

Whereas: As one of the world's largest food distributors, Sysco Corporation uses palm oil, soy, beef, paper/pulp, coffee, cocoa, and sugar in its business. These commodities are leading drivers of deforestation globally.

Deforestation is responsible for approximately 10 percent of global man-made greenhouse gas emissions and contributes to biodiversity loss, soil erosion, disrupted rainfall patterns, land conflicts, and forced labor. Commercial agriculture accounts for over 80 percent of tropical deforestation,¹ half of which is illegal. The Intergovernmental Panel on Climate Change states restoring landscapes and forests as one of the most cost-effective ways to combat change.

In its 2019 10-K, Sysco identifies changing consumer preferences and negative publicity about sustainability, supply chain disruption, and increased product costs from climate change, as risk factors. These material financial risks are exacerbated by exposure to supply chain deforestation.

Recently, major media outlets have reported on specific companies' failure to adequately implement policies that address deforestation. Reputational damage has been shown to impact a company's value by as much as 30 percent.

Failure to adopt robust no-deforestation policies may also result in market access loss. Over 450 companies, including Sysco's clients--McDonald's, Walmart, Yum! Brands, Kroger and others--have committed to eliminate deforestation within their supply chains. Consumer-facing brands have dropped or suspended procurement contracts with suppliers that have failed to comprehensively mitigate deforestation risk and face increasing pressure from NGOs to do so.

Over 26 percent of professionally managed assets incorporate ESG issues into investments.² Increasing investor awareness of deforestation risk introduces new consequences for companies without comprehensive sustainability policies. In 2019, Legal and General Investment Management announced a plan to sell their holdings of climate crisis laggards, a list which currently includes Sysco.³

Despite a commitment to "be a catalyst for responsible sourcing," Sysco lacks comprehensive policies for all forest-risk commodities. The Company's palm oil policy, the one commodity covered by a no-deforestation policy, lacks transparency on progress; Sysco has not reported forest data to third party platforms which investors use to understand a company's management of forest-related risks.

Failure to keep pace with market conditions could pose risks to Sysco, including restricted market access, damage to its brand value, and supply chain disruption.

Resolved: Shareholders request that Sysco issue a report by May 1, 2021 assessing if and how it could increase the scale, pace, and rigor of its efforts to eliminate deforestation in its supply chains.

Supporting Statement: Proponents defer to management's discretion, but believe meaningful indicators in such disclosure could include:

- Disclosing evidence of proactive implementation efforts, such as commodity-specific timebound plans, verification processes, and non-compliance protocols.
- Reporting annually on the Company's website and third-party platforms, such as RSPO and CDP Forests, progress toward specific no-deforestation policies for all relevant commodities in its global operations, including percentage of commodities purchased that are certified and traceable to farm or plantation and percentage of suppliers in compliance with Company policies.

1 <https://www.cdp.net/en/investor/sector-research/consumer-goods-report-2019>

2 <https://www.ussif.org/files/Trends/Trends%202018%20executive%20summary%20FINAL.pdf>

3 <https://www.theguardian.com/business/2019/jun/21/us-climate-crisis-legal-and-general-investmentmanagement>