

Second-Party Opinion

Sysco Sustainability Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Sysco Sustainability Bond Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2018. This assessment is based on the following:



USE OF PROCEEDS The social and green categories eligible for the use of proceeds – (i) Renewable energy, (ii) Energy efficiency, (iii) Clean transportation, (iv) Waste reduction, (v) Sustainable water and wastewater management, (vi) Environmentally sustainable management of living natural resources and land use/Food security, (vii) Aquatic biodiversity conservation/Food security, (viii) Socioeconomic advancement and empowerment – are aligned with those recognized by the Green Bond Principles 2018 and the Social Bond Principles 2018. Overall, the use of any proceeds will, in Sustainalytics’ opinion, have positive environmental and social impacts and advance the UN Sustainable Development Goals, specifically 6, 7, 10, 12, and 14.



PROJECT EVALUATION / SELECTION Sysco’s projects will be assessed to ensure alignment with the Framework by a committee comprising corporate affairs, treasury, sustainability, and legal team members. Final review and approval will be provided by the VP of Corporate Affairs. Sustainalytics considers this to be in line with market practice.



MANAGEMENT OF PROCEEDS An equal amount of any bond proceeds will be allocated to eligible projects and separately tracked by the Company’s Treasury Department. Pending allocation, net proceeds will be invested in accordance with the Company’s cash management policies and/or used to repay existing debt of the Company. This is in line with market practice.



REPORTING Sysco intends to report annually on the allocation of proceeds for each bond issued from one year following any issuance until full allocation. In addition, Sysco expects that its annual reports will include a review of bond proceeds allocation by an independent registered public accounting firm. Sysco also intends to report on project impacts, including some of the following: greenhouse gas emissions avoided, energy saved, water conserved. Sustainalytics views Sysco’s allocation and impact reporting as aligned with market practice.

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Report Sections

Introduction.....	2
Sustainalytics’ Opinion	3
Appendices.....	10

For inquiries, contact the Sustainable Finance Solutions project team:

Jonathan Laski (Toronto)
Project Manager
jonathan.laski@sustainalytics.com
(+1) 647 264 6640

Daniel Sanchez (Toronto)
Project Support
daniel.sanchez@sustainalytics.com
(+1) 647 264 6644

Paramjot Kaur (New York)
Client Relations
susfinance.americas@sustainalytics.com
+1 646 518 9623

Sysco Sustainability Bond Framework

Introduction

Sysco Corporation (“Sysco”, or the “Company”) distributes food and related products to restaurants, healthcare and educational facilities, lodging establishments and foodservice customers. Sysco was established in 1969 and operates mainly in North America and Europe.

Sysco has developed the Sysco Sustainability Bond Framework (the “Framework”) under which it may issue one or more green, social and/or sustainability bonds and use any potential proceeds to finance or refinance, in whole or in part, existing and future projects to reduce their carbon footprint, increase energy and resource efficiency, support sustainable fisheries and responsible agriculture, expand organic produce offering and increase the diversity of its suppliers.

The Framework defines eligible green categories in the following seven areas:

1. Renewable Energy
2. Energy Efficiency
3. Clean Transportation
4. Waste Reduction
5. Sustainable Water and Wastewater Management
6. Environmentally Sustainable Management of Living Natural Resources and Land Use/Food Security
7. Aquatic Biodiversity Conservation/Food Security

Additionally, the Framework defines an eligible social category in the following area:

1. Socioeconomic Advancement and Empowerment

Sysco engaged Sustainalytics to review the Sysco Sustainability Bond Framework dated February 2020 and provide a second-party opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2018 (“SBG 2018”).¹ This Framework has been published in a separate document.²

As part of this engagement, Sustainalytics held conversations with various members of Sysco’s management team to understand the sustainability impact of their business processes and planned use of any proceeds, as well as management of any proceeds and reporting aspects of Sysco’s Sustainability Bond Framework. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Sysco Sustainability Bond Framework and should be read in conjunction with that Framework.

¹ The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at: <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

² The Sysco Sustainability Bond Framework is available on Sysco’s website at: <https://www.sysco.com>.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Sysco Sustainability Framework

Sustainalytics is of the opinion that the Sysco's Sustainability Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018 ("GBP 2018") and Social Bond Principles 2018 ("SBP 2018"). Sustainalytics highlights the following elements of Sysco's Sustainability Bond Framework:

- Use of Proceeds:
 - Sysco's seven eligible green categories are recognized as impactful by the GBP 2018. Sysco's eligible social category is also recognized as impactful by the SBP 2018. Eligible projects include those that have received funding three years prior to any issue date of the bonds and the Company intends to allocate all or substantially all the net proceeds within two years of issuance.
 - For the "Renewable Energy" category, Sustainalytics positively views expenditures related to the construction and acquisition of renewable energy projects, such as solar and wind energy. The Framework allows expenditures for sourcing electricity from renewable energy projects through long-term power purchase agreements (PPAs) that have been entered prior to the commercial operation of related facilities. Sustainalytics considers this to be aligned with market practice.
 - For the "Energy Efficiency" category, the Company intends to undertake projects to install technologies such as LED lighting and increased energy efficiency of its refrigeration systems. Sustainalytics positively notes that energy efficiency measures exclude fossil fuel-related activities.
 - For the "Clean Transportation" category, Sysco intends to invest in the electrification of its truck fleet, in electric vehicle charging infrastructure, in smart routing technology for shipments of its products, and in developing and testing new technologies such as zero-emission trailer technologies. Sustainalytics notes that, in relation to developing and testing new low-carbon technologies, projects financed with green bond proceeds should have a reasonable prospect of commercialization.
 - For the "Waste Reduction" category, and the "Sustainable and Wastewater Management" category, Sustainalytics notes positively expenditures related to programs to reduce waste to landfill and expansion of recycling programs.
 - For "Environmentally Sustainable Management of Living Natural Resources and Land Use/Food Security" category, Sysco will finance investments related to the protection of sensitive areas, procurement of products that are certified organic or covered under Sysco's Sustainable Agriculture/Integrated Pest Management (IPM) program.³ Refer to Section 3 for further analysis on the impact of the IPM program. Sustainalytics views positively the exclusion of land-based meat production under procurement of sustainable products.
 - Sustainalytics notes that the procurement of canned and frozen fruits and vegetables originating from farmers and growers adhering to Sysco's IPM program promotes sustainable practices, in particular the reduction of pesticide use, waste reduction and resource efficiency. The IPM program requires suppliers growing applicable products for Sysco to undergo an initial audit to set their baseline environmental performance, as well as to undergo annual audits to track achievement of IPM program goals. The IPM program includes a series of minimum required standards as well as general standards, which require at least 80% compliance. Specific criteria include areas such as limiting the use of biosolids, and pesticides, as well as water, energy and other resource conservation. Nevertheless, Sustainalytics notes that the IPM program provides some flexibility with respect to achieving the program's general standards. The IPM program's scoring system and 80% compliance requirements mean that a supplier can comply with the IPM program while still utilizing agricultural practices generally not considered to be leading in the green bond and sustainable finance market. Notwithstanding these drawbacks, the inclusion of procurement under the IPM

³ General information about Sysco's IPM program is available at: Sysco. "2019 Corporate Social Responsibility Report", (2019), at: <https://sysco.com/dam/Sysco/About/Corporate-Social-Responsibility/2019-CSR-Report.pdf>.

Sysco Sustainability Bond Framework

program does not, in Sustainalytics' opinion, detract from the overall credibility of the Framework.

- For "Aquatic Biodiversity Conservation/Food Security", Sysco intends to finance projects to improve the sustainability in the seafood supply chain which includes working with fisheries to achieve Marine Stewardship Council (MSC) certification, Aquaculture Stewardship Council (ASC) certification, a minimum two-star rating on the Best Aquaculture Practices (BAP) certification, and implementation and support of Fishery Improvement Projects (FIPs). The Framework allows for the procurement of seafood products from fisheries that are MSC, ASC or having a minimum two-star BAP certification. Sustainalytics considers these certifications to be indicative of net-positive overall impacts, and is of the opinion that expenditures on fisheries to improve their environmental performance through FIPs can increase environmentally responsible fishery management practices. Refer to Section 3 for analysis on the impact and to Appendix 2 for further overview of this scheme.
- For the "Socioeconomic Advancement and Empowerment" category, Sustainalytics notes Sysco's goal to increase spending with suppliers who are certified as minority or woman owned by the National Minority Supplier Development Council (NMSDC)⁴ and the Women's Business Enterprise National Council (WBENC),⁵ respectively. Both organizations certify businesses which are 51% or more owned and controlled by one or more people meeting the definition of a minority group or woman. Sysco plans to use any bond proceeds to support such eligible businesses to meet their supplier requirements, which Sustainalytics notes positively.
- Project Evaluation and Selection:
 - The Company has established a committee comprising members from the corporate affairs, treasury, sustainability and legal teams that will verify eligibility of projects with the Framework, in addition to an internal process for final review and approval by the VP of Corporate Affairs.
- Management of Proceeds:
 - The Company intends to allocate an amount equal to the net proceeds of any issuances to eligible projects under the Framework. The Treasury Department will separately track bond proceeds and as long as the bonds are outstanding, the Company's internal records will show the portion of the amount equal to the net proceeds of each offering allocated to eligible green and social projects. Unallocated proceeds will be invested in accordance with Sysco's cash management policies and/or used to repay existing corporate debt.
- Reporting:
 - Sysco intends to publish reports starting one year after any issuance and until full allocation for each bond. Reports will be made publicly available on the Company's website. The reporting will be accompanied with management's assertions that net proceeds were allocated to eligible projects and in addition to an annual report from an independent registered public accounting firm.
 - The allocation reporting will include amounts allocated to eligible project categories and where relevant will include case studies and description of projects financed. Additionally, Sysco will report on impact metrics that may include GHG emissions avoided, energy saved, water saved, waste diverted from landfill, number of FIPs supported, and the number of MWBE suppliers supported through Sysco's program. Sustainalytics views Sysco's allocation and impact reporting as aligned with market practice.

Alignment with Sustainability Bond Guidelines 2018

Sustainalytics has determined that the Sysco's Sustainability Bond Framework aligns to the four core components of the Green Bond Principles 2018 and Social Bond Principles 2018. For detailed information please refer to Appendix 2: Sustainability Bond/ Sustainability Bond Programme External Review Form.

⁴ National Minority Supplier Development Council, "MBE Certification", at: <https://nmsdc.org/mbes/mbe-certification/>.

⁵ Greater Women's Business Council, "Standards and Procedures", at:

https://static1.squarespace.com/static/53ee2f53e4b08ae50e0b57a4/t/5a86f27571c10bc44db2c052/1518793333872/WBENC_Standards_Procedures_Feb2018.pdf.

Section 2: Sustainability Performance of the Company

Contribution of Framework to Company's sustainability strategy

Sustainalytics is of the opinion that Sysco articulates a strong commitment towards a comprehensive approach to sustainability. In 2018 Sysco launched the "2025 Responsibility Goals" around the pillars of (i) "People", (ii) "Products" and (iii) "Planet". These goals include targets that are tracked in the Company's corporate social responsibility (CSR) strategy⁶ and ongoing Carbon Disclosure Project (CDP) reporting.⁷

- i. People:
 - o Goals by 2025: Donate 200 million meals and contribute USD 50 million to local communities. Increase spending by 25% with minority and women owned (MWBE) suppliers. Increase total U.S. associate ethnic and gender diversity to 62% and double associate participation in health and well-being programs. Expand the Company's portfolio with health and wellness benefits.
 - o Progress as of 2019: Provided 13.8 million meals and USD 11.1 million in cash contributions to local communities. Added 15 new MWBE suppliers and increased year-over-year purchases by 4.3%. Increased total U.S. associate ethnic and gender diversity to 57.2% and launched "Sysco Simply" brand to promote vegan and vegetarian dining.
- ii. Products:
 - o Goals by 2025: To publish Sysco's Animal Welfare (AW) Policy and ensure all Sysco Brand suppliers comply with the policy. To identify and develop responsible sourcing commitments for five key commodities and ensure all high-risk, first-tier suppliers abide by the Company's Global Supplier Code of Conduct,⁸ which includes ethical and labor requirements as well as health, safety, and environmental standards.
 - o Progress as of 2019: Sysco has refreshed its Animal Welfare Advisory Council with internal and external members. The Company has reviewed its AW guidelines and audit practices and benchmarked against supplier and customer AW policies. Sysco has increased the number of total assessments in their Social Audit Program by nearly 9%.
- iii. Planet:
 - o Goals by 2025: To double the availability of Sysco Brand organic produce and extend the Company's sustainable agriculture program into five fresh crops. To reduce the carbon footprint of their operations by sourcing 20% of electricity from renewable sources. To reduce the carbon footprint of their transportation fleet by powering 20% of the tractor fleet with alternative fuels. To divert 90% of operations and food waste from landfill.
 - o Progress as of 2019: Sysco has improved its energy efficiency by 14.2% since 2014 and has entered into 10-year renewable energy agreements for three solar power projects which provides 10% of electricity in the United States from renewables. The Company also increased waste diversion to 73%.

Sysco demonstrates a robust governance structure to advance these commitments. The Company has an Environmental Policy⁹ that sets enterprise-wide guidelines for all operating companies and subsidiaries to ensure environmental protection and compliance with environmental laws. Additionally, Sysco has a Corporate Social Responsibility Committee (the "Committee") tasked with advising management and the Board of Directors (the "Board") with respect to policies and strategies of the Company that affect its role as a socially responsible organization and reviews, evaluates, and contributes to the long-term CSR strategy.¹⁰ The CSR Department is headed by the VP of Corporate Affairs and supported by the Senior Director of Sustainability.

In addition, Sysco has, since 2009, been working with a leading environmental NGO to enhance sustainable seafood procurement practices and standards. Sysco has committed to sourcing their top fifteen (by volume) wild-caught species from fisheries that are either certified by the Marine Stewardship Council (MSC), in MSC full assessment or from a comprehensive Fishery Improvement Project (FIP) – with at least 75% of this volume coming from MSC-certified fisheries; and to source their top five Sysco Portico Brand aquaculture species

⁶ Sysco, "2019 Corporate Social Responsibility Report", (2019), at: <https://sysco.com/dam/Sysco/About/Corporate-Social-Responsibility/2019-CSR-Report.pdf>.

⁷ Sysco, "Sysco Corporation – Climate Change 2019", (2019), at: <https://www.sysco.com/dam/jcr:5f557c5b-0d80-49ed-915e-99e8e61ece13/2019%20Sysco%20CDP%20Climate%20Change%20Response.pdf>.

⁸ Sysco, "Supplier Code of Conduct", at: https://www.sysco.com/dam/jcr:b7b8c73f-00ef-4d6f-bd61-7bef62fbccc6/suppliers_code_of_conduct_brochure.pdf.

⁹ Sysco has provided to Sustainalytics, in confidence, the Environmental Policy.

¹⁰ Sysco, "Corporate Social Responsibility Committee Charter", at: <http://investors.sysco.com/~media/Files/S/Sysco-IR/documents/corporate-governance/FINAL%20-%20Corporate%20Social%20Responsibility%20Committee%20Charter%20May%202019.pdf>.

Sysco Sustainability Bond Framework

from farms that are either certified by ASC, in ASC full assessment, in a comprehensive aquaculture improvement project, and/or certified against a minimum two-star BAP rating.¹¹

Sustainalytics is of the opinion that Sysco Sustainable Bond Framework is aligned with the Company's corporate sustainability strategy and that it will help advance the Company's "2025 Responsibility Goals".

Well positioned to address common environmental and social risks associated with the projects

While Sustainalytics recognizes that the use of proceeds will be directed to eligible green or social projects intended to have positive environmental and social impacts, Sustainalytics is aware that such projects could also lead to negative environmental and social outcomes. Sysco's key environmental and social risks associated with the eligible use of proceeds categories is supply chain management.

Sysco has a comprehensive risk management system where the Company's management is ultimately responsible for identifying, managing and mitigating risks, including supply chain risks, and reporting these risks directly to the Audit Committee of its Board of Directors. The Company utilizes an Enterprise Risk Management (ERM) process to identify and evaluate risks, including supply chain risk management. On an annual basis, management reviews enterprise risks and the Company consults with external specialists, and involves the operational risk and compliance committees for further evaluation. This process is followed by identifying an Executive Risk Sponsor, a Business Risk Owner and Subject Matter Expert who will manage the related risks by creating a risk management plan and establishing a reporting line to senior management and the Board committee responsible for oversight.

For its supply chain management, Sysco has a Supplier Code of Conduct¹² and related policies to ensure its suppliers identify, manage and mitigate negative social and environmental impacts. The Supplier Code of Conduct commits Sysco to independent third-party monitoring of suppliers and reserves the right of Sysco or its compliance monitors to visit supplier facilities at any time without advance notice.

On social risks, Sysco's Supplier Code of Conduct requires suppliers to provide a safe and healthy work environment, including upholding the rights of individuals as outlined in the UN Declaration of Human Rights, the core conventions of the International Labour Organization (ILO), and the ILO Declaration on Fundamental Principles and Rights at Work. Further, all Sysco Brand approved suppliers in high-risk Latin American and Asian countries are required to undergo third-party assessments to identify potential risks relating to wages, working hours, discrimination, worker safety, living conditions, and child and forced labor.¹³

On environmental risks, Sysco's Supplier Code of Conduct acknowledges that Sysco has a commitment to local communities and a responsibility for the environments that it impacts and requires suppliers to share the same commitment or risk having their business relationship terminated by Sysco. Its IPM program specifically focuses on the environmental impacts of suppliers and covers a wide range of crop products purchased by Sysco. The IPM program includes both prescriptive and voluntary elements, such as requiring suppliers to track pesticide use and encouraging suppliers to use lower toxicity-level products when possible.

Due to the above-mentioned policies and processes, Sustainalytics considers that Sysco has sufficient measures in place to address risks associated with the use of proceeds categories and mitigate any potential environmental and social risks.

¹¹ Sysco. "2019 Corporate Social Responsibility Report", (2019), at: <https://sysco.com/dam/Sysco/About/Corporate-Social-Responsibility/2019-CSR-Report.pdf>.

¹² Sysco, "Supplier Code of Conduct", at: https://www.sysco.com/dam/jcr:b7b8c73f-00ef-4d6f-bd61-7bef62fbccc6/suppliers_code_of_conduct_brochure.pdf

¹³ Sysco. "2019 Corporate Social Responsibility Report", (2019), at: <https://sysco.com/dam/Sysco/About/Corporate-Social-Responsibility/2019-CSR-Report.pdf>.

Section 3: Impact of Use of Proceeds

The seven green use of proceeds categories and one social use of proceeds category are recognized as impactful by the GBP 2018 and SBP 2018, respectively. Sustainalytics has focused on two categories below where the impact is specifically relevant.

Impact of GHG emission reduction and energy efficiency in the food system

Global GHG emissions from food production accounts for approximately 26% of anthropogenic emissions. It is estimated that 31% of these emissions come from livestock and fisheries, 27% from crop production, 24% from land use, and 18% from the supply chain.¹⁴ Addressing all sources of emissions from the food system¹⁵ will be imperative to achieve the commitments of the Paris Agreement and limit global average temperature increases to well below 2°C and aim to limit the increase to 1.5°C. One of the key steps identified to lower the emissions in the food system is to communicate the impacts up the supply chain for processors, distributors and retailers so they can reduce their own impacts.¹⁶

For GHG emissions from livestock, fisheries and crop production, food distributors can contribute to reducing the carbon footprint of this part of the sector through the implementation of rigorous sustainable procurement policies and sourcing low-impact and certified organic products. Sustainalytics notes that Sysco's Sustainable Agriculture/ Integrated Pest Management (IPM) program will have positive environmental outcomes. The IPM program limits the use of pesticides and nutrient inputs as well as promotes waste reduction through the recycling and conservation of energy and water in farming, processing and distribution. In the growing season of 2017, Sysco suppliers reported avoiding 5.1 million pounds of pesticides and 22.4 million pounds of chemical fertilizer by utilizing IPM principles.¹⁷

Sustainalytics believes that Sysco's procurement policies and practices to verify the impacts of IPM programs will deliver environmental benefits including the reduction of GHG emissions.

Impact of environmentally sustainable fisheries and aquaculture

It is estimated that 3 billion people depend on seafood as their primary source of protein. Growing demand has put continued pressure on global fish stocks, to the point that 88% of them are now considered to be fully exploited or overexploited.¹⁸ With illegal catch and trade leading to overfishing in many regions, the problem is exacerbated by opaque supply chains and inadequate fisheries management.¹⁹ The IPCC considers that overfishing is one of the most important "non-climatic drivers affecting the sustainability of fisheries".²⁰ Currently, an estimated 80% of all seafood is produced in developing countries and over 90% of fishers and fish farmers are concentrated in Africa and Asia.²¹ Considering that 91% of seafood is imported in the U.S.,²² there is an opportunity for retailers and distributors to have a positive environmental impact by procuring from sustainable fish farms and fisheries. As one of the fastest growing methods of producing food in the world, it is estimated that by 2030 sustainable fisheries and aquaculture will be responsible for almost two-thirds of the fish we eat.²³

While sustainable fisheries and aquaculture will have positive environmental benefits, there is a limitation as to the overall management of ocean health in the absence of near-complete market uptake.²⁴ Therefore, Sustainalytics positively views Sysco's multi-pronged approach to sustainable fisheries, including sourcing from MSC certified fisheries, ASC certified farms or with a minimum two-star BAP rating, supporting FIPs,²⁵

¹⁴ University of Oxford, "Food production is responsible for one-quarter of the world's greenhouse gas emissions", (2019), at: <https://ourworldindata.org/food-ghg-emissions>.

¹⁵ United Nations Food and Agricultural Organization, "Food systems" is defined as encompassing "the entire range of actors and their interlinked value-adding activities involved in the production, aggregation, processing, distribution, consumption and disposal of food products that originate from agriculture, forestry or fisheries, and parts of the broader economic, societal and natural environments in which they are embedded", at: <http://www.fao.org/3/ca2079en/CA2079EN.pdf>.

¹⁶ Science, "Reducing food's environmental impacts through producers and consumers", (2018), at: <https://science.sciencemag.org/content/360/6392/987>.

¹⁷ Sysco, "2018 Corporate Social Responsibility Report", (2018) at: http://csr2018report.sysco.com/Sysco_2018_CSR.pdf.

¹⁸ IISD, "State of Sustainability Initiatives Review: Standards and the Blue Economy", (2016), at: <https://www.iisd.org/sites/default/files/publications/ssi-blue-economy-2016.pdf>.

¹⁹ WWF, "The Future of Sustainable Fisheries", at: <https://seafoodsustainability.org/fisheries/>.

²⁰ IPCC, "Changing Ocean, Marine Ecosystems, and Dependent Communities", (2019), at: <https://www.ipcc.ch/srocc/chapter/chapter-5/>.

²¹ IISD, "State of Sustainability Initiatives Review: Standards and the Blue Economy", (2016), at: <https://www.iisd.org/sites/default/files/publications/ssi-blue-economy-2016.pdf>.

²² Columbia University, "Making Fish Farming More Sustainable", at: <https://blogs.ei.columbia.edu/2016/04/13/making-fish-farming-more-sustainable/>.

²³ Science, "Reducing food's environmental impacts through producers and consumers", (June 1, 2018), at: <https://science.sciencemag.org/content/360/6392/987>.

²⁴ IISD, "State of Sustainability Initiatives Review: Standards and the Blue Economy", (2016), at: <https://www.iisd.org/sites/default/files/publications/ssi-blue-economy-2016.pdf>.

²⁵ Fishery Improvement Projects (FIPs) are science-based standards that identify and quantify needed improvements to bring a fishery's performance to a sustainable equilibrium point in coordination with key stakeholders.

Sysco Sustainability Bond Framework

and partaking in the Global Dialogue for Seafood Traceability, which seeks to improve seafood traceability within its supply chain.

Through its sustainable procurement programs and supporting sustainable fisheries achieve MSC certification, and fish farms achieve ASC certification or a two-star BAP rating, Sysco is contributing to the protection of aquatic biodiversity and better the seafood supply chain.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. Any sustainability bonds that may be issued would advance the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency.
Socioeconomic Advancement and Empowerment	10. Reduced inequality	10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.
Clean Transportation	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Environmentally Sustainable Management of Living Natural Resources and Land Use/Food Security	12. Responsible Consumptions and Production	12.2 By 2030, achieve the sustainable management and efficient use of natural resources.
Waste Reduction	12. Responsible Consumptions and Production	12.5 By 2030 substantially reduce waste generation through prevention, reduction, recycling and reuse.
Aquatic Biodiversity Conservation/Food Security	14. Life below water	14.4 By 2020, effectively regulate harvesting and end overfishing, illegal, unreported and unregulated fishing and destructive fishing practices and implement science-based management plans, in order to restore fish stocks in the shortest time feasible, at least to levels that can produce maximum sustainable yield as determined by their biological characteristics.

Conclusion

Sysco Corporation ("Sysco") has developed the Sysco Sustainability Bond Framework under which it may issue green, social or sustainability bonds to finance and/or refinance new and/or existing projects that will reduce the Company's overall carbon footprint, increase energy and resource efficiency, advance environmental and biodiversity conservation through the support of sustainable fisheries, fish farms and responsible agriculture, expand organic produce offering and support minority and women-owned business enterprises (MWBs) meet Sysco's supplier requirements. Sustainalytics is of the opinion that projects funded by any sustainability bonds will deliver positive environmental and social benefits that are aligned with Sysco's "2025 Responsibility Goals" and that will advance a number of key SDGs.

Additionally, Sustainalytics believes that Sysco has sufficient measures in place to identify, manage and mitigate environmental and social risk commonly associated with the eligible projects funded by the use of proceeds. Sysco's project evaluation and selection processes as well as management of proceeds and reporting are aligned with market practice.

Based on the above, Sustainalytics considers Sysco's Sustainability Bond Framework to be robust, transparent, and in alignment with the Sustainability Bond Guidelines 2018 and the four core components of the Green Bond Principles 2018 and the Social Bond Principles 2018.

Appendices

Appendix 1: Overview and Assessment of Fishery and Aquaculture Certifications

	Marine Stewardship Council ²⁶	Aquaculture Stewardship Council ²⁷	Best Aquaculture Practices ²⁸
Background	Marine Stewardship Council (MSC) is a non-profit organization founded in 1996, that issues eco-label certifications for fisheries which are sustainable and well-managed.	The Aquaculture Stewardship Council (ASC) is an independent, international NGO that manages the ASC certification and labelling program for responsible aquaculture.	The BAP certification is administered by the Global Aquaculture Alliance (GAA), a non-profit organization focused on advocacy, the education and leadership of on responsible aquaculture matters.
Clear positive impact	Promoting sustainable fisheries practices.	Promoting sustainable aquaculture practices.	Promoting sustainable aquaculture practices.
Minimum standards	A minimum score must be met across each of the performance indicators. As a condition to certification, low-scoring indicators must be accompanied by action plans for improvement.	Quantitative and qualitative thresholds which are designed to be measurable, metric- and performance-based. Certification may be granted with a "variance" to certain requirements of the standard. This variance is designed to allow the standard to adapt to local conditions but has been criticized for weakening the standard and overriding the consultations involved in the standard-setting process.	The BAP assessment has mandatory minimums, but also includes indicators which allow the proponent to define individual targets. As the certification process is fishery-specific, the standard may be more robust for some species. For example, the Monterey Bay Aquarium's Seafood Watch programme recommends BAP as a reputable label for freshwater fish, mussels, and shrimp, but not salmon, scallops, or clams. ²⁹
Scope of certification or programme	The MSC standard consists of a fisheries standard and a chain of custody standard. The Fishery Standard assesses three core principles: sustainable fish stocks, minimising environmental impact, and effective fisheries management; collectively these account for the major environmental and social impacts. The Chain of Custody standard addresses certified purchasing, product identification, separation, traceability and records, and good management.	ASC encompasses nine farm standards, covering 15 fish species as well as the harvest of seaweed. These farm standards lay out minimum requirements regarding both environmental and social performance. Additionally, a Chain of Custody Standard is mandatory for all supply chain actors in order to ensure traceability.	Different certifications are available for different parts of the supply chain: farms, processing plants, hatcheries, feed mills. In practice, that means that a processing plant that does not necessarily source all of its fish from certified farms can still be certified (a star rating display on the label provides this information). Within each fishery-specific standard there are requirements and recommendations which apply to social, environmental, animal health & welfare, and food safety issues.
Verification of standards and risk mitigation	Third-party conformity assessment bodies (CABs), certified by Accreditation Service International (ASI) carry out assessments in line with the MSC standard and ISO 17065.	Third-party conformity assessment bodies (CABs), certified by Accreditation Service International (ASI) carry out assessments in line with the ASC standard and ISO 17065.	Third-party certification bodies such as Global Trust, Bureau Veritas, Control Union, Lloyd's Register, NSF, SGS assess compliance against the standard.




²⁶ Marine Stewardship Council, at: <https://www.msc.org/standards-and-certification/fisheries-standard>.

²⁷ Aquaculture Stewardship Council, at: <https://www.asc-aqua.org/what-we-do/our-standards/farm-standards/>.

²⁸ Best Aquaculture Practices, at: <https://www.bapcertification.org/About>.

²⁹ Monterey Bay Aquarium Seafood Watch, at: <https://www.seafoodwatch.org/seafood-recommendations/eco-certification>.

Sysco Sustainability Bond Framework

	Certification is valid for up to five years.	Major non-compliances must be remedied within three months.	Non-compliance precludes recertification until the violation is remedied.
Third party expertise and multi-stakeholder process	Aligned with the UN Code of Conduct for Reponsible Fishing, and further informed by the Global Sustainable Seafood Initiative (GSSI), World Trade Organization (WTO), and International Social and Environmental Accreditation and Labelling (ISEAL)	Developed in line with United Nation's Food and Agriculture Organization (UN FAO) and International Labour Organization (ILO) principles. Managed in accordance with the International Social and Environmental Accreditation and Labelling (ISEAL) Codes of Good Practice.	The standard is managed by an oversight committee, which takes development input from a technical committee as well as public comments. Aligned with Global Food Safety Initiative (GFSI), Global Social Compliance Programme (GSCP) and Global Sustainable Seafood Initiative (GSSI).
Performance display			
Qualitative considerations	The MSC label is the most widely recognized sustainable fisheries label worldwide and is generally accepted to have positive impacts on marine environments. Proponents of the label cite the transparent science-based process for approval and its successful engagement with industry groups. Criticism from various observers include lack of focus on preventing by-catch, protecting marine mammals and endangered species, follow-up on conditions, crew safety, and live tracking of supply chains.	Widely recognized and modeled on the successful MSC certification. Some criticism has been focused on the ability to certify with a "variance", in which certain aspects of the standard can be interpreted or waived during the audit procedure. While a reputable certification overall, the standard does not fully mitigate all the risks associated with aquaculture.	Widely recognized within the industry. As the certification process is fishery-specific, the standard may be more robust for some species than for other. While a reputable certification overall, the standard does not fully mitigate all the risks associated with aquaculture.

Appendix 2: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Sysco Corporation (“Sysco”)
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable: [specify as appropriate]	Sysco Sustainability Bond Framework
Review provider’s name:	Sustainalytics
Completion date of this form:	February 07, 2020
Publication date of review publication: [where appropriate, specify if it is an update and add reference to earlier relevant review]	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs and SBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (please specify): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The social and green categories eligible for the use of proceeds – (i) Renewable energy, (ii) Energy efficiency, (iii) Clean transportation, (iv) Waste reduction, (v) Sustainable water and wastewater management, (vi) Environmentally sustainable management of living natural resources and land use/Food security, (vii) Aquatic biodiversity conservation/Food security, (viii) Socioeconomic advancement and empowerment – are aligned with those recognized by the Green Bond Principles 2018 and the Social Bond Principles 2018. Overall, the use of any proceeds will, in Sustainalytics' opinion, have positive environmental and social impacts and advance the UN Sustainable Development Goals, specifically 6, 7, 10, 12, and 14.

Use of proceeds categories as per GBP:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input checked="" type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (<i>please specify</i>): |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|--|---|
| <input type="checkbox"/> Affordable basic infrastructure | <input type="checkbox"/> Access to essential services |
| <input type="checkbox"/> Affordable housing | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input checked="" type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBPs | <input type="checkbox"/> Other (<i>please specify</i>): |

If applicable please specify the social taxonomy, if other than SBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Sysco Sustainability Bond Framework

Overall comment on section (if applicable):

Sysco's projects will be assessed to ensure alignment with the Framework by a committee comprising corporate affairs, treasury, sustainability, and legal team members. Final review and approval will be provided by the VP of Corporate Affairs. Sustainalytics considers this to be in line with market practice.

Evaluation and selection

- | | |
|---|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- | | |
|--|---|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

An equal amount of any bond proceeds will be allocated to eligible projects and separately tracked by the Company's Treasury Department. Pending allocation, net proceeds will be invested in accordance with the Company's cash management policies and/or used to repay indebtedness of the Company. This is in line with market practice.

Tracking of proceeds:

- Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (*please specify*):

Additional disclosure:

- | | |
|--|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (<i>please specify</i>): |

Sysco Sustainability Bond Framework

4. REPORTING

Overall comment on section (if applicable):

Sysco intends to report annually on the allocation of proceeds for each bond issued from one year following any issuance until full allocation. In addition, Sysco expects that its annual reports will include a review of bond proceeds allocation by an independent registered public accounting firm. Sysco also intends to report on project impacts, including some of the following: greenhouse gas emissions avoided, energy saved, water conserved. Sustainalytics views Sysco's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

Information reported:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Frequency:

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

Frequency:

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Information reported (expected or ex-post):

- | | |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input type="checkbox"/> Number of beneficiaries |
| <input type="checkbox"/> Target populations | <input type="checkbox"/> Other ESG indicators (<i>please specify</i>): water conserved, waste diverted from landfill, number of organic products offered, volume of certified seafood procured, the number of MWBE suppliers supported through Sysco's program, and number of certified products offered. |

Means of Disclosure

Sysco Sustainability Bond Framework

- | | |
|---|---|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (please specify): |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

Reports will be published in Sysco's website, at: <http://www.sysco.com>.

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (please specify): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

- i. **Second Party Opinion:** An institution with sustainability expertise that is independent from the issuer may provide a Second Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework, or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics “Best SRI or Green Bond Research or Ratings Firm” and in 2018 and 2019, named Sustainalytics the “Most Impressive Second Party Opinion Provider. The firm was recognized as the “Largest External Reviewer” by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the “Largest Approved Verifier for Certified Climate Bonds” by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

For more information, visit www.sustainalytics.com

Or contact us info@sustainalytics.com

