

Sysco Palm Oil Policy

As the world's largest foodservice marketer and distributor, we have a vision to become our customers' most valued and trusted business partner. Achieving our vision requires an unwavering commitment to conduct business responsibly and sustainably.

Sysco recognizes the importance of contributing to the promotion of a sustainable supply of palm oil and are committed to partnering with our suppliers to increase over time the use of responsibly-sourced palm oil in the Sysco Brand supply chain.

Sysco had previously committed that, by the end of 2020, 100 percent of the palm oil in Sysco Brand products will be certified by the Roundtable on Sustainable Palm Oil (RSPO).

Acknowledging, however, that RSPO certification does not currently address certain other unsustainable practices, we have developed a palm oil sourcing policy to reflect our concern about current palm oil industry practices and our commitment to engage in an appropriate manner to influence meaningful, long-term change in this area. Accordingly, this current policy supersedes our previous RSPO-based commitment.

Sysco will work with its suppliers to ensure that the palm oil, palm kernel oil and palm oil derivatives used in our Sysco Brand products comes from sources that adhere to the following principles:

1. RSPO-Certification

Sysco will pursue RSPO membership. In addition, all palm oil, palm kernel oil, and any palm oil derivatives used in our Sysco Brand products will be RSPO-certified (mass balance). Sourcing RSPO-certified palm ingredients is in an important first step in our efforts and we are encouraged that many of our suppliers already have begun to source sustainable palm products.

However, current RSPO Principles and Criteria do not fully address important issues relating to deforestation, development on peat lands or exploitation of people in palm oil production. As a result, this policy lays out the criteria, above and beyond RSPO-certification, that we believe are important for palm oil to be considered sustainable in the marketplace today.

In February, 2016, the RSPO established a voluntary standard, RSPO Next, which calls for many of the elements of this policy. Supply chain participants can support RSPO Next by purchasing certificates representing the volume of palm ingredient used, however certain conditions must first be met. Currently, there is uncertainty regarding when there may be sufficient supply of palm oil meeting the RSPO Next standard. In addition, while many support the RSPO's efforts to develop the RSPO Next program, there is a meaningful amount of criticism by industry and NGOs that it does not go far enough. As a result, it is unclear today whether RSPO Next will remain the standard that best represents the elements of this policy, whether it will

remain voluntary, or whether the Principles and Criteria required by RSPO will be changed to incorporate the more stringent RSPO Next criteria.

2. No deforestation

Our policy prohibits new oil palm development on areas of both High Conservation Value (HCV)¹ and High Carbon Stock (HCS)².

In addition, in accordance with RSPO Principle 5.5, our policy prohibits burning for land clearing, replanting, or other developments.

3. No development on peatlands, regardless of depth

Our policy prohibits the conversion of peatlands, regardless of their depth. In addition, in accordance with RSPO Principle 4.3, existing plantations on peat should follow Best Management Practices³.

4. No exploitation

Our policy also requires adherence to the following principles aimed at eliminating exploitation and human rights abuses in the palm oil supply chain:

- Comply with all applicable laws and regulations;
- Respect human rights;
- Never use child labor, or forced and/or bonded labor;
- Respect workers' rights to freedom of association and to collective bargaining;
- Compensate workers in accordance with all applicable local laws and regulations—including those pertaining to minimum wage, overtime and hours worked;
- Do not discriminate in employment-related decisions;
- Provide a safe and healthy work environment, including clean and safe housing where relevant;
- Establish and uphold a no retaliation policy;
- Utilize ethical recruitment practices, in which the process is documented and transparent, and any costs charged to the workers are transparent, justified and legal. Employment contracts should be provided to all workers in a language that can be easily understood by the workers.

In addition, when stakeholders in Sysco's palm oil supply chain are involved in land acquisition, lease, or utilization, producers must respect land tenure rights and the rights of indigenous and local communities to give or withhold their Free, Prior and Informed Consent (FPIC) to operations on lands to which they hold legal, communal

¹ With a preference that HCV be defined by the HCV network:

<https://www.hcvnetwork.org/about-hcvf/the-six-high-conservation-values>.

² With a preference that HCS be defined at <http://highcarbonstock.org> by the HCS Steering Group.

³ Best Management Practices as laid out by the "RSPO Manual on Best Management Practices (BMPs) for existing oil palm cultivation on peat."

or customary rights⁴. In instances of new or existing conflicts surrounding these issues, suppliers involved will negotiate remediation through a legitimate process⁵.

Recognizing the importance of smallholders in the global palm oil supply chain and the unique challenges they face, Sysco encourages suppliers to demonstrate a commitment to facilitating the inclusion of smallholders in the supply chain.

In the event that a supplier is found to be non-compliant with these principles, Sysco will work with its supply chain partners to require the non-compliant supplier to take remedial action to address the issue. The non-compliant supplier will be expected to create a corrective action plan, with reasonable time commitments to meet our requirements, or risk termination of our supplier relationship.

Implementation

The Executive Vice President, Merchandising at Sysco is responsible for ensuring the implementation of this policy. The policy is effective immediately and Sysco will engage with its suppliers to assess its supply chain. We will report our progress toward implementation of this policy annually in our Sustainability Report published on sysco.com.

Our priorities and timelines:

- 1) We will work with our suppliers to source Sysco Brand products that include palm and palm kernel oil that are RSPO-certified (Mass Balance) by December 31, 2018.
- 2) We will establish a separate timeline for sourcing sustainable derivatives of palm and palm kernel oil by December 31, 2017.
- 3) We will continue to assess the availability of supply of sustainable palm oil ingredients as well the evolution of RSPO certification and will annually evaluate and report on our ability to establish a timeline to source all palm oil ingredients in compliance with all the elements of this policy.

⁴ Following the definitions and guidance as laid out in the UN Declaration on the Rights of Indigenous Peoples, as well as the UN FAO's Voluntary Guidelines on the Responsible Governance of Tenure.

⁵ Suppliers should follow the guidance regarding grievance mechanisms from the UN Guiding Principles on Business and Human Rights.