Risk Factors Comparison 2023-08-25 to 2022-08-26 Form: 10-K

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The following discussion of " risk factors " identifies the most significant factors that may adversely affect our business, **results of** operations, financial position ~~or~~ **and** future financial performance. This information should be read in conjunction with Management' s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes contained in this report. The following discussion of risks is not all inclusive **,** but is designed to highlight what we believe are the most significant factors to consider when evaluating our business. These factors could cause our future results to differ from our expectations expressed in the forward- looking statements identified within " Management' s Discussion and Analysis of Financial Condition and Results of Operations ~~,~~ " and from other historical trends. Industry and General Economic Risks Our industry is characterized by low margins, and periods of significant or prolonged inflation or deflation affect our product costs and may negatively impact our profitability **and results of operations** . The foodservice distribution industry is characterized by relatively high inventory turnover with relatively low profit margins. Volatile food costs have a direct impact on our industry. We experienced an elevated inflation rate of approximately ~~15~~ **6** . ~~0~~ **1** % in our **total company** ~~U. S. Broadline~~ operations during fiscal ~~2022~~ **2023** , primarily in the **dairy** ~~paper and disposables~~ , ~~poultry~~ **frozen** and ~~meat~~ **canned and dry** categories. In periods of significant product cost inflation, if we are unable to pass on all or a portion of such product cost increases to our customers in a timely manner, our results of operations would be adversely affected. In addition, periods of rapidly increasing inflation may adversely affect our ~~business~~ **results of operations** due to the impact of such inflation on discretionary spending by consumers and our limited ability to increase prices in the current, highly competitive environment. Conversely, our ~~business~~ **results of operations** may be adversely affected by periods of product cost **disinflation and** deflation, because we make a significant portion of our sales at prices that are based on the cost of products we sell plus a percentage margin, mark- up or fee per case. As a result, our results of operations may be adversely affected during periods of product cost **disinflation and** deflation, even though our gross profit percentage may remain relatively constant. A shortage of qualified labor and increases in labor costs could ~~negatively~~ **adversely** affect our business and materially reduce earnings. The future success of our operations, including the achievement of our strategic objectives, depends on our ability, and the ability of certain third parties on which we rely, to identify, recruit, develop and retain **diverse,** qualified and talented individuals. As a result, ~~any~~ **a** shortage of qualified labor could ~~significantly~~ adversely affect our business **,** ~~. Any such shortage could~~ decrease our ability to effectively serve our customers **,** and achieve our strategic objectives. **We** ~~In the current operating environment, we~~ are experiencing a shortage of qualified labor in certain geographies, particularly **in the area of** ~~with regard to recruiting and retaining~~ warehouse workers and drivers ~~,~~ **. Such shortages frequently** ~~resulting~~ --- **result** in increased costs from certain temporary wage actions, such as hiring ~~and~~ **,** referral **,** and retention bonus programs. See the discussion under " Human Capital Resources " in Item 1, " Business " for additional information regarding our talent acquisition and talent management efforts in the context of these labor shortages. Unsuccessful recruiting and retention efforts as a result of such continuing shortages for a prolonged period of time could have a material adverse effect on **our** ~~the company' s~~ financial condition and results of operations. Labor shortages ~~will~~ also likely lead to higher wages for employees and higher costs to purchase the services of third parties. Increases in labor costs, such as increases in minimum wage requirements, wage inflation and / or increased overtime, reduce our profitability and that of our customers. Increases in such labor costs for a prolonged period of time could have a material adverse effect on **our** ~~the company' s~~ financial condition and results of operations **. Further, potential changes in labor legislation and case law could result in current non- union portions of our workforce, including warehouse and delivery personnel, being subjected to greater organized labor influence. If additional portions of our workforce became subject to collective bargaining agreements, this could result in increased costs of doing business as we would become subject to mandatory, binding arbitration or labor scheduling, costs and standards, which may reduce our operating flexibility** . Global health developments and economic uncertainty resulting from the COVID- 19 pandemic **or other future public health crises may** continue to adversely affect ~~,~~ our business, financial condition and results of operations. Public health crises, pandemics and epidemics **could adversely affect our business** , ~~such as~~ **financial condition and results of operations. For example, the coronavirus (COVID- 19) pandemic adversely impacted our business, results of operations and financial condition directly and disrupted the operations of our business partners, suppliers and customers. While our operations have generally stabilized since the peak of** the COVID- 19 pandemic, ~~have~~ **we cannot predict with certainty the extent to which our operations may be** impacted ~~our operations directly and may~~ **in the future by any** ~~continue~~ **continuing** ~~to impact~~ **effects of COVID- 19 on** us ~~directly,~~ or **on** ~~may continue to disrupt the operations of~~ our business partners, suppliers and customers ~~in ways that could have an adverse effect on our business, results of operations and financial condition~~ . Fear of ~~such~~ **COVID- 19 or similar** events may further alter consumer confidence, behavior and spending patterns, and could adversely affect the economies and financial markets of many countries (or globally), resulting in an economic downturn that could affect customers' demand for our products. In response to the outbreak of COVID- 19 and its development into a pandemic, governmental authorities in many countries in which we ~~operate~~ , ~~and in which~~ our customers ~~are~~ **and our suppliers were** present and ~~suppliers operate~~ **operated** ~~, have~~ , imposed mandatory closures, sought voluntary closures and imposed restrictions on, or advisories with respect to, travel, business operations and public gatherings or interactions. Among other matters, these actions ~~have~~ required or strongly urged various venues where foodservice products ~~are~~ **were** served, including restaurants, schools, hotels and cruise liners, to reduce or discontinue operations, which ~~have~~ adversely affected ~~and will continue to adversely affect~~ demand in the foodservice industry, including demand for our products and services. Mutations of the virus have arisen, and **may** ~~are continuing to~~ arise **in the future** , some of which ~~have~~ **could** ~~proven~~ **prove** to be particularly aggressive variants ~~. As these variants spread~~ , **causing** some governmental authorities ~~have~~ **to** ~~reintroduced~~ **reintroduce** certain restrictions ~~and others may decide to do so~~ in the future, which could adversely affect demand in the foodservice industry. ~~To~~ **The future outbreak of a public health crisis (including** the ~~extent the~~ **reemergence of** COVID- 19 **) that** ~~pandemic continues to~~ adversely ~~affect~~ **affects** our business, results of operations and financial condition, **could** ~~it may~~ also have the effect of heightening many of the other risks described in this Annual Report on Form 10- K and subsequent filings with the SEC, such as those risks relating to our level of indebtedness, and may have an adverse effect on the price of our common stock. Unfavorable macroeconomic conditions, as well as unfavorable conditions in particular local markets, may adversely affect our results of operations and financial condition. Our results of operations are susceptible to regional, national and international economic trends and uncertainties. Economic conditions can affect us in the following ways: • Unfavorable conditions can depress sales and / or gross margins in a given market. • Food cost and fuel cost inflation can lead to reductions in the frequency of dining out and the amount spent by consumers for food- away- from- home purchases, reducing demand for our products. • Heightened uncertainty in the financial markets negatively affects consumer confidence and discretionary spending. • The inability to consistently access credit markets could impair our ability to market and distribute food products, support our operations and meet our customers' needs. • Liquidity and the inability of our customers and suppliers to consistently access credit markets to obtain cash to support their operations can cause temporary interruptions in our ability to collect funds from our customers and obtain the products and supplies that we need in the quantities and at the prices that we request. • Foreign exchange rate fluctuations can adversely impact our competitiveness and / or financial results. The countries in which we operate ~~,~~ have experienced **and are experiencing** , from time to time, deteriorating economic conditions and heightened uncertainty in financial markets, which have adversely impacted business and consumer confidence and spending and depressed capital investment and economic activity in the affected regions. ~~As reported in July 2022 by~~ **Such conditions and high levels of uncertainty make it difficult to predict when, or if, a recession may occur. In fact, some commentators have suggested that** the U. S. ~~Bureau of Economic Analysis, the U. S. economy experienced its~~ **is already in** ~~second consecutive quarter of negative economic growth, which may represent~~ a ~~leading indicator of an upcoming~~ recession. A prolonged economic downturn or recession in the U. S. or global economies, and the impact on ~~GDP~~ **gross domestic product** growth, corporate earnings, consumer confidence, employment rates, income levels and / or personal wealth, could have a material adverse effect on our results of operations and financial condition. 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 **, any of which could adversely affect our results of operations. The cost of fuel affects the prices we pay for products, as well as the costs we incur to deliver products to our customers** . We require significant quantities of fuel for our delivery vehicles and are exposed to the risk associated with fluctuations in the market price for fuel. The price and supply of fuel can fluctuate significantly based on international, political and economic circumstances (such as **the invasion of Ukraine by the Russian Federation (** Russia ~~' s invasion of Ukraine~~) **,)** as well as other factors outside our control, such as actions by the Organization of the Petroleum Exporting Countries **(** ~~, or~~ OPEC **,)** and other oil and gas producers, regional production patterns, weather conditions and environmental concerns ~~, and the resurgence of demand, as travel restrictions associated with the COVID- 19 pandemic are scaled back. The cost of fuel affects the prices we pay for products, as well as the costs we incur to deliver products to our customers~~ . Although we have been able to pass along a portion of increased fuel costs to our customers in the past through, among other things, our fuel surcharge program, we may not be able to do so in the future. If fuel costs continue to increase in the future, we may experience difficulties in passing all or a portion of these costs along to our customers, which may adversely affect our results of operations. We routinely enter into fuel hedging arrangements, including fuel derivatives, to hedge our exposure to volatile fuel prices. Nevertheless, our fuel hedging transactions may not be effective in protecting us from changes in fuel prices **. If** ~~, and if~~ fuel prices were to decrease significantly, these hedging arrangements would result in our paying higher- than- market costs for a portion of our diesel fuel. In addition, our future use of fuel derivatives would expose us to the risk that any of our counterparties fails to perform its obligations, whether due to its insolvency or otherwise, which could result in financial losses. Economic and political instability **and changes in laws and regulations** could adversely affect our results of operations and financial condition. Our international operations subject us to certain risks, including economic and political instability and potential unfavorable changes in laws and regulations in international markets in which we operate. ~~For example, the U. K. exited the EU on January 31, 2020, with a transition period that ended on December 31, 2020.~~ Local or regional geopolitical events, such as Brexit and, **civil unrest** ~~the " yellow vest " protests~~ in France in ~~2020~~ **2023 related to socioeconomic issues** , have negatively impacted our operations. Similar future trade or labor disruptions or disputes could have a negative impact on our operations in the EU and other parts of the world. In addition, military conflicts, such as the invasion of Ukraine by Russia, can negatively impact global demand. In response to such conflicts, various governments can and have recently imposed export controls on certain products and financial and economic sanctions on certain industry sectors and parties, which actions can have a negative impact on our operations. Although our business has not been materially impacted to date by the ongoing invasion of Ukraine by Russia, it is impossible to predict the extent to which our operations, or those of our suppliers and customers, will be impacted in the short and long term, or the ways in which the conflict may impact our business. The extent and duration of the military action, sanctions and resulting market disruptions are difficult to predict, but could be substantial. Further escalation of geopolitical tensions related to the military conflict, including increased trade barriers or restrictions on global trade, could result in, among other things, cyberattacks, supply disruptions, lower consumer demand and changes to foreign exchange rates and financial markets. Any or all of these factors could disrupt our business directly and could disrupt the business of our customers, which could have an adverse effect on our business and results of operations. Any such disruptions may also magnify the impact of other risks described in this **Annual Report on** Form 10- K. 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. The foodservice distribution industry is fragmented and highly competitive, with local, regional and multi- regional distributors and specialty competitors. Local and regional companies often align themselves with other smaller distributors through purchasing cooperatives and marketing groups, with the goal of enhancing their geographic reach, private label offerings, overall purchasing power, cost efficiencies and ability to meet customer distribution requirements. These suppliers may also rely on local presence as a source of competitive advantage, and they may have lower costs and other competitive advantages due to geographic proximity. Furthermore, barriers to entry by new competitors, or geographic or product line expansion by existing competitors, are low. Additionally, increased competition from non- traditional sources (such as club stores and commercial wholesale outlets with lower cost structures), online direct food wholesalers and cash and carry operations have served to further increase pressure on the industry' s profit margins **.** ~~, and continued~~ **Continued** margin pressure within the industry may have a material adverse effect on our results of operations. Moreover, some of our customers purchase their products from us through group purchasing organizations **(** ~~, or "~~ GPOs **)** ~~, "~~ in an effort to lower the prices paid by these customers on their foodservice orders. GPOs have a relatively larger presence in the healthcare, lodging and foodservice management customer segments. If these GPOs are able to add a significant number of our customers as members, ~~it may negatively affect~~ our business, financial condition **and** ~~, or~~ results of operations **may be adversely affected** . Finally, demand for food- away- from- home products is volatile and price sensitive, imposing limits on our customers' ability to absorb cost increases. New and increasing competitive sources may result in increased focus on pricing and on limiting price increases or may require increased discounting or other concessions. Such competition or other industry pressures may result in margin erosion and / or make it difficult for us to attract and retain customers. If we are unable to effectively differentiate ourselves from our competitors, our results of operations could be adversely impacted. In addition, even if we are able to effectively differentiate ourselves, we may only be able to do so through increased expenditures or decreased prices, which could also adversely impact our results of operations. Business and Operational Risks Conditions beyond our control can interrupt our supplies, increase our product costs and impair our ability to deliver products and services to our customers **, any of which could adversely affect our business, results of operations and financial condition** . We obtain substantially all of our foodservice and related products from third- party suppliers. Although our purchasing volume can provide benefits when dealing with suppliers, suppliers may not be able to provide the foodservice products and supplies that we need due to conditions outside of their control. We are also subject to delays caused by interruptions in production and increases in product costs based on conditions outside of our control. These conditions include shortages of qualified labor for our suppliers, work slowdowns, work interruptions, strikes or other job actions by employees of suppliers, short- term weather conditions or more prolonged climate change, crop and other agricultural conditions, water shortages, transportation interruptions (such as shortages of ocean cargo containers), unavailability of fuel or increases in fuel costs, product recalls, competitive demands, civil insurrection or social unrest, terrorist attacks or international hostilities (such as the invasion of Ukraine by Russia) and natural disasters, epidemics, pandemics (such as the COVID- 19 pandemic) or other human or animal disease outbreaks or other catastrophic events (including, but not limited to, foodborne illnesses). Many of these conditions outside of our control could also impair our ability to provide our products and services to our customers or increase the cost of doing so. ~~Our current~~ **While our** ~~operating~~ **operations** ~~environment continues to adjust in response to~~ **have generally stabilized since the peak of the** COVID- 19 **pandemic** , ~~placing significant pressure~~ **we cannot predict with certainty the extent that our operations may continue to be impacted by any continuing effects of COVID- 19** on ~~the food- away- from- home supply chain~~ **us or on our business partners, suppliers and customers** . Customer demand is currently outpacing available supply in certain categories. Certain suppliers are struggling to meet demand for our orders **and may also be affected by higher costs to source or produce and transport products** , which impairs our ability to deliver products and services to our customers. Prolonged future supply shortages could have an adverse effect on **our** ~~the company' s~~ financial condition and results of operations. Further, increased frequency or duration of extreme weather conditions, which may be from climate change, could also impair production capabilities, disrupt our supply chain or adversely affect demand for our products. At any time, input costs could increase for a prolonged period for a large portion of the products that we sell. Additionally, we procure products from suppliers outside of the U. S., and we are subject to the risks associated with political or financial instability, military conflict, trade restrictions, tariffs, currency exchange rates, transport capacity and costs and other factors relating to foreign trade, including health and safety restrictions related to epidemics and pandemics (such as the COVID- 19 pandemic), any or all of which could delay our receipt of products or increase our input costs. In addition, as a foodservice distributor, it is necessary for us to maintain an inventory of products. Declines in product pricing levels between the time we purchase a product from our suppliers and the time we sell the product to our customers could reduce our margin on that inventory, adversely affecting our results of operations. Adverse publicity about us or lack of confidence in our products could negatively impact our reputation and reduce earnings. Maintaining a good reputation and public confidence in the safety of the products we distribute is critical to our business. **Our** ~~Sysco' s~~ brand names, trademarks ~~and~~ **,** logos and ~~our~~ reputation are powerful sales and marketing tools, and we devote significant resources to promoting and protecting them. Anything that damages our reputation or public confidence in our products, whether or not justified, could tarnish our reputation and diminish the value of our brand, which could adversely affect our results of operations, and require additional resources to rebuild our reputation and restore the value of our brand. Reports, whether true or not, of foodborne illnesses or injuries caused by food tampering could also severely injure our reputation or reduce public confidence in our products. If patrons of our restaurant customers were to become ill from foodborne illnesses, our customers could be forced to temporarily close restaurant locations, which would have an adverse effect on our sales and profitability. In addition, adverse publicity about regulatory or legal action against us could damage our reputation and image, undermine our customers' confidence in us and reduce short- term or long- term demand for our products and services, even if the regulatory or legal action is unfounded or not material to our **operations. Any of these developments or circumstances could adversely affect our results of** operations. Our relationships with long- term customers may be materially diminished or terminated **, which could adversely affect our business, financial condition and results of operations** . We have long- standing relationships and agreements with a number of our customers. Some of our customer agreements are terminable upon written notice by either us or the customer, which provides some customers with the opportunity to renegotiate their contracts with us on less favorable terms or to award more business to our competitors. Market competition, customer requirements, customer financial condition and customer consolidation through mergers or acquisitions also could adversely affect our ability to continue or expand these relationships. We may not be able to retain or renew existing agreements, maintain relationships with any of our customers on acceptable terms, or at all, or collect amounts that insolvent customers might owe us. The loss of one or more of our major customers could adversely affect our business, financial condition, and results of operations. Our anticipated change to the mix of locally managed customers versus multi- unit customers could reduce our gross and operating margins. Gross margin from our multi- unit customers **, which includes primarily national and regional casual dining and quick service restaurant chains,** is generally lower than that of our locally managed customers because we typically sell higher volumes of products to multi- unit customers and provide a relatively lower level of value- added services than we do to locally managed customers. If sales to our locally managed customers do not grow at the same (or a greater) rate as sales to our multi- unit customers, our operating margins **could** ~~will likely~~ decline. ~~Meanwhile~~ **For example** , the COVID- 19 pandemic generally ~~has~~ negatively affected multi- unit customers less than locally managed customers. If our sales to multi- unit customers were to continue to increase at a faster pace of growth than sales to our locally managed customers, we will become more dependent on multi- unit customers, as they begin to represent a greater proportion of our total sales. Therefore, a future loss of sales to the larger of these multi- unit customers could have a material negative impact on our results of operations and financial condition. Additionally, as a result of our greater dependence on these customers, ~~they~~ **these customers** could pressure us to lower our prices and / or offer expanded or additional services at the same prices. In that event, if we were unable to achieve additional cost savings to offset these price reductions and / or cost increases, our results of operations could be materially adversely affected. We may be unable to change our cost structure and pricing practices rapidly enough to successfully compete in such an environment. Changes in consumer eating habits could materially and adversely affect our business, financial condition, ~~or~~ **and** results of operations. Changes in consumer eating habits (such as a decline in consuming food away from home, a decline in portion sizes, or a shift in preferences toward restaurants that are not our customers) could reduce demand for our products. Consumer eating habits could be affected by a number of factors, including changes in attitudes regarding diet and health (including shifting preferences for sustainable, organic and locally grown products, as well as alternative proteins) or new information regarding the health effects of consuming certain foods. Changing consumer eating habits also occur due to generational shifts. Millennials, the largest demographic group in terms of spend, seek new and different, as well as more ethnic, menu options and menu innovation. If consumer eating habits change significantly, we may be required to modify or discontinue sales of certain items in our product portfolio, and we may experience higher costs and / or supply shortages associated with our efforts to accommodate those changes as our suppliers adapt to new eating preferences. Changing consumer eating habits may reduce the frequency with which consumers purchase meals outside of the home. Additionally, changes in consumer eating habits may result in the enactment or amendment of laws and regulations that impact the ingredients and nutritional content of our food products, or laws and regulations requiring us to disclose the nutritional content of our food products. Compliance with these laws and regulations, as well as others regarding the ingredients and nutritional content of our food products, may be costly and time- consuming. We may not be able to effectively respond to changes in consumer health perceptions or resulting new laws or regulations or to adapt our menu offerings to trends in eating habits. In addition, in response to the COVID- 19 pandemic and the related economic downturn, many consumers preferred to eat at home rather than consume food away from home. If these preferences return and consumers choose to avoid gathering in public places in large groups, the demand for our products and services could be adversely affected. Moreover, if governmental restrictions were to resume, it is unclear how quickly customers will return to their prior eating habits, which may be a function of continued concerns over safety or depressed consumer sentiment due to adverse economic conditions, including job losses. Expanding into new markets and complementary lines of business presents unique challenges and may not be successful **, and failure to successfully expand may adversely affect the implementation of our business strategy** . An element of our strategy includes further expansion of operations into new markets and the establishment of new procurement organizations. Our ability to successfully operate in these new markets may be adversely affected by political, economic and social conditions beyond our control, public health crises, epidemics and pandemics (such as the COVID- 19 pandemic), local laws and customs, and legal and regulatory constraints, including compliance with applicable anti- corruption and currency laws and regulations, of the countries or regions in which we currently operate or intend to operate in the future. Risks inherent in such expansion also include, among others, the costs and difficulties of identifying and gaining access to local suppliers, suffering possible adverse tax consequences from changes in tax laws or the unfavorable resolution of tax assessments or audits, maintaining product quality and greater difficulty in enforcing intellectual property rights. Our business strategy also includes the possibility of expansion into businesses that are closely related or complementary to, but not currently part of, our core foodservice distribution business. Our ability to successfully operate in these complementary business markets may be adversely affected by legal and regulatory constraints, including compliance with regulatory programs to which we become subject. Risks inherent in branching out into such complementary markets also include the costs and difficulties of managing operations outside of our core business, which may require additional skills and competencies, as well as difficulties in identifying and gaining access to suppliers or customers in new markets. Changes in applicable tax laws or regulations and the resolution of tax disputes could negatively affect our financial results. As a multinational corporation, we are subject to income taxes, as well as non- income- based taxes, in both the U. S. and various foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes and other tax liabilities. Changes in tax laws or tax rulings may have a significant adverse impact on our effective tax rate. For example ~~, the~~ **: • The** U. S. and many countries where we do business are actively considering or have recently enacted changes in relevant tax, accounting and other laws, regulations and interpretations, including changes to tax laws applicable to corporate multinationals **. • On August 16, 2022, the U. S. Congress passed the Inflation Reduction Act of 2022 (Inflation Reduction Act), which, among other provisions, creates a new corporate alternative minimum tax (CAMT) of at least 15 % for certain large corporations that have at least an average of $ 1 billion in adjusted financial statement income over a consecutive three- year period effective after December 31, 2022. The Inflation Reduction Act also includes a 1 % excise tax on certain stock repurchases beginning in 2023. We do not expect to meet the CAMT threshold in the near term. • On October 8, 2021, the Organization for Economic Co- operation and Development (OECD) announced the OECD / G20 Inclusive Framework on Base Erosion and Profit Shifting, which provides for a two- pillar solution to address tax challenges arising from the digitalization of the economy. Pillar One expands a country' s authority to tax profits from companies that make sales into their country but do not have a physical location in the country. Pillar Two includes an agreement on international tax reform, including rules to ensure that large corporations pay a minimum rate of corporate income tax. On December 20, 2021, the OECD released Pillar Two Model Rules defining the global minimum tax, which calls for the taxation of large corporations at a minimum rate of 15 %. The OECD continues to release additional guidance on the two- pillar framework, with widespread implementation anticipated by 2024. We are continuing to evaluate the potential impact on future periods of the Pillar Two Framework, pending legislative adoption by individual countries** . Further, in the ordinary course of a global business, there are many intercompany transactions and calculations where the ultimate tax determination could change if tax laws or tax rulings were to be modified. We are also subject to non- income- based taxes, such as payroll, sales, use, value- added, net worth, property and goods and services taxes, in both the U. S. and various foreign jurisdictions. Although we believe that our income and non- income- based tax estimates are appropriate, there is no assurance that the final determination of tax audits or tax disputes will not be different from what is reflected in our historical income tax provisions and accruals. Given the unpredictability of possible further changes to the U. S. or foreign tax laws and regulations and their potential interdependency, it is very difficult to predict the cumulative effect of such tax laws and regulations on our results of operations and cash flow, but such laws and regulations (and changes thereto) could adversely impact our financial results. **Additionally, we are subject to regular review and audit by both domestic and foreign tax authorities as well as to the prospective and retrospective effects of changing tax regulations and legislation. Although we believe our tax estimates are reasonable, the ultimate tax outcome may materially differ from the tax amounts recorded in our Consolidated Financial Statements and may materially affect our income tax provision, net income, or cash flows in the period or periods for which such determination and settlement occurs.** If our products are alleged to have caused injury or illness, or to have failed to comply with governmental regulations, we may need to recall **or withdraw** our products and may experience product liability claims. We, like any other foodservice distributor, may be subject to product recalls, including voluntary recalls or withdrawals, if the products we distribute are alleged to have caused injury or illness, to have been mislabeled, misbranded, or adulterated or to otherwise have violated applicable governmental regulations. We may also choose to voluntarily recall or withdraw products that we determine do not satisfy our quality standards, in order to protect our brand and reputation. Any future product recall or withdrawal that results in substantial and unexpected expenditures, destruction of product inventory, damage to our reputation and / or lost sales due to the unavailability of the product for a period of time could materially adversely affect our results of operations and financial condition. We also face the risk of exposure to product liability claims if the use of products sold by Sysco is alleged to have caused injury or illness. We cannot be sure that consumption of our products will not cause a health- related illness in the future or that we will not be subject to claims or lawsuits relating to such matters. Further, even if a product liability claim is unsuccessful or is not fully pursued, the negative publicity surrounding any assertion that our products caused illness or injury could adversely affect our reputation with existing and potential customers and our corporate and brand image. Umbrella liability insurance that we maintain for product liability claims may not continue to be available at a reasonable cost or, if available, may not be adequate to cover all of our liabilities. We generally seek contractual indemnification and insurance coverage from parties supplying our products, but this indemnification or insurance coverage is limited, as a practical matter, to the creditworthiness of the indemnifying party and the insured limits of any insurance provided by suppliers. If we do not have adequate insurance or contractual indemnification available, product liability relating to defective products could materially adversely affect our results of operations and financial condition. If we fail to comply with requirements imposed by applicable law or other governmental regulations, we could become subject to lawsuits, investigations and other liabilities and restrictions on our operations that could **materially** ~~significantly and~~ adversely affect our business. We are subject to ~~regulation by~~ various federal, state, provincial, regional and local ~~governments~~ **laws, rules and regulations** in the countries in which we operate with respect to many aspects of our business, such as food safety and sanitation, ethical business practices, transportation, minimum wage, overtime, wage payment, wage and hour and employment discrimination, immigration, human health and safety **. Due** ~~, and due~~ to the services we provide in connection with governmentally funded entitlement programs **, we are also subject to additional laws and regulations** . For a detailed discussion of the laws and regulations to which our business is subject, please refer to " Business – Government Regulation " in Part I, Item 1 of this Annual Report on Form 10- K. From time to time, both federal and state governmental agencies conduct audits of various aspects of our operations, as part of investigations of providers of services under governmental contracts, or otherwise. We also receive requests for information from governmental agencies in connection with these audits. While we attempt to comply with all applicable laws and regulations, we may not be in full compliance with all applicable laws and regulations or interpretations of these laws and regulations at all times; moreover, we may not be able to comply with all future laws, regulations or interpretations of these laws and regulations. If we fail to comply with applicable laws and regulations or encounter disagreements with respect to our contracts subject to governmental regulations, including those referred to above, we may be subject to investigations, criminal sanctions or civil remedies, including fines, injunctions, prohibitions on exporting, or seizures or debarments from contracting with such government. The cost of compliance or the consequences of non- compliance, including debarments, could have an adverse effect on our results of operations. In addition, governmental units may make changes in the regulatory frameworks within which we operate that may require us to incur substantial increases in costs in order to comply with such laws and regulations. We may incur significant costs to comply with environmental laws and regulations, and we may be subject to substantial fines, penalties or third- party claims for non- compliance. Our operations are subject to various federal, state, provincial, regional and local laws, rules and regulations in the various countries in which we operate relating to the protection of the environment, including those governing: • the discharge of pollutants into the air, soil, and water; • the management and disposal of solid and hazardous materials and wastes; • employee exposure to hazards in the workplace; and • the investigation and remediation of contamination resulting from releases of petroleum products and other regulated materials. In the course of our operations, we **:** operate, maintain and fuel fleet vehicles; store fuel in on- site above and underground storage tanks; operate refrigeration systems; and use and dispose of hazardous substances and food wastes. We could incur substantial costs, including fines or penalties and third- party claims for property damage or personal injury, as a result of any violations of environmental or workplace safety laws and regulations or releases of regulated materials into the environment. In addition, we could incur substantial investigation, remediation or other costs related to environmental conditions at our currently or formerly owned or operated properties. For example, most of our distribution facilities have ammonia- based refrigeration systems and tanks for the storage of diesel fuel and other petroleum products, which are subject to laws regulating such systems and storage tanks (including the investigation and remediation of soil and groundwater contamination associated with the use of underground storage tanks). Certain of these laws and regulations in the EU may impose liability for costs of investigation or remediation of contamination (which could be material), regardless of fault or the legality of the original disposal, even if such contamination was present prior to the commencement of our operations at the site and was not caused by our activities. In addition, many of our facilities have propane and battery- powered forklifts. Proposed or recently enacted legal requirements, such as those requiring the phase- out of certain ozone- depleting substances, and proposals for the regulation of greenhouse gas emissions, may require us to upgrade or replace equipment, or may increase our transportation or other operating costs. If we are unable to finance and integrate acquired businesses effectively, our earnings per share could be materially adversely affected. Historically, a portion of our growth has come through acquisitions. If we are unable to integrate acquired businesses successfully or realize anticipated economic, operational and other benefits and synergies in a timely manner, our ~~earnings per share~~ **results of operations** may be materially adversely affected. For example, we ~~encountered~~ **are experiencing ongoing** operational challenges ~~in fiscal 2019~~ related to our efforts to integrate two businesses in France ~~acquired in connection with the Brakes Group acquisition~~ , ~~which integration efforts have~~ adversely ~~affected~~ **affecting** our ability to drive growth in sales ~~and will continue to be managed into fiscal 2023~~ . Integration of an acquired business may be more difficult when we acquire a business in a market in which we have limited expertise, or with a culture different from Sysco' s. A significant expansion of our business and operations, in terms of geography or magnitude, could strain our administrative and operational resources. Significant acquisitions may also require the issuance of material additional amounts of debt or equity, which could materially alter our debt- to- equity ratio, increase our interest expense and decrease earnings per share, and make it difficult for us to obtain favorable financing for other acquisitions or capital investments. In addition, our failure to implement effective internal control over financial reporting and disclosure controls and procedures with respect to a significant acquired business could result in material weaknesses and / or a failure to file our periodic reports with the Securities and Exchange Commission on a timely basis. 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. We use technology in substantially all aspects of our business operations, and our ability to serve customers most effectively depends on the reliability of our technology systems. We use software and other technology systems, among other things, to generate and select orders, to load and route trucks, to make purchases, to manage our warehouses and to monitor and manage our business on a day- to- day basis. We also use mobile devices, social networking and other online platforms to connect with our employees, suppliers, business partners and customers. Further, our business involves the storage and transmission of numerous classes of sensitive and / or confidential information and intellectual property, including customers' and suppliers' personal information, private information about employees and financial and strategic information about **us** ~~the company~~ and our business partners. This sensitive and / or confidential information and intellectual property are stored on information technology systems controlled by us, as well as systems controlled by third parties, such as our service providers. These technology systems and the operation thereof are vulnerable to disruption from circumstances beyond our control, including fire, natural disasters, power outages, systems failures, security breaches, espionage, cyber- attacks, viruses, theft and inadvertent release of information. We and our third- party providers experience cybersecurity incidents of varying degrees from time- to- time, including ransomware and phishing attacks, as well as distributed denial of service attacks and the theft of data. **Cyber threats are constantly evolving, are becoming more sophisticated and are being made by groups and individuals with a wide range of expertise and motives, and this increases the difficulty of detecting and successfully defending against them. For example, as disclosed in our Quarterly Report on Form 10- Q for our third quarter of fiscal 2023, in March 2023, Sysco became aware of a cybersecurity event perpetrated by a threat actor believed to have begun in January 2023. Immediately upon detection, Sysco initiated an investigation, with the assistance of cybersecurity and forensics professionals, determining that the threat actor had extracted certain company data, including data relating to operation of the business, customers, employees and personal data. This data extraction did not impact Sysco' s operational systems and related business functions, and its service to customers continued uninterrupted. Sysco also notified federal law enforcement and provided other required notifications.** To date, these **cybersecurity incidents** have not had a material impact on our financial condition, results of operations or liquidity ~~;~~ **.** ~~however~~ **However** , there is no assurance that there will not be a material adverse effect in the future, especially if the amount of insurance coverage we maintain is not sufficient to cover claims or liabilities relating to an incident. Potential consequences of a future material cybersecurity incident include **:** business disruption; disruption to systems; theft, destruction, loss, corruption, misappropriation or unauthorized release of sensitive and / or confidential information or intellectual property (including personal information in violation of one or more privacy laws); **loss of revenue;** reputational and brand damage; and potential liability, including litigation or other legal actions against us or the imposition by governmental authorities of penalties, fines, fees or liabilities, which, in turn, could cause us to incur significantly increased cybersecurity protection and remediation costs and the loss of customers. ~~As~~ **In addition, if our suppliers or customers experience such a breach or unauthorized disclosure or system failure,** ~~the~~ **their** ~~ongoing~~ **businesses could be disrupted or otherwise negatively affected. This may result in a disruption in our supply chain or reduced customer orders, which would adversely affect our business operations. We have also outsourced several information technology support services and administrative functions to third- party service providers, including cloud- based service providers, and may outsource other functions in the future to achieve cost savings and efficiencies. If these service providers do not perform effectively due to breach or system failure, we may not be able to achieve the expected benefits and our business may be disrupted. The** COVID- 19 pandemic has resulted in many of our employees, contractors and other corporate partners working remotely, ~~we must increasingly~~ -- **increasing** ~~rely~~ **reliance** on information technology systems that are outside our direct control. These systems are potentially vulnerable to cyber- based attacks and security breaches. In addition, cyber criminals are increasing their attacks on individual employees with business email compromise scams designed to trick victims into transferring sensitive data or funds, or steal credentials that compromise information systems. The actions and controls we have implemented and are implementing to date, or which we seek to cause or have caused third- party providers to implement, may be insufficient to protect our systems, information or other intellectual property. Further, we anticipate ~~devoting~~ **continuing to devote** significant ~~additional~~ resources to **maintaining and** ~~upgrade~~ **upgrading** our security measures generally, including those we employ to protect personal information against these cybersecurity threats. Further, as we pursue our strategy to grow through acquisitions and to pursue new initiatives that improve our operations and cost structure, we are also expanding and improving our information technologies, resulting in a larger technological presence and corresponding exposure to cybersecurity risk. Failure to adequately assess and identify cybersecurity risks associated with acquisitions and new initiatives ~~would~~ **could** increase our vulnerability to such risks. **Our** ~~Sysco' s~~ efforts to prevent security breaches and cybersecurity incidents, and to implement effective disaster recovery plans, may not be entirely effective to insulate us from technology disruption ~~that could result in~~ **or protect us from** adverse effects on our results of operations. Additionally, information technology systems continue to evolve and, in order to remain competitive, we must implement new technologies in a timely and efficient manner. **For example, we may incorporate emerging artificial intelligence (AI) solutions into our platform, offerings, services and features, and these applications may become important in our operations over time.** Our failure to implement timely **and / or successfully** new technologies **, including AI,** may adversely affect our competitiveness and, consequently, our results of operations. Our failure to comply with data privacy regulations could adversely affect our business. There are new and emerging data privacy laws, as well as frequent updates and changes to existing data privacy laws, in most jurisdictions in which ~~Sysco~~ **we** ~~operates~~ - **operate** . Given the complexity of these laws and the often- onerous requirements they place on businesses regarding **the collection, storage,** handling **, use, disclosure, transfer, and security of** personal data, it is important for ~~Sysco~~ **us** to understand their impact and respond accordingly. Failure to comply with data privacy laws can result in substantial fines or penalties, legal liability and / or reputational damage. In the UK and Europe, the General Data Protection Regulation (**the** GDPR), which came into effect in 2018, places stringent requirements on companies when handling personal data ~~and~~ **.** ~~there~~ **There** continues to be a growing trend of other countries adopting similar laws ~~, including Canada~~ . **Additionally** ~~Since 2020~~ , ~~five US states~~ **there continues to be significant uncertainty with respect to the California Consumer Privacy Act of 2018** (**the CCPA** ~~i. e., California, Virginia, Colorado, Utah and Connecticut~~) ~~have enacted stringent consumer privacy laws. In January 2023~~ , **which went** ~~we expect significant changes to come~~ into effect ~~in~~ **on January 1, 2020, and imposes additional obligations on companies regarding the handling of personal information and provides certain individual privacy rights to persons whose information is collected. Both the GDPR and the CCPA are continuously evolving and developing and may be interpreted and applied differently from jurisdiction to jurisdiction and may create inconsistent or conflicting requirements. For example, the** California **Privacy Rights Act (the CPRA)** , which ~~will~~ **was approved by California voters as a ballot initiative in November 2020, modifies the CCPA significantly,** further ~~enhance~~ **enhancing** and ~~extend~~ **extending** an individual' s rights over their personal data and the obligations placed on companies that handle this data **. The resulting new regulations became effective on January 1** , **2023** ~~with the adoption of the California Privacy Rights Act (CPRA)~~ . Most notably, ~~it is expected that~~ employee and business data **were** ~~will be~~ brought into scope, which raises the compliance requirements for ~~Sysco~~ **us** significantly, in terms of internal controls, processes and governance requirements **. Furthermore, since 2020, several other U. S. states have enacted (and additional U. S. states are considering enacting) stringent consumer privacy laws, which may impose varying standards and requirements on our data collection, use and processing activities** . Continued state by state introduction of privacy laws ~~could~~ **can be expected to** lead to significantly greater complexity in our compliance requirements globally, which could result in complaints from data subjects and / or action from regulators. If ~~Sysco does~~ **we do** not provide sufficient resources to ensure ~~it is~~ **we are** able to respond, adapt and implement the necessary requirements to respond to the various forthcoming changes, which could include federal data privacy requirements in the US, while continuing to maintain our compliance with global data privacy laws, this could adversely impact our reputation and ~~Sysco~~ **we** could face exposure to fines levied by regulators, which could have a significant financial impact on our business. Our level of indebtedness and the terms of our indebtedness could adversely affect our business and liquidity position. As described in Note 12, " Debt and Other Financing Arrangements, " in the Notes to Consolidated Financial Statements in Item 8, as of July ~~2~~ **1** , ~~2022~~ **2023** , we had approximately $ 10. ~~6~~ **4** billion of total indebtedness ~~. This amount~~ **, which primarily** ~~included~~ **includes our outstanding** senior notes **. Additionally** , ~~and~~ we have the ability to borrow under our revolving credit facility, which supports our U. S. commercial paper program. Our level of indebtedness could have important consequences for us, including: • limiting our ability to obtain additional financing, if needed, for working capital, capital expenditures, acquisitions, debt service requirements or other purposes; • increasing our vulnerability to adverse economic, industry or competitive developments; • limiting our flexibility in planning for, or reacting to, changes in our business and our industry; and • placing us at a competitive disadvantage compared to our competitors that have less debt. Our indebtedness may increase from time to time for various reasons, including fluctuations in operating results, working capital needs, capital expenditures, potential acquisitions, joint ventures and / or share repurchase programs. Our level of indebtedness and the ultimate cost of such indebtedness could have a negative impact on our liquidity, cost of future debt financing and financial results, and our credit ratings may be adversely affected as a result of the incurrence of additional indebtedness. A significant downgrade in our credit ratings or adverse conditions in the capital markets may increase the cost of borrowing for us or limit our access to capital. In the future, our cash flow and capital resources may not be sufficient for payments of interest on and principal of our debt, and any alternative financing measures available may not be successful and may not permit us to meet our scheduled debt service obligations. We may be required to pay material amounts under multiemployer defined benefit pension plans **, which could adversely affect our financial condition, results of operations and cash flows** . We contribute to several multiemployer defined benefit pension plans based on obligations arising under collective bargaining agreements covering union- represented employees. In fiscal ~~2022~~ **2023** , our total contributions to these plans were approximately $ ~~45~~ **52** . ~~5~~ **6** million. The costs of providing benefits through such plans have increased in recent years. The amount of any increase or decrease in our required contributions to these multiemployer plans will depend upon many factors, including collective bargaining negotiations, actions taken by trustees who manage the plans, government regulations, changes in the funded status of these plans and the potential payment of a withdrawal liability if we, for any reason, cease to have an ongoing obligation to contribute to a given plan. Based upon the information available to us from the administrators of these plans, none of these plans have assets sufficient to fully pay their liabilities, and therefore all such plans have unfunded vested benefits. Increases in the unfunded liabilities of these plans may result in increased future contribution obligations imposed on us and on other participating employers. Under federal law, significant underfunding experienced by a given plan generally results in increased contribution obligations in the form of surcharges and supplemental contribution obligations. Our risk of such increased payments may be greater if any of the participating employers in these underfunded plans withdraws from a given plan due to insolvency and is not able to contribute an amount sufficient to fund the unfunded liabilities associated with its participants in the plan. We could also be treated as partially withdrawing from participation in one of these plans if the number of our employees participating in a given plan is reduced to a certain percentage over a certain period of time, or if we cease to have an obligation to contribute under one or more, but fewer than all, of the collective bargaining agreements that require us to make contributions to a particular plan. Such reductions in the number of employees participating in these plans could occur as a result of changes in our business operations, such as facility closures or consolidations. **We** ~~Based on the latest information available from plan administrators, we~~ estimate our share of the aggregate withdrawal liability on the multiemployer plans in which we participate could have been as much as $ ~~156~~ **142** . ~~2~~ **6** million as of August ~~13~~ **18, 2023. This estimate is based on the information available from plan administrators, which had valuation dates between February 1, 2020 and December 31** , 2022 **. As the valuation dates for all of the plans was between February 1, 2020 and December 31, 2022, the company' s estimate reflects the condition of the financial markets as of this date range. Due to the lack of current information, management believes Sysco' s current share of the withdrawal liability could materially differ from this estimate** . A significant increase to funding requirements could adversely affect **our** ~~the company' s~~ financial condition, results of operations ~~or~~ **and** cash flows. Our funding requirements for our company- sponsored qualified pension plan may increase should financial markets experience future declines **, which could adversely affect our financial condition, results of operations and cash flows** . We had a ~~sizable~~ pension obligation of $ ~~3~~ **2** . ~~5~~ **6** billion, as compared to assets totaling $ ~~3~~ **2** . 6 billion, as of July ~~2~~ **1** , ~~2022~~ **2023** , both of which have sensitivity to financial market factors that could impact our funding requirements. See Note 14, " Company- Sponsored Employee Benefit Plans " in the Notes to Consolidated Financial Statements in Item 8 for a discussion of the funded status of the U. S. Retirement Plan. At the end of fiscal 2012, we decided to freeze future benefit accruals under ~~the~~ **our** company- sponsored qualified pension plan (**the** U. S. Retirement Plan) as of December 31, 2012 for all U. S.- based salaried and non- union hourly employees. Effective January 1, 2013, these employees were eligible for additional contributions under an enhanced, defined contribution plan. The amount of our annual contribution to the U. S. Retirement Plan is dependent upon, among other things, the returns on the U. S. Retirement Plan' s assets and discount rates used to calculate the plan' s liability. In fiscal 2018, we made voluntary contributions of $ 380 million to the U. S. Retirement Plan, allowing us to set an investment strategy that more closely aligns the duration of the U. S. Retirement Plan' s assets with the duration of its liabilities. As a result, our U. S. Retirement Plan holds a greater amount of investments in fixed income securities, but also holds equity securities. Fluctuations in asset values can cause the amount of our anticipated future contributions to the plan to increase. The projected liability of the U. S. Retirement Plan will be impacted by the fluctuations of interest rates on high quality bonds in the public markets as these are inputs in determining our minimum funding requirements. Failure to successfully renegotiate union contracts could result in work stoppages **, which could have a material adverse effect on our business, financial condition and results of operations** . As of July ~~2~~ **1** , ~~2022~~ **2023** , we had approximately ~~71~~ **72** , 000 employees, approximately ~~17~~ **15** % of whom were represented by unions, primarily the International Brotherhood of Teamsters and unions in France and Sweden. Approximately ~~9~~ **15** % of our union employees are covered by collective bargaining agreements that are subject to renegotiation in fiscal ~~2023~~ **2024** . Failure to effectively renegotiate these contracts could result in work stoppages. We believe our operating sites have good relationships with their unions, but a work stoppage due to failure of multiple operating subsidiaries to renegotiate union contracts could have a material adverse effect on ~~us~~ **our business, financial condition and results of operations** . Organization and Common Stock Risks Our authorized preferred stock provides anti- takeover benefits that may not be viewed as beneficial to stockholders. Under our Restated Certificate of Incorporation, **our** ~~Sysco' s~~ Board of Directors is authorized to issue up to 1, 500, 000 shares of preferred stock without stockholder approval. Issuance of these shares could make it more difficult for anyone to acquire Sysco without approval of ~~the~~ **our** Board of Directors, depending on the rights and preferences of the stock issued. In addition, if anyone attempts to acquire Sysco without approval of ~~the~~ **our** Board of Directors ~~of Sysco~~ , the existence of this undesignated preferred stock could allow ~~the~~ **our** Board of Directors to adopt a shareholder rights plan without obtaining stockholder approval, which could result in substantial dilution to a potential acquirer. As a result, hostile takeover attempts that might result in an acquisition of Sysco, which could otherwise have been financially beneficial to our stockholders, could be deterred. Our amended and restated bylaws provide that the Court of Chancery of the State of Delaware will be the exclusive forum for certain stockholder litigation matters, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees. Our amended and restated bylaws provide that the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware) is the exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a breach of fiduciary duty, any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws, or any action asserting a claim against us that is governed by the internal affairs doctrine, except for any action (A) as to which such court determines that there is an indispensable party not subject to the jurisdiction of such court (and the indispensable party does not consent to the personal jurisdiction of such court within ~~ten~~ **10** days following such determination), (B) which is vested in the exclusive jurisdiction of a court or forum other than such court, or (C) for which such court does not have subject matter jurisdiction. This provision may limit a stockholder' s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and other employees. Alternatively, if a court were to find this provision in our amended and restated bylaws to be inapplicable or unenforceable in any action, we may incur additional costs associated with resolving such action in other jurisdictions, which could adversely affect our business, financial condition and results of operations.