



Confidential: This information is intended solely for Sysco and its supplier partners. Please do not forward this message outside of your organization.

February 8, 2021

Dear Valued Supplier,

Since the formation of our company, Sysco has made it our priority to work diligently with our Supplier Partners to continually look for ways to accelerate growth and innovation. The relationship with our suppliers is critical to that work and we are proud of the progress we have made together in support of our customers.

As you are no doubt aware, Sysco is actively accelerating our efforts to deliver an exceptional customer experience, so that we can not only help our customers succeed, but also help them grow in this challenging pandemic environment. In order to deliver on our promise of an exceptional customer experience, we are looking to our supplier partners for enhanced levels of collaboration and disciplined execution.

Effective April 2021, Sysco will implement several formalized policies designed to improve the effectiveness and efficiency of interactions with our supplier partners, thus enabling us to better service our customers.

These new policies, including product service level/fill rates, supplier billbacks, invoice efficiency and the provision of product image and attribution data, are described in more detail in the links below. Each are intended to drive many mutual benefits including greater efficiency, an improved customer digital shopping experience, enhanced customer loyalty and mutual sales growth for our supplier partners and Sysco. For your awareness, the product service level/fill rates policy will start with "In Full" and will be expanded to "On Time and In Full" later this year.

- Click [here](#) for Performance Fee Policy details
- Click [here](#) to access FAQ's regarding the Performance Fee Policy.

While these new policies will reinforce the current expectations of our supplier partners, a key component will be the measurement of supplier performance against these areas of focus. In the event that supplier performance does not meet our requirements in these critical areas, fees will be assessed to offset the added cost to investigate, manage and mitigate discrepancies.

Sysco will begin assessing supplier performance fees on April 1, 2021, and these fees will be deducted from Sysco's payments to suppliers beginning in May 2021. We will provide an appropriate level of detail to support deductions on a monthly basis and will also implement a process whereby we will jointly review any questions or concerns that may arise.

Please share these policies, detailed requirements, performance fee structures, and effective dates with individuals and teams at your company responsible for managing product fill rates, supplier billbacks, invoicing, and item content (images and attribution).

Thank you for your continued collaboration as we accelerate our efforts to enhance our customers' experience of doing business with Sysco. We value your partnership and diligent efforts in pursuit of helping our mutual customers succeed. If you have any questions regarding this communication, please contact your Merchandising representative directly.

Marie Robinson and Brian Todd

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Supplier Performance Fee Policies

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Supplier Fill Rate Performance Fees

Fill rate is based on our supplier partners’ commitment to fill orders and is an integral part of serving our customers. Sysco is committed to achieving the highest level of fill rates for our shared customers. By implementing a fill rate performance policy and fee structure, we can ensure that our customers receive the products they need when they need them. Additionally, for your awareness, we are currently in the process of developing an On Time In Full (OTIF) policy to ensure on-time delivery of Sysco purchase orders. We will share more information on this policy in the coming months.

1. **Policy:** Sysco expects 100% fill rate on shipments arriving at our dock. In the event an item arrives at less than 100% fill rate, non-performing items below 97.5% fill rate will be assessed a 4% fee for the shorted value. The fill rate policy and fee reflect current challenges within our COVID environment and are subject to change over time.
2. **Fee Assessment:** Fill Rate Performance Fee is assessed at the PO item fill rate (qty received divided by original qty ordered), if PO item fill rate is below 97.5% the following calculation will be used:
 - Calculate the value of the item shorted (cases shorted * item PO cost)
 - Multiply the value shorted by 4%
3. **Example:** Purchase Order assessment for fee

Line Item	Original Qty	Item Cost	Received Qty	Item Fill Rate	Item Shorted Value	4% Fee Applied To Shorted Value
1	100	\$30.00	90	90%	\$ 300.00	\$ 12.00
2	100	\$30.00	95	95%	\$ 150.00	\$ 6.00
3	100	\$30.00	98	98%	\$ 60.00	\$ -
4	100	\$30.00	100	100%	\$ -	\$ -
						\$ 18.00

Item Content Performance Fees

Rich & descriptive item content is essential so that our mutual customers can search for products to meet the needs of their business and enable them to make purchasing decisions. An increasing majority of customer orders are now being placed online. Customer expectations for colorful and descriptive Images and detailed Features & Benefits statements as well as other rich content are increasingly in demand by our customers. Shortfalls in any of the above diminishes the customer's shopping experience and ultimately results in lost sales opportunity for both our supplier partners and Sysco.

1. **Policy:** Suppliers are responsible for providing item data meeting GS1 and Sysco standards, including:
 - a. **Category Specific Enriched Attribution** (all attributes must be filled in) **on ALL Items**
 - b. **Nutritional Information** including allergens, diet types, and claims **on ALL Items**
 - c. **Features and Benefit statements on ALL Items** (must comply with Sysco's F&B guidelines)
 - d. **Product Images on ALL Items** including:
 - i. Case
 - ii. Inner-pack or Open Case
 - iii. In Packaging (packaging of the individual unit or smallest unit of the product)
 - iv. Out of Packaging or Raw/Uncooked
 - v. At Least one Lifestyle Image which includes:
 1. For food products: Styled, Plated, Staged, or Prepared Image
 2. For non-food products: Used, Worn, Held, or Staged Image

While Sysco's requirement is for all 5 images, fees will initially only be charged when less than four images are provided

2. **Fee:** A \$50 per item fee is charged each month that an item lacks any of the required data elements.
3. **Assessed:** Fees are assessed at the end of every month and deducted from payment to the supplier.

Example: Supplier X is selling Sysco 120 items (90 have all the required information)

- The 30 non-performing items will be billed \$50 each for a total \$1,500 deduction

Supplier Billback Fees

These supplier fees are assessed to offset administrative costs related to the creation and management of deviated pricing agreements received on a Standard and non-Standard Sysco ONSA form.

1. **Supplier Billback Processing Fee:** Supplier fee assessed to offset administrative costs associated with processing and managing billbacks related to the creation and management of deviated pricing agreements. This fee is applied at the Operating Site agreement level.

- a. **Fee:** This 2% fee is calculated on the billback dollar total per agreement with a maximum of \$100 per site per agreement each month.

Example: During a month, an agreement for a billback on a SUPC (item) is \$1 per case. 10 cases are purchased during the agreement period. $10 \text{ cases} \times \$1 = \$10$, $2\% \text{ of } \$10 = \$.20$, total billback = \$10.20

2. **Operator Negotiated Supplier Agreement (ONSA) Fee:** Supplier fee will be assessed to offset costs associated with creating and managing deviated pricing agreements received on a Standard Sysco ONSA form.

- a. **Fee:** A \$30 one-time fee per agreement (ONSA)

- b. **Assessed:** At the end of each month, agreements created from standard ONSAs will be calculated and deductions applied.

Example: Supplier submits the agreement on a Standard Sysco ONSA form. Supplier will be charged a \$30 Standard ONSA fee per customer agreement.

3. **Non-Standard Operator Negotiated Supplier (ONSA) Form Fee:** Supplier fee will be assessed to offset costs associated with creating and managing deviated pricing agreements received on a Non-Standard Sysco ONSA Form.

- a. **Fee:** \$25 fee is in addition to the Standard ONSA fee described above.

- b. **Assessed:** At the end of each month, agreements created from standard ONSAs will be calculated and deductions applied.

Example: Standard ONSA fee \$30 + Non-Standard ONSA fee \$25 = \$55 total fee

Supplier Invoicing Efficiency Fee

Sysco strives to pay our supplier partners on a timely and accurate basis while driving efficiencies in the procure to pay cycle. When a supplier's invoice is received, a three-way match is performed against Sysco's last Purchase Order and the invoice received from the supplier. When a three-way match is not able to be performed, the invoice will not automatically voucher requiring human intervention in the process. This will cause delays in payment to our supplier partners, increased supplier inquiries and additional administrative costs to both our supplier partners and Sysco.

1. **Policy:** Invoices must be received with the correct invoice data. Invoices with billing discrepancies which require special handling will be subject to a fee.

2. **Invoice Requirements:**
 - a. Correct billing quantities matching product received as noted on bill of lading.
 - b. Correct item cost, item allowances and miscellaneous charges matching the last PO transmission, freight and pick-up allowances.
 - c. One invoice per PO.
 - d. SUPC item codes must match the codes on the last transmitted order.
 - e. Purchase Order Number and Order Control (OC) number.
 - f. Unique invoice number (do not cycle or duplicate).

3. **Fee:** If an invoice requires special manual handling due to a billing discrepancy, a \$50 fee will be assessed for each purchase order.

Supplier Performance Fee FAQs

February 8, 2021

Confidential: This information is intended solely for Sysco and its supplier partners. Please do not forward this outside of your organization.

The Supplier Performance policies are designed to improve the effectiveness of how Sysco works with our supplier partners, which will enable us to better service our customers. These new formalized policies are intended to drive many mutual benefits including greater efficiency, an improved customer digital shopping experience, enhanced customer loyalty and mutual sales growth for our supplier partners and Sysco.

The following FAQs are designed to help answer any questions our supplier partners may have, provide additional clarity regarding these policies and help provide insight into what changes our supplier partners should expect to see over the coming months.

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Supplier Invoicing Efficiency Fee FAQs

Billing Discrepancy Frequently Asked Questions

Q: Why is Sysco implementing a fee for invoicing discrepancies?

A: Our primary focus is to pay our supplier partners accurately and on time. To achieve this, we must receive invoices reflective of the product received and the agreed upon costs. Invoice discrepancies impact our automated system voucher process and require additional review work including filing a deduction claim, delayed payments, time to research and reconcile the deductions. This work is a significant added cost to both of our organizations.

Q: How often will the fee be assessed and how can my company access supporting documentation?

A: The fee will be assessed on a monthly basis and will appear as a deduction from your payment. Your company may access supporting documentation on the Sysco supplier portal at <https://bsccsupplierpayables.sysco.com>.

Q: What benefit will my company receive from this new policy?

A: By invoicing Sysco correctly, it will enable us to pay suppliers in a timely manner and reduce the number of subsequent deductions. This will also significantly reduce reconciliation and research efforts for our supplier partners.

Q: By when does my company need to complete the requirements?

A: We ask you start implementing the requirements immediately. Invoice quantities should match the case quantities received by our Sysco sites. Item cost, miscellaneous charges, freight and allowances should match the last purchase order update transmitted to your company.

Q: What role do I have in supporting this initiative?

A: As a valued business partner, we rely on your company to submit accurate billing documents. We appreciate your support in helping drive an efficient procure to pay cycle, which will enable us to grow our partnership together and enable both parties to focus on the needs of our mutual customers. Please share this policy with your internal sales, billing and accounts receivable departments.

Q: Are these fees eligible to be passed to the customer?

A: These fees must not be passed to the customer; suppliers are solely responsible for payment.

Supplier Billback Fee FAQs

Supplier Billback Fee Frequently Asked Questions

Q: Why is Sysco implementing Supplier Billback fees?

A: Our goal is to support both our customers and our supplier partners effectively and efficiently through the timely and accurate processing of deviated agreements for customer pricing. Many of these inputs are manual and often the ONSA form is received late, is incorrect or requires changes before the end date which causes pricing interruptions and special manual handling.

Sysco also understands the importance of our supplier partners receiving accurate and timely billback documentation. This policy will ultimately reduce Supplier research for billing discrepancies and save time processing billbacks.

Q: What Suppliers are involved?

A: Suppliers that issue discounted contract costs to Sysco customers that result in deviated pricing agreements being implemented that Sysco must maintain.

Q: What benefit will my company receive from this new policy?

A: Suppliers that accurately submit their Sysco Standard ONSA form will benefit with more accurate processing, less delays and greater efficiency. Our supplier partners will see a benefit in reduced research and reconciliation activity.

Q: What Operator Negotiated Supplier Agreement (ONSA) / agreements are applicable?

A: ONSA forms submitted for the purpose of supplier discounted contract costs resulting in deviated pricing customer agreements.

Q: If a supplier sends in an ONSA in a format that is not in the Sysco standard, is the charge \$25?

A: The fee per new ONSA is \$30, in addition, if the ONSA is not received in an approved Sysco format a \$25 charge will be added. The total would be \$55 for that ONSA.

Q: How often will the fee be assessed and how can my company access supporting documentation?

A: The fee will be assessed on a monthly basis and will appear as a deduction from your payment. Your company may access supporting documentation on the Sysco supplier portal at <https://bsccsupplierpayables.sysco.com>.

Q: How will the 2% fee assessed?

A: The fee will be calculated based on the total billback due to Sysco and deducted on a monthly basis. Each individual billback invoice will have a \$100 maximum fee per site per agreement per month.

Q: What is the charge to submit a Sysco Standard ONSA, and is it reoccurring?

A: A \$30 ONSA fee is applied to each new ONSA submission, as well as re-submissions for expired ONSAs. These fees are one-time only.

Q: If a Sysco Standard ONSA is submitted for a 3-month committed pricing deviation, will the Supplier be charged for three separate months?

A: No, there would be a one-time charge of \$30 for the submitted form. In the event changes occur during this time, additional charges could occur.

Q: If a Supplier does not have copy of a Sysco Standard ONSA form, how can the get one?

A: If a supplier needs a copy of an approved ONSA form, one way will be to email DPMhotline@corp.sysco.com and request a copy.

Q: Are these fees eligible to be passed to the customer?

A: These fees must not be passed to the customer; suppliers are solely responsible for payment.

Supplier Fill Rate Performance Fee FAQs

Supplier Fill Rate Performance Fee Frequently Asked Questions

Q: Why are we implementing a Supplier Fill Rate Performance Fee?

A: Providing our mutual customers with exceptional service is critical to their success and growth. By implementing a fill rate performance policy and fee structure, we can ensure that our customers receive the products they need when they need them.

Q: What is the benefit of this policy for my company?

A: Meeting fill rate requirements produces greater efficiencies, reduces cost, enhances customer loyalty, and provides an avenue for sales growth.

Q: 99.5% fill rate has always been our standard, why are we lowering our service expectations?

A: 99.5% remains Sysco’s inbound fill rate, this initial 97.5% no fee threshold allows for a smooth transition from no fee to fee-based performance management as well as to consider challenges in the current COVID environment

Q: Is the fill rate fee applicable to the total shortage value?

A: Sysco expects 100% fill rate on shipments arriving at our dock. In the event an item arrives at less than 100% fill rate, non-performing items below 97.5% fill rate will be assessed a 4% fee on the value of the shorted item.

Example: Purchase Order assessment for fee

Line Item	Original Qty	Item Cost	Received Qty	Item Fill Rate	Item Shorted Value	4% Fee Applied To Shorted Value
1	100	\$30.00	90	90%	\$ 300.00	\$ 12.00
2	100	\$30.00	95	95%	\$ 150.00	\$ 6.00
3	100	\$30.00	98	98%	\$ 60.00	\$ -
4	100	\$30.00	100	100%	\$ -	\$ -
						\$ 18.00

Q: Does this replace Sysco Canada's fill rate fee?

A: No, this is only applicable to Sysco's US Broadline business and suppliers should continue to abide by Sysco Canada's specific guidelines.

Q: Is this applicable to other Sysco business segments e.g. Sygma, SSMG, FreshPoint, IFG?

A: No, this policy is only applicable to Sysco's US Broadline business.

Q: Are Category Management suppliers in scope for Performance Fill Rate fees?

A: Yes. All suppliers are in scope for Fill Rate Performance fees.

Q: How is the fill rate calculation determined?

A: The calculation is derived from the number of cases received divided by the original p/o cases ordered for each p/o line item.

Q: How often will the fee be assessed and how can my company access supporting documentation?

A: The fee will be assessed on a monthly basis and will appear as a deduction from your payment. Your company may access supporting documentation on the Sysco supplier portal at <https://bsccsupplierpayables.sysco.com>.

Q: Where do I go if I have questions or concerns about the fees that have been assessed to my company?

A: Sysco will be implementing a process where our supplier partners can inquire about charges that have been assessed and our teams will work together to resolve any concerns that may arise. More details will be provided when finalized.

Q: If Sysco picks up with their carrier is the fill rate fee applicable?

A: Yes. The fill rate performance fees are applicable to supplier managed and Sysco managed freight.

Q: Does the fill rate calculation consider the suppliers order processing lead time?

A: Yes. Fill Rate Performance fees account for supplier order lead times.

Q: Is fill rate calculated differently for Sysco Brand and National Brand?

A: No. Fill Rate Performance fees are calculated on the same basis for both national brand and Sysco branded products.

Q: If I short ship one order and then over ship the next order an equivalent volume will this net out?

A: No, over shipments are capped at original order quantity.

Q: Will there be adjustments for Sysco initiated original order quantity changes?

A: Process enhancements are currently being developed to take this into consideration.

Q: Will the fee structure be the same for Operating Sites and RDCs?

A: Yes, the fee structure will be the same.

Q: When will the new policy be implemented?

A: The policy is effective starting April 1, 2021 with performance deductions starting in May. You are being provided advanced notice to work with your internal teams to meet policy requirements and to address any questions or comments with your merchandising representatives.

Q: What role do I have in supporting this initiative?

A: As a valued business partner, we rely on your company to provide the necessary products to our customers. Maintaining a high fill rate on Sysco purchase orders, supports the success and growth of our mutual customers.

Q: Are these fees eligible to be passed to the customer?

A: These fees must not be passed to the customer; suppliers are solely responsible for payment.

Item Content Performance Fee FAQs

Item Content Performance Fee Frequently Asked Questions

Q: What are the benefits of these requirements? Why are the requirements important?

A: The importance that Customers and Sales consultants place on having enriched data content in order to make informed purchasing decisions is the reason this data is required. Supporting the Sysco Shop online application is vital to Sysco customers, Sysco, and correspondingly to Suppliers. Our mutual reward will be accelerated sales growth.

Q: Why is Sysco implementing Item Content Performance fees?

A: While Sysco's preference is to have our full item content requirements met and to charge no fees at all, Item Content Performance fees are designed to encourage suppliers to provide the required content, enabling our companies to experience mutual sales growth.

Q: How will a supplier know the status of their item data?

A: The recently established Supplier Data Portal will display a supplier's items and degree of compliance with requirements.

Q: Are these data requirements new?

A: No. For most suppliers, images, attribution, and Features & Benefits statements will be familiar topics. What is new is the formal communication of specific detailed requirements, expected completion dates, and the performance fee structure.

Q: How often will the fee be assessed and how can my company access supporting documentation?

A: The fee will be assessed on a monthly basis and will appear as a deduction from your payment. Your company may access supporting documentation on the Sysco supplier portal at <https://bsccsupplierpayables.sysco.com>.

Q: Will expectations for item content continue to evolve? Are additional requirements anticipated in the future?

A: While these current requirements are being addressed by Sysco and our supplier partners, it is likely that the dynamic needs of our customers in this rapidly changing digital marketplace will continue to evolve.

Q: When will this new policy start?

A: While the Item Content requirements were put into effect December 22, 2020 with Brian Todd's communication of requirements, the charging of fees will begin in May based on performance in April.

Q: What role do I have in supporting this initiative?

A: Because Item Content often requires coordinated contributions from numerous individuals, please communicate internally to your colleagues as appropriate. Watch for invitations to information/training sessions in the next few weeks covering: Supplier Data Portal, Content Scorecards, and Content Upload capabilities.

Q: Are these fees eligible to be passed to the customer?

A: These fees must not be passed to the customer; suppliers are solely responsible for payment.