star rating on the Best Aquaculture Practices (BAP) standards as defined by the Global Aquaculture Alliance, enhancing capabilities to trace seafood products, working with fisheries to improve their environmental performance and achieve MSC or ASC certification, implementation and support of Fishery Improvement Projects (FIPs)
 - h. **Socioeconomic Advancement and Empowerment:** expenditures related to increasing spending with qualified MWBE suppliers in line with eligibility criteria outlined above. Includes spending to support eligible businesses to meet our supplier requirements and monitoring performance of suppliers to ensure fair treatment of workers who grow, harvest and process products in our global supplychain
2. Process for project evaluation and selection: Projects selected for allocation of a portion of the net proceeds from an issuance of Green, Social, or Sustainability Bonds would be assessed and evaluated by a committee comprising corporate affairs, treasury, sustainability, and legal teams to ensure alignment with this Framework. In addition, all projects funded with the net proceeds from an issuance of Sustainability Bonds would follow an internal process that includes final review and approval by Sysco's Vice President of Corporate Affairs.
 3. Management of proceeds: Sysco intends to allocate an amount equal to the net proceeds of any future issuances of Green, Social, and Sustainability Bonds under this Framework to Eligible Green / Social Projects. Net proceeds from an issuance of Sustainability Bonds would be separately tracked accordingly by Sysco's Treasury Department. Pending allocation, the net proceeds from any such offering(s) would be invested in accordance with Sysco's cash management policies and/or used to repay indebtedness of Sysco. As long as any bonds that may be issued remain outstanding, Sysco's internal records would show the portion of the amount equal to the net proceeds of each offering

² Does not include energy efficiency measures related to fossil fuel related activities.

³ Land based meat production is not eligible within this category.

allocated to Eligible Green / Social Projects. Payment of principal and interest on any bonds that may be issued would be made from Sysco's general funds and would not be directly linked to the performance of any Eligible Green / Social Projects.

4. **Reporting:** During the term of each series of bonds that may be issued, until such time as the net proceeds from the issuance of any such bonds have been fully allocated to Eligible Projects, we would publish annual update reports on our website, the first of which would be publically available within one year from the date of issuance of any such bonds. The annual reports would be accompanied by (i) assertions by management that an amount equal to the net proceeds of an offering of bonds were allocated to Eligible Projects, and (ii) a report from an independent registered public accounting firm in respect of its examination of management's assertions conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

This information would include amounts allocated to eligible project categories and, where relevant, case studies and descriptions of projects funded, subject to confidentiality considerations to which Sysco is subject in relation to such projects. When reasonable, the reporting also would include expected outcomes and impact metrics (see illustrative examples below).

Impact metrics may include a selection of the following:

Eligibility Criteria	Potential KPIs for Associated Projects
Renewable Energy	<ul style="list-style-type: none"> • Kw generation capacity added / contracted • Estimated annual renewable energy generation (Kwh) • Estimated annual GHG avoided (tCO2e)
Energy Efficiency	<ul style="list-style-type: none"> • Estimated annual energy savings (Kwh) • Estimated annual GHG avoided (tCO2e)
Clean Transportation	<ul style="list-style-type: none"> • Number of electric delivery vehicles procured • Number of EV charging points installed
Waste Reduction	<ul style="list-style-type: none"> • Estimated annual waste diverted from landfill (metric tons)
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> • Estimated annual water conserved (gallons)
Environmentally Sustainable Management of Living Natural Resources and Land Use/Food Security	<ul style="list-style-type: none"> • Amount of organic products procured (metric tons) • Number of organic products offered • Environmentally sensitive areas protected (acres)
Aquatic Biodiversity Conservation/Food Security	<ul style="list-style-type: none"> • Total volume of certified seafood procured (metric tons) • Number of certified products offered
Socioeconomic Advancement and Empowerment	<ul style="list-style-type: none"> • Number of MWBE suppliers supported through Sysco's program

External review: Sysco has engaged Sustainalytics to provide a Second Party Opinion on the alignment of this Framework with the ICMA Green Bond Principles 2018, Social Bond Principles 2018, and Sustainability Bond Guidelines 2018.

This document does not constitute an offer to sell or the solicitation of an offer to buy any securities, and in no event shall any offer, solicitation or sale be made in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of that jurisdiction.

Cautionary Statement Regarding Forward-Looking Statements

Statements made in this document that look forward in time or that express management's beliefs, expectations or hopes are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements reflect the views of management at the time such statements are made and are subject to a number of risks, uncertainties, estimates, and assumptions that may cause actual results to differ materially from current expectations. These statements include: our plans to double the availability of organic produce and expand our Integrated Pest Management program; our expectations relating to fulfilling our sustainability priorities, and the expected environmental and social impact therefrom; statements regarding possible future issuances of Green, Social and/or Sustainability Bonds and the expected use of proceeds therefrom; and statements regarding our long-term CSR goals. The success of our plans and expectations regarding our operating performance, including expectations regarding our three-year financial objectives, are subject to the general risks associated with our business, including the risks of interruption of supplies due to lack of long-term contracts, severe weather, crop conditions, work stoppages, intense competition, technology disruptions, dependence on large, long-term regional and national customers, inflation risks, the impact of fuel prices, adverse publicity, labor issues, political or financial instability, trade restrictions, tariffs, currency exchange rates, transport capacity and costs and other factors relating to foreign trade, any or all of which could delay our receipt of product or increase our input costs. Risks and uncertainties also include risks impacting the economy generally, including the risks that the current general economic conditions will deteriorate, or consumer confidence in the economy or consumer spending, particularly on food-away-from-home, may decline. Market conditions may not improve. Competition and the impact of GPOs may reduce our margins and make it difficult for us to maintain our market share, growth rate and profitability. We may not be able to fully compensate for increases in fuel costs, and fuel hedging arrangements intended to contain fuel costs could result in above market fuel costs. Our ability to meet our long-term strategic objectives depends on our ability to grow gross profit, leverage our supply chain costs and reduce administrative costs. This will depend largely on the success of our various business initiatives, including efforts related to revenue management, expense management, our digital e-commerce strategy and any efforts related to restructuring or the reduction of administrative costs. There are various risks related to these efforts, including the risk that if sales from our locally managed customers do not grow at the same rate as sales from regional and national customers, or if we are unable to continue to accelerate local case growth, our gross margins may decline; the risk that we are unlikely to be able to predict inflation over the long term, and lower inflation is likely to produce lower gross profit; the risk that our efforts to modify truck routing, including our small truck initiative, in order to reduce outbound transportation costs may not be effective; the risk that our efforts to mitigate increases in warehouse costs may be unsuccessful; the risk that we may not be able to accelerate and/or identify additional administrative cost savings in order to compensate for any gross profit or supply chain cost leverage challenges; the risk that these efforts may not provide the expected benefits in our anticipated time frame, if at all, and may prove costlier than expected; the risk that the actual costs of any initiatives may be greater or less than currently expected; and the risk of adverse effects to our business, results of operations and liquidity if past and future undertakings, and the associated changes to our business, do not prove to be cost effective or do not result in the cost savings and other benefits at the levels that we anticipate. Our plans related to and the timing of any initiatives are subject to change at any time based on management's subjective evaluation of our overall business needs. If we are unable to realize the anticipated benefits from our efforts, we could become cost disadvantaged in the marketplace, and our competitiveness and our profitability could decrease. Adverse publicity about us or lack of confidence in our products could negatively impact our reputation and reduce earnings. Capital expenditures may vary based on changes in business plans and other factors, including risks related to the implementation of various initiatives, the timing and successful completion of acquisitions, construction schedules and the possibility that other cash requirements could result in delays or cancellations of capital spending. Periods of significant or prolonged inflation or deflation, either overall or in certain product categories, can have a negative impact on us and our customers, as high food costs can reduce consumer spending in the food-away-from-home market, and may negatively impact our sales, gross profit, operating income and earnings, and periods of deflation can be difficult to manage effectively. Fluctuations in inflation and deflation, as well as fluctuations in the value of foreign currencies, are beyond our control and subject to broader market forces. Expanding into international markets presents unique challenges and risks, including compliance with local laws, regulations and customs and the impact of local political and economic conditions, including the impact of Brexit and the "yellow vest" protests in France against a fuel tax increase, pension reform and the French government, and such expansion efforts may not be successful. Any business that we acquire may not perform as expected, and we may not realize the anticipated benefits of our acquisitions. Expectations regarding the financial statement impact of any acquisitions may change based on management's subjective evaluation. A divestiture of one or more of our businesses may not provide the anticipated effects on our operations. Meeting our dividend target objectives depends on our level of earnings, available cash and the success of our various strategic initiatives. Changes in applicable tax laws or regulations and the resolution of tax disputes could negatively affect our financial results. We rely on technology in our business and any cybersecurity incident, other technology disruption or delay in implementing new technology could negatively affect our business and our relationships with customers. For a discussion of additional factors impacting Sysco's business, see our Annual Report on Form 10-K for the year ended June 29, 2019, as filed with the SEC, and our subsequent filings with the SEC. We do not undertake to update our forward-looking statements, except as required by applicable law.