



## Progress Report 2015/2016 by Mars, Incorporated

### On the Leadership Declaration of the 'Biodiversity in Good Company' Initiative



#### Leadership Declaration

All signatory companies acknowledge and support the three objectives of the international "Convention on Biological Diversity":

- Conservation of biological diversity
- Sustainable use of its components
- Fair and equitable sharing of the benefits that arise out of the utilization of genetic resources.

and commit themselves to:

1. Analyzing corporate activities with regard to their impacts on biological diversity;
2. Including the protection of biological diversity within their environmental management system;
3. Appointing a responsible individual within the company to steer all activities in the biodiversity sector and report to the Management Board;
4. Defining realistic, measurable objectives that are monitored and adjusted every two to three years;
5. Publishing activities and achievements in the biodiversity sector in the company's annual, environmental, and/or corporate social responsibility report;
6. Informing suppliers about the company's biodiversity objectives and integrating suppliers accordingly and step by step;
7. Exploring the potential for cooperation with scientific institutions, non-governmental organizations (NGOs) and/or governmental institutions with the aim of deepening dialogue and continuously improving the corporate management system vis-à-vis the biodiversity domain.

To demonstrate ongoing commitment, member companies will provide the Initiative with a progress report every two years.

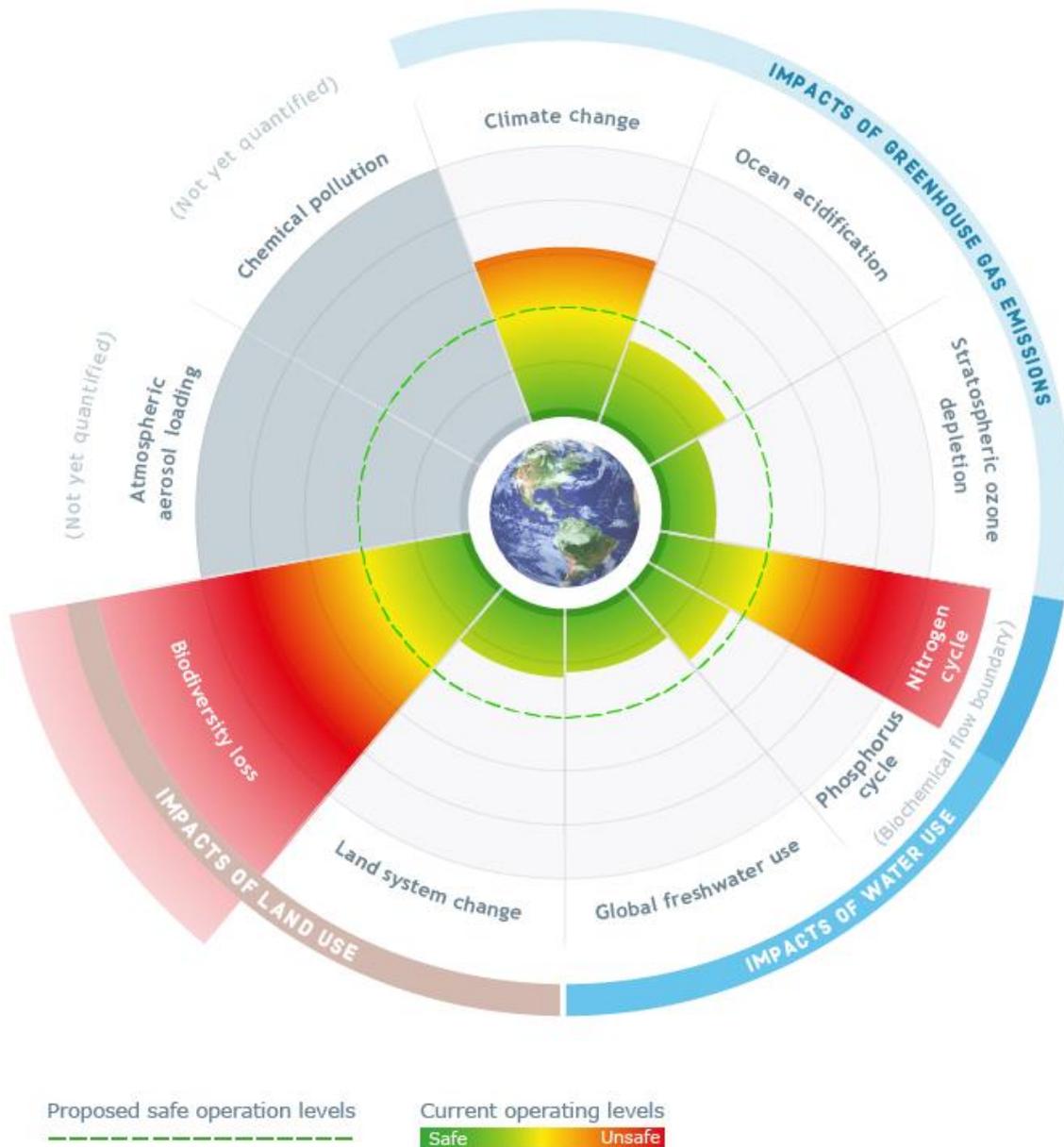
## 1. Analyze corporate activities with respect to their impact on biological diversity

**Our challenges: Impacts and dependencies on biodiversity:** For Mars, biodiversity is a business imperative because ingredients used such as cocoa are only able to thrive long-term in a biologically diverse environment. Food and agricultural production methods have to take into account biodiversity as the loss of ecosystems, species and genes threatens the sustainability of future business activities. Mars acknowledges this intrinsic connection and recognizes the importance of biodiversity and ecosystem services for its future operations. There are both economic and ethical reasons for including the topic of biodiversity into business operations.

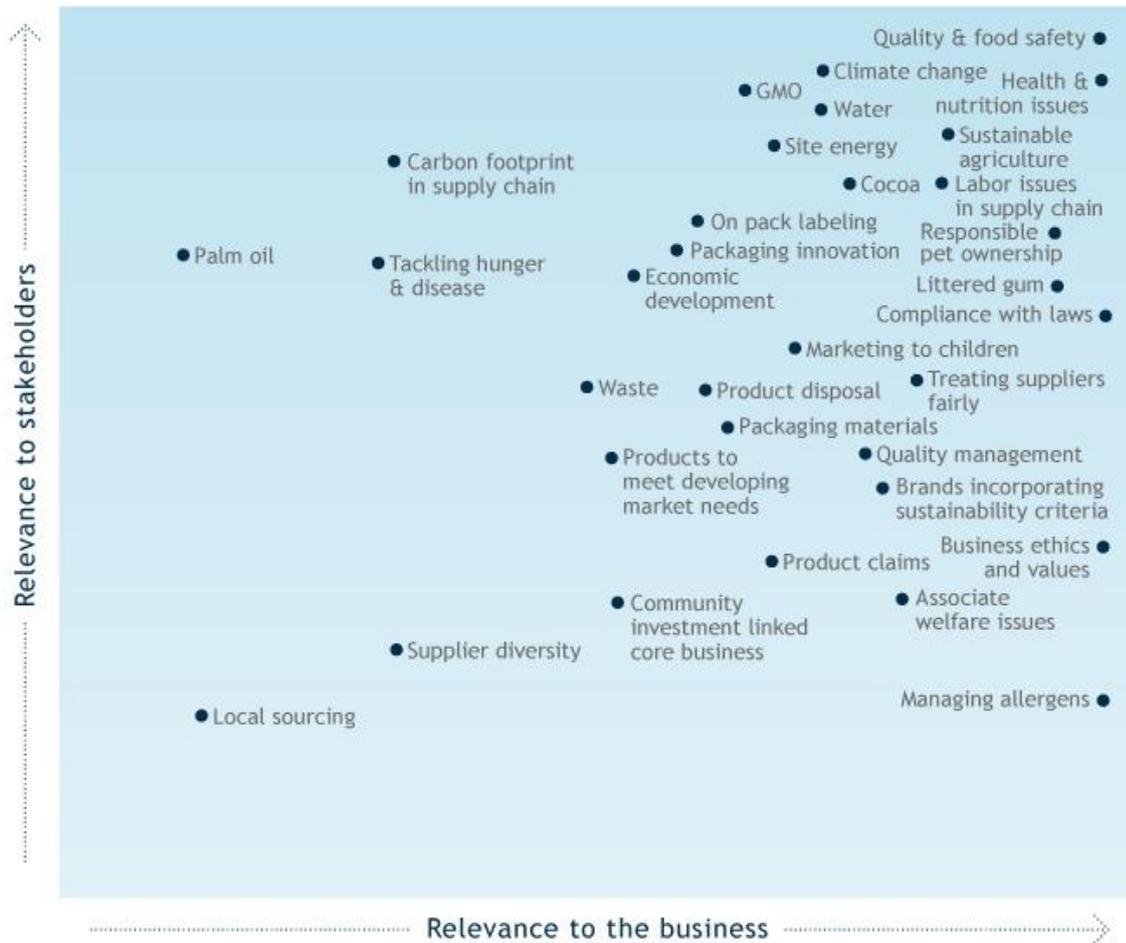
Mars acknowledges its environmental footprint, including on biodiversity. The company's sustainability strategy focuses on tackling these impacts across three broad areas of our business:

- **Operations:** The first step is to focus on our offices and factories, where we have direct control. For more than five years, we have worked to make our operations Sustainable in a Generation by aiming to eliminate fossil fuel use, reducing water use and waste and potentials impacts on biodiversity
- **Sourcing:** Mars relies heavily on agriculture. Our sourcing program focuses on improving the sustainability of priority raw materials and packaging. We have identified the most significant impacts and are setting targets across 23 of our most critical raw materials.
- **Brands:** Our brands create campaigns to educate and partner with consumers to champion good causes. We choose causes that resonate with our consumers — and strive for campaigns that deliver long-term measurable benefits for the causes including biodiversity

A set of nine planetary limits — within which humanity can continue and thrive for future generations — was developed by a group of 28 scientists from across the world. Mars focusses its efforts using the “Planetary Boundaries” analysis, which lays out nine environmental impacts that could potentially lead to profound and irreversible damage to our planet, in particular biodiversity:



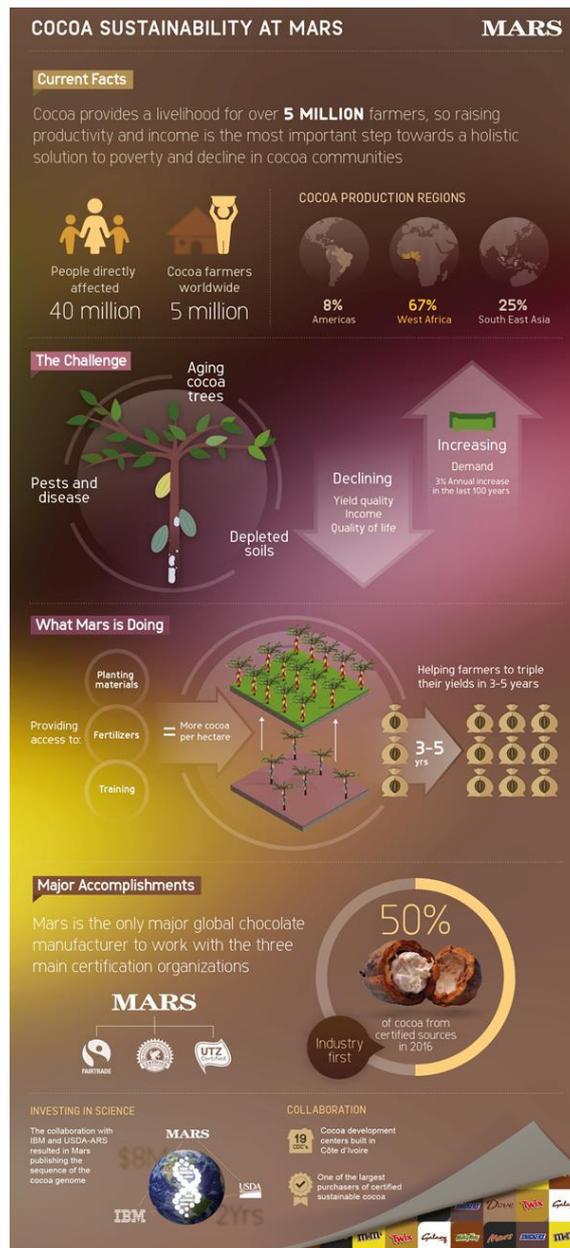
Assessing the impact: In 2015 and 2016, Mars identified which of its major supply chains and methods of sourcing raw materials have the biggest social and environmental impact – from African cocoa to Malaysian palm oil to Brazilian beef, and devised and published new policies on the sustainability of its raw materials. Solid progress in how Mars sources palm oil, paper and pulp, beef, soy, rice, mint, fish, tea, coffee, and other raw materials has been made during the period under review - 2015 and 2016.



**Climate change:** Mars is taking a proactive stance on climate change and its potential impact on biodiversity. As a business with agriculture at its core, the ability to source ingredients is at risk in the face of climate change. At the United Nations Climate Conference in Marrakech – known as COP22 – Mars joined business and political leaders in calling action to implement the targets agreed at COP 21 in Paris.

**Supply chains:** Mars has pledged to reduce our impact on deforestation and biodiversity. We will endeavor to accomplish this goal by sourcing select raw materials from suppliers meeting strict criteria for responsible land use in their supply chains. During the period 2013 and 2014 Mars has launched three policies aimed at reducing deforestation in its beef, soy, paper and pulp supply chains. These policies outline targets that focus on the raw materials offering the biggest opportunity to reduce the impact that Mars has on sensitive forest lands and its biodiversity. In line with its existing palm oil policy, these policies are part of a broader Mars effort to protect forests and their biodiversity.

**Cocoa:** The global cocoa sector may suffer a future shortfall because of increasing economic and environmental pressures on cocoa farms around the world. Yet, in the long-term, Mars' Chocolate business depends on a sustainable supply of high quality cocoa. Mars has responded to the loss of biodiversity and habitats by committing to 100 percent cocoa certification in 2020 and by supporting initiatives that focus on the environmental, economic, and social aspects of cocoa cultivation to secure responsible cocoa production and the future supply of the crop.



**Rice:** Products based on rice (Uncle Ben’s) are a key pillar of our food business. Research has shown significant difference of carbon emissions depending on where, under which conditions, and what variety of rice is grown. Mars Food intentionally sources the majority of its rice from temperate zones (EU, US). Sourcing is close to the markets, and this also reduces methane emissions compared to rice grown under submerged conditions in tropical regions. Mars is constantly researching rice varieties that allow reducing greenhouse gas emissions. Further emission improvements are achieved by optimizing irrigation management and screening for both drought and flood resistant rice varieties.

**Forests:** Forests serve as important reservoirs of carbon, and the clearance of primary forest cover causes serious increases in greenhouse gas emissions. As one of the world’s leading food companies, Mars recognizes the need to commit to the protection of forests and their biodiversity. Forests also provide a habitat for half of known plant and animal species, regulate local rainfall patterns and provide livelihoods for millions of people in rural communities.

However, forest cover is disappearing, and the rapid expansion of agricultural land to feed a growing population is a major cause. This is a particular problem in tropical areas, where much of the deforestation taking place is illegal, and areas of high conservation value and high carbon stocks are being lost. In many cases, forest is being cleared for plantations without the consent of local communities or respect for their right to access the land.

As a priority for tackling our land use impacts, Mars is focusing on deforestation. Deforestation causes about 15 percent of global greenhouse gas emissions and decreases biodiversity. Forests provide a habitat for half of known plant and animal species and provide livelihoods for millions of people in rural communities. The growing demand for paper-based products is contributing to increases in illegal logging, and natural forest is being converted into plantations to feed pulp mills. Pulp and paper-based materials are widely recognized as posing a high risk to biodiversity. Packaging accounts for around 80 percent of all pulp and paper used by our global business and is the focus of our concerns.

**Palm Oil:** Unfortunately, the rapid expansion of palm oil plantations is threatening environmentally sensitive areas of tropical rainforest and carbon-rich peat lands. In some cases, the rights of communities that depend on those forests and lands for their livelihoods have been threatened.

Most palm oil production takes place in Southeast Asia, a region with the world's third largest tropical forests. Much of this expansion has occurred at the expense of virgin tropical forests, which has resulted in biodiversity loss. We are committed to protecting forests and biodiversity, minimizing the carbon footprint of our supply chain, and respecting the rights of affected communities and workers in all of our palm oil sourcing. While Mars uses only 0.2 percent of global palm oil supplies, we purchase 100 percent of our palm oil from RSPO-certified sources via the "mass balance" program. Mars' sites are audited to confirm that the palm oil we receive comes from mass balance sources. Building on this, we are working toward fully sustainable and traceable sources of palm oil that are free of deforestation and thus of loss of biodiversity.

**Soy:** Rising demand for soy has led to conversion of natural forests into plantations in some regions. This type of farmland expansion contributes to the loss of biodiversity. In Brazil, one of largest soy producing countries, its cultivation threatened to become a major driver of clearance of the Amazonian rainforest about a decade ago. Mars' focus is on this region, where highly sensitive forest areas have been historically felled for agriculture and cattle ranching. More than 70 percent of the world's soy is grown in the U.S., Argentina, and Brazil. In Brazil, one of largest soy producing countries, its cultivation threatened to become a major driver of clearance of the Amazonian rainforest about a decade ago. Mars' focus is on this region, where highly sensitive forest areas have been historically felled for agriculture and cattle ranching.

In 2016 we finalized the mapping of our soy supply in Brazil to ensure to source from suppliers that abide by all Federal regulations in Brazil, that are pro-active in the soy moratorium program and that are fully engaged with local producers and NGOs.

**Beef:** The initial priority will be Brazil because cattle raised in Brazil's pastures are known to be a leading driver of deforestation. Industrial-scale cattle ranching and production for world

markets are considered one of the largest drivers of deforestation in the Brazilian Amazon. It is estimated that approximately 70 percent of deforested land in the Amazon Biome is used as pasture. Mars' focus is on this region, where highly biodiverse forest areas have been historically felled for cattle ranching. Our goal is to ensure that beef used in Mars products does not impinge on the Amazon region, one of the world's most biodiverse regions. To that end, we aim to protect primary forest areas of high biodiversity. Mars has also mapped its worldwide sources of beef in 2016 thus gaining visibility into whether we are sourcing from other geographies that are sensitive to deforestation due to cattle ranching so that we can determine what, if any, actions we should take.

**Fish:** The increased demand for fish has had serious consequences for the biodiversity of marine life. Mars has committed to source 100 percent of fish and seafood products as a raw material for pet food from sustainable sources by 2020. The company only uses fish from wild stocks that are not threatened, or are responsibly farmed, and Mars is in the process of replacing all wild whole fish and fish fillets with sustainable fish by-products and responsibly-farmed seafood products, and is developing and using sustainable alternatives to marine fish ingredients.

**Packaging materials:** Our goal is to have a sustainable supply chain for all pulp and paper-based packaging materials sourced by Mars, Incorporated. Mars is committed to sustainably sourcing the key raw materials that are driving deforestation. In order to reduce deforestation and thus the loss of biodiversity extends beyond focusing on raw material supply chains, Mars will continue to be actively engaged with government, industry, including the Consumer Goods Forum and civil society stakeholders to drive change collaboratively.

**Consumer and Biodiversity:** Mars has launched some of the first consumer products which took biodiversity considerations into account, such as the Rainforest Alliance certified Galaxy bars in the UK and the Utz Ballisto introduction in 2011, being among the major first consumer companies relating the issue of biodiversity directly to the consumers.

## 2. Include the protection of biological diversity within their environmental management systems, and develop biodiversity indicators

**Environmental management systems:** The basis of corporate biodiversity management at Mars is the business-specific relationship between the company's raw materials and biodiversity. Mars has integrated biodiversity aspects into its environmental management cycle. The existing internal management systems are based on ISO 90001, ISO 14001 and ISO 50001 Energy-Management which ensure compliance with and further development of the highest environmental, quality and safety standards.

We use independent country and product risk data provided by Verisk Maplecroft (a global risk advisory business) to score, rank and assess the ethical, social and environmental risks associated with what we buy and where we buy it. In March 2014, Mars conducted the third annual independent benchmarking of its responsible sourcing programme. The benchmarking done compared Mars' performance with 24 peer companies. Areas such as supplier risk management and compliance management, stakeholder engagement, supplier training and capacity building, transparency and disclosure were evaluated. Mars has steadily improved its ranking to 4<sup>th</sup> in 2014.

In addition, we use the Supplier Ethical Data Exchange (Sedex), and are engaged with AIM-PROGRESS, an industry forum of consumer goods manufacturers and suppliers assembled to enable and promote responsible sourcing practices and sustainable production systems.

**Policies to preserve and protect valuable natural resources:** There is a strong business case for integrating biodiversity considerations into the core management systems of Mars. Mars took an early stance in integrating biodiversity considerations into its management cycle in a farsighted manner, thus showing leadership as a global player in food production. Efforts to formulate a corporate biodiversity strategy were integrated into a set of new policies to preserve and protect valuable natural resources. The initiatives of Mars to develop measures that will have a positive impact both on biodiversity and on sustainable corporate development in each business segment, has initiated an internal discussion about the role of biodiversity, which itself has led to the integration of biodiversity issues into Mars' new policies aiming to preserve and protect valuable natural resources such as its Deforestation policy.

**Sourcing:** The launch of the Responsible Sourcing section on Mars' global website has enhanced reporting and disclosure on areas of responsible sourcing performance which has an immediate relationship with the protection of biodiversity.

### **3. Appoint a responsible individual within the company to steer all activities in the biodiversity sector and report to the Management Board**

Biodiversity is being addressed within the Sustainability Leadership Team. The team meets four times a year and includes business leaders with various areas of expertise and a senior representative from each of our six segments. The programs developed are then implemented by business functions to ensure that all parts of Mars are involved, engaged and proactive on sustainability.

Mars has appointed its Manager Global Programs to coordinate the various biodiversity related activities within Mars. He reports regularly on biodiversity issues to Mars' senior management as well via intranet to the Mars' associates. Specialized consultants support the Director of Global Programs and Partnerships, advising Mars on specific issues related to biodiversity.

### **4. Define realistic, measurable objectives that are monitored and adjusted every two to three years**

When becoming a founding member of the 'Biodiversity in Good Company' Initiative in 2008, Mars formulated a set of concrete biodiversity related commitments, i.e.:

- To source 100 percent cocoa from certified and sustainable production by 2020 – as an industry first major enterprise in the confectionary industry,
- To source 100 percent of fish and seafood products used for pet food from sustainable sources by 2020, another industry first,
- To source 100 percent palm oil from certified sources (RSPO) by 2015,
- To source 100 percent of coffee from certified sources by 2013, and
- To source 100 percent of black tea from certified sources by 2015.

**Climate Change:** Mars intends to move towards 100 percent renewable energy through a new wind farm in Mexico, following on from similar previous wind projects in Texas and Scotland. Mars' new short-term target of a 40 percent Green House Gases reduction from 2017 in our operations is building on its 2015 target of a 25 percent reduction. These interim targets will help us deliver our long-term goal of phasing out fossil fuels from our operations by 2040.

**Supply chains:** We have committed to purchasing 100 percent of several key raw materials through independent certification programs that share these same goals, such as the Rainforest Alliance, UTZ Certified, Fairtrade International and the Roundtable on Sustainable Palm Oil (RSPO). Certification is a good step in the right direction, but it is necessary to go further. By setting standards like these across our supply chains, Mars continues to develop solutions to the complex problem of deforestation and the loss of biodiversity.

Based on the risk assessments carried out with support from TFT, we will where necessary seek additional evidence of traceability in our supply chain, and that the fiber we source meets our Sustainable Sourcing Charter. Given the global nature of our supply chain, we will assure compliance using more than one approach:

- Certification to a credible, independent standard that demonstrates compliance with our Sustainable Sourcing Principles. Our strong preference is for Forest Stewardship Council (FSC) Forest Management and Chain of Custody certification. We will also accept product certified under national schemes approved by the Program for the Endorsement of Forest Certification (PEFC), where there is not enough FSC-certified product available to meet our needs.
- Verification of supplier compliance with our Sustainable Sourcing Charter by a third party, in geographies where certification is not widely available. This will include one or more of the following options:
  - Third-party audit by a qualified and experienced specialist
  - Second-party assessment by our chosen sustainable sourcing partner (TFT)
  - Legality verification, for use only in countries identified during risk assessment as having sufficiently robust legal structures.
  - Determining low-risk countries of fiber origin by assessing risk against our Sustainable Sourcing Charter based on a review of forest governance and law enforcement evidence. The risk will be regularly reviewed and addressed.

**Cocoa:** For nearly 30 years, Mars has pursued a cocoa sustainability strategy with the goal to secure responsible cocoa production and the future supply of the crop. Mars has committed to purchase only sustainably grown cocoa for our global needs by 2020. As the first global chocolate company to make such a commitment, Mars launched a multi-year, multi-country collaboration with the Rainforest Alliance, UTZ Certified and Fairtrade. These international standard organisations work to conserve biodiversity and sustainability by transforming land-use practices, business practices and consumer behaviour. Mars has an annual cocoa requirement of over 350,000 tons of which at the end of 2013 30 percent were procured from sustainably certified sources. To achieve the overall certification goal by 2020, Mars is working in collaboration with a variety of partners including other business, governments, NGOs, and certifying standard organizations.

During the period under review, MALTESERS has been the third biggest confectionery brand in the UK, and all of the products under it in the UK and Ireland carry the Fairtrade logo. The popularity of this product led to an increase in total UK sales of chocolate made from Fairtrade-certified cocoa by 10 percent. We are looking for opportunities to scale up the use of Fairtrade certification in the longer term to help us accomplish our 2020 target.

Mars is currently the only major manufacturer to work with all three major certification organizations: UTZ, the Rainforest Alliance and Fairtrade International. In 2015, more than 40 percent of the cocoa used came from certified sources. Certification ensures that the chocolate is good for both the farmers that grow cocoa — helping raise their incomes and providing educational opportunities for their families. Certification is not perfect and Mars continues to work with organizations, such as the European Committee for Standardization (CEN) and the International Organization for Standardization (IOS), to create a new global standard for sustainable cocoa.

**Rice:** In 2013, Mars' Food Scientific Advisory Council (FSAC) has made major steps in the area of rice sustainability. Efforts to make rice a more sustainable crop are extremely complex. Rice uses a lot of water, competing with other human needs in some places and it emits more greenhouse gases (GHGs) than crops like corn and wheat because it is mainly grown in flooded soils. To reduce water use, Mars has been working with an approach called alternate wetting and drying (AWD), promoted by the International Rice Research Institute, so that irrigation water can be reduced by up to 30 percent with no reductions in grain yield.

In 2015 and 2016 Mars' plant scientists continued to work with the University of California, Davis, the University of Arkansas, and the International Rice Research Institute (IRRI) on the contribution to global warming of methane and nitrous oxide from flooded rice fields. Studies have shown so far that over-fertilizing increases GHG emissions, while the alternate wetting and drying (AWD) irrigation system can greatly reduce methane emissions. The research indicates that carefully selecting or breeding new varieties of rice could have a big impact on the sustainability of rice cultivation. AWD can be combined with other conservation practices, such as side-inlet irrigation, zero grade and no-till, to further reduce water and energy consumption. AWD was also found to dramatically reduce methane emissions. The work on water conservation and GHG emissions in the United States is complemented by similar efforts for the rice production areas of Europe, especially in Italy, where AWD experiments are in their second year.

**Forests:** Our annual Principles in Action Summary will report on our progress, and we will provide updates as appropriate on our website. Mars continued in 2015 and 2016 to partner with industry, governments and civil society on broader efforts to protect forests and thus biodiversity to ensure mutual benefits for the workers and communities that rely on them for their livelihoods. In particular, Mars works with the World Economic Forum, the Tropical Forest Alliance and the Consumer Goods Forum to speed progress on preventing deforestation.

Mars also supports efforts to increase yields of key crops such as cocoa through improved breeding and production techniques and through our pioneering work on agroforestry. This reduces the need to clear forest for agricultural expansion and reduces the pressure on remaining natural forests.

Mars is committed to taking action on deforestation in our supply chains. We will achieve this by only sourcing beef, palm oil, pulp and paper, and soy from producers and suppliers that demonstrate compliance with the following, within the timeframe specified in the policy applicable to the relevant raw material:

- Produce or purchase all raw materials from legal sources
- No deforestation of primary forest or areas of high conservation value
- No development in high carbon stock forest areas
- No development on peat lands regardless of depth
- No burning to clear land for new developments or to re-plant existing developments
- Mars, Incorporated Supplier Code of Conduct, which sets our expectations in the areas of child labor, forced labor, discrimination, compensation and benefits, working hours, freedom of association and right to collective bargaining, health and safety, the environment and ethical business practices
- Respect the right of all affected communities to give or withhold their free, prior and informed consent for plantation developments on land they own legally, communally or by custom
- Resolve land rights disputes through a balanced and transparent dispute resolution process
- Support farmers and plantation owners to comply with this policy.

Our initial focus is on four raw materials with the greatest impact on forests: beef, palm oil, pulp and paper, and soy. This policy applies to 100 percent of these raw materials sourced by Mars, Incorporated.

Our palm oil policy is available on our website, and Mars has issued policies for pulp and paper, beef and soy by year-end 2014. The policies indicate the time frame applicable for each raw material.

Responsibility for implementing this policy lies with the commercial teams responsible for sourcing our raw materials, with oversight from our Corporate Sustainability Team.

In addition, Mars will:

- Monitor our progress and evaluate the deforestation risk of other raw materials, to ensure we remain focused on the materials and regions most urgently requiring action.
- Report transparently on our progress at least annually through our Principles in Action Summary.
- Partner with industry, governments, and civil society on broader efforts to protect forests and ensure mutual benefits for the workers and communities that rely on them for their livelihoods. We will work with the Consumer Goods Forum to progress on this issue.

**Palm Oil:** We launched our policy in March 2014 to formalize our commitment to developing a fully sustainable and traceable palm oil supply chain — one that is free from deforestation and environmental degradation and grown with respect for the rights of local communities and workers. To this end, we announced a new palm oil sourcing plan that our suppliers are

required to have met by the end of 2015. In addition, we committed to tracing all the palm oil we source back to known mills, and ensured that by the end of 2014 the tier-1 palm oil suppliers had agreed to comply with our sourcing charter. Mars will continue to source 100 percent RSPO mass-balance certified palm oil, but we want to go the extra mile to be sure this palm oil is genuinely sustainable. The ambition is to go beyond the RSPO criteria to only source palm oil from companies whose operations meet our sourcing charter.

This Palm Oil Policy applies to 100 percent of palm oil, palm kernel oil and their fractions directly sourced by Mars. In 2014 Mars developed a fully traceable pipeline back to known mills and will continue to work with the Forest Trust (TFT) to ensure these mills can verify that their fresh-fruit bunch supply, including supply from smallholders, meets our sourcing charter. All suppliers are required to comply with our charter.

In 2016, through our partnership with TFT, we continued to increase traceability and transparency in our supply chain. We will maintain supplier engagement, and expand this work by encouraging our direct suppliers to push for transformation among the mills and producers supplying them. Finally, we will work toward independent verification that our efforts and those of our suppliers are leading to genuine transformation on the ground.

We believe these steps will help ensure a genuinely sustainable supply chain where all material is sourced from companies whose mills only produce sustainable palm oil. In addition, we believe that this will help accelerate change by encouraging our suppliers to source all their palm oil from companies whose plantations and farms are responsibly run.

**Soy:** Our ambition is to ensure that, by the end of 2017, 100 percent of the soy we purchase in Brazil will be certified and coming from operations that are in compliance with the Brazil Forest Code. This means that, from and after 2018, Mars will only source material in Brazil that has been certified by a third-party verification system, such as RTRS or ProTerra.

Because Mars sources from millers and crushers rather than directly from growers, we are engaging with leading soy suppliers. When sourcing soy in Brazil, we will source only certified material from companies that follow the Brazil Forest Code. This process will be completed by the end of 2017.

While direct sourcing in Brazil is the prime focus of this deforestation policy, we have also mapped the origin of our worldwide sources of soy. This effort will give us visibility into whether or not we are sourcing from other geographies that are sensitive to deforestation due to soy cultivation so that we can determine what, if any, actions we should take.

Whilst we complete the direct sourcing project we will study our indirect soy usage, which is the soy fed to animals whose products we use. The results will clarify the total scope of our soy footprint and will enable us to assess our next steps.

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**Beef:** By the end of 2017, 100 percent of our Brazilian beef purchases will be from suppliers who are in compliance with the Brazil Forest Code and who are able to demonstrate that, when beef is coming from the Amazon Biome, it is not associated with primary forest clearance. To achieve this commitment, we will work closely with our suppliers who have more direct visibility into their beef sources.

Between now and the end of 2017, Mars will work with its suppliers to:

- Map our beef supply chain to understand where our suppliers are obtaining their raw material.
- Conduct a gap analysis of our suppliers to understand who is already in compliance with the Brazil Forest Code, or who has plans in place to achieve compliance.
- Ensure that, by the end of 2017, we will only source from suppliers who are able to demonstrate that beef coming from the Amazon Biome area isn't from cattle associated with primary forest clearing or who have the right plans in place to do so within a reasonable period.

Whilst we complete the work on beef sourcing in Brazil, we will also study our beef-containing ingredient usage. Supply chains of these ingredients are highly complex and traceability back to cattle origin is today unfortunately not always possible. For those ingredients, we will work closely together with our suppliers to understand traceability possibilities. This effort will give us visibility into the challenge and enable us to assess our next steps

**Fish:** In formulating Mars' commitment to using only sustainably sourced fish by 2020, and taking into consideration the dwindling global fish stocks, Mars worked closely together with the World Wildlife Fund (WWF) to develop its fish sustainability commitment: Mars Petcare will only use fish and seafood products from 100 percent sustainable wild catch and sustainable aquaculture sources. An important milestone in this sustainability journey was Mars' introduction of MSC certified pet food in Europe by the end of 2010. Mars Petcare Europe has rolled out MSC certification across a selection of fish varieties in the SHEBA® and WHISKAS® brand portfolios across Europe.

In 2015, already 35 percent of our fish and seafood came from sustainable sources. Mars reduced its use of whole fish and fillets by making more efficient use of each fish and reducing waste. Since 2014, Mars has reduced the waste from Pacific salmon fisheries by utilizing 4,500 metric tons of by-products previously being thrown back into the sea or landfilled. Mars continued in 2015 and 2016 to replace endangered species, including Bluefin Tuna, Chilean Seabass, Swordfish, and Orange Roughy, with sustainable alternatives.

**Coffee and Tea:** Mars Drinks has also initiated a sustainability program. With 'Brighter Tomorrow at Origin', Mars Drinks has been directly engaged in the source countries of its coffee and tea with the aim of increasing product quality and improving the working and living conditions of local farmers. In 2014, 73 percent of our coffee and 232 percent of our tea have been procured from certified sources.

Since 2014, we have been sourcing 100 percent of our coffee from Rainforest Alliance and UTZ certified sources. By sourcing our coffee from certified locations, we contribute to a

coffee industry that will thrive in the future, and so will the communities surrounding it. Certification also helps us demonstrate these values to our customers. Certification is only part of the solution. We collaborate with industry partners to support coffee growing communities, such as the World Coffee Research (WCR) and the Coffee Quality Institute.

**Packaging Materials** One of our biggest challenges for packaging is the impact of pulp and paper on land use. Because of this, we have committed to address deforestation – and this the loss of biodiversity in our supply chains:

- 100 percent of virgin pulp and paper-based packaging traceable to at least country of origin by the end of 2016
- 100 percent of pulp and paper-based packaging from certified, verified or recycled sources by the end of 2020
- We will develop a further target, prioritizing high deforestation risk areas, once we have full supply chain traceability at the end of 2016.

In 2015, 89 percent of our packaging was recyclable or recoverable. We missed our target for 2016 — to get us to 100 percent, Mars is collaborating with our peers, suppliers, authorities and waste management companies to find ways to recycle or recover new packaging formats.

The potato-processing industry generates a waste material that could have the right properties to make into packaging. Five years ago, a project was launched to see if we could make flexible plastic films — like the ones that surround our MARS® and SNICKERS® Bars — out of the potato waste material. After a lot of testing, and generous funding from the EU, Mars launched these potato-based wrappers for a five-month pilot in 2015 in Germany, France, and the Netherlands. Other than the interesting raw material, the packs are completely normal — they comply with food contact regulations and can be used on conventional food packaging machines.

Our Commitment is that 100 percent of virgin pulp and paper-based packaging traceable to at least country of origin by the end of 2016, that 100 percent of pulp and paper-based packaging from certified, verified or recycled sources by the end of 2020 and that we will develop a further target, prioritizing high deforestation risk areas, once we have full supply chain traceability at the end of 2016.

- 100 percent of virgin pulp and paper-based packaging traceable to at least country of origin was achieved in 2016.
- 100 percent of pulp and paper-based packaging from certified, verified or recycled sources by the end of 2020.
- Mars developed a further target, prioritizing high deforestation risk areas, because of full supply chain traceability which was achieved in 2016.

Between now and 2020, Mars will qualify its suppliers against this policy and ensure they are working toward our commitments using four main strategies. Mars established for the virgin fiber in the pulp and paper we source, in 2016 a fully traceable supply chain at least back to the country of forest harvest, or to a specific area where risks are high or vary within a

country. Mars partnered with The Forest Trust (TFT) to map our supply chain and assess the risks involved, to ensure this work is guided by an experienced, credible organization.

Our commitment is to only source virgin pulp and paper-based packaging materials from companies whose operations meet the following Sustainable Sourcing Charter:

- Only from legal sources
- No deforestation of primary forest or areas of high conservation value<sup>1</sup>
- No development in high carbon stock forest areas<sup>2</sup>
- No new development on peatlands regardless of depth. Any existing operations on peat must be third-party audited as being managed responsibly<sup>3</sup>
- No burning to clear land for new developments or to re-plant existing developments
- Compliance with the Mars, Incorporated Supplier Code of Conduct. This sets our expectations in the areas of child labor, forced labor, discrimination, compensation and benefits, working hours, freedom of association and right to collective bargaining, health and safety, the environment and ethical business practices
- Respect the right of all affected communities to give or withhold their free, prior and informed consent for plantation developments on land they own legally, communally or by custom
- Support farmers and plantation owners in complying with this policy.

From 2020 onward, we will only work with board and corrugated packaging material suppliers that share our values and the above Sustainable Sourcing Charter. We require all suppliers to have plans in place to ensure compliance with our Sustainable Sourcing Charter by mid-2017.

To reduce our use of virgin fiber, we will maintain a preference for recycled fiber where feasible and where we believe it to be a more sustainable alternative to virgin fiber. The final choice of fiber will be determined by quality and food safety requirements, product specification and performance, legal requirements, and its sustainability impacts.

**Consumer and Biodiversity:** In 2014, Mars Petcare (via its WHISKAS brand) has expanding Mars' support for the WWF Tigers Alive Initiative, a global conservation program to help protect tigers from extinction, and to double their numbers by 2022. Tigers are a symbol of the Earth's biodiversity, and this partnership is a potent symbol of how we can protect nature by working together. The next phase of the partnership will also support two key projects: A "zero poaching" initiative to assist in the advancement of enforcement work, and a "landscape" initiative, which will help to identify safe spaces for tigers in the wild. The partnership recognizes a shared philosophy between WHISKAS and WWF, that together we have more impact on the future of wild cats, and in particular tigers. The strength of this connection led to a successful campaign in the UK in 2013 where it will continue to be active. The partnership will also be rolled out in Germany, Switzerland and Belgium with the ultimate goal to create a global program.

As we move forward in implementing this policy, Mars will continue to work with government, industry and civil society stakeholders. We will communicate progress against our commitments and each of our four strategies annually. **Publish activities and**

## **achievements in the biodiversity sector in the company's annual, environmental and or corporate social responsibility report**

As a family owned enterprise, Mars is not required to publish annual reports. However, activities and achievements related to sustainability including biodiversity are regularly published in our 'Principles in Action Summary', which is published on [www.mars.com](http://www.mars.com).

The launch of the Responsible Sourcing section on Mars' global website has enhanced reporting and disclosure on areas of responsible sourcing performance.

### **6. Inform suppliers about the company's biodiversity objectives and integrate them accordingly**

A key element in biodiversity management is the relationship of Mars with its suppliers of raw materials. The method 'The assessment of biodiversity aspects in the supply chain' (TABS) has been key in understanding the potential impact. In 2013, Mars – in cooperation with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and Middlemarch Environmental Ltd. (UK) – carried out a study on the different levels of impact (beneficial or adverse) on biodiversity in the cocoa supply chain by using a TABS tool that assesses and evaluates both individual suppliers and the cumulative impact throughout the whole supply chain. This toolkit provides a quantified assessment of the risks and opportunities with respect to a single product's impact on biodiversity in the supply chain. A set of more than 50 respective indicators has been developed.

Mars will continue to work with our suppliers to responsibly source materials across our global supply chain. With respect to the policies aimed to preserve and protect valuable natural resources, roadmaps for various raw materials have been outlined in our Sustainable Sourcing Charter. Between now and 2020, Mars will qualify its suppliers against this policy and ensure they are working toward our commitments using four main strategies:

- **Supply Chain Traceability:** For the virgin fiber in the pulp and paper we source, a fully traceable supply chain at least back to the country of forest harvest has been established in 2016, or to a specific area where risks are high or vary within a country. We will partner with The Forest Trust (TFT) to map our supply chain and assess the risks involved, to ensure this work is guided by an experienced, credible organization.
- **Sustainable Sourcing Charter:** Our commitment is to only source virgin pulp and paper-based packaging materials from companies whose operations meet the Sustainable Sourcing Charter
- From 2020 onward, we will only work with board and corrugated packaging material suppliers that share our values and the above Sustainable Sourcing Charter. We require all suppliers to have plans in place to ensure compliance with our Sustainable Sourcing Charter by mid-2017.
- **Supply Chain Verification:** Based on the risk assessments carried out with support from TFT, we will where necessary seek additional evidence of traceability in our supply chain, and that the fiber we source meets our Sustainable Sourcing Charter. As we move forward in implementing this policy, Mars will continue to work with government, industry and civil society stakeholders. We will communicate progress against our commitments and each of our four strategies annually.

**Palm Oil:** In 2013, we surveyed our suppliers to understand their commitment to certification standards (RSPO and other certification programs), and their plans to establish full supply chain traceability. In early 2014, we developed a sourcing charter that requires all our suppliers to establish fully sustainable and traceable palm oil supply across all their operations. We are also partnering with The Forest Trust (TFT) to help mills and plantations build traceability, and verify that their fresh-fruit bunch supply, including supply from smallholders, meets Mars' sourcing charter. These measures will help ensure a genuinely sustainable pipeline where all material is sourced from companies whose mills only produce sustainable palm oil.

**Soy:** Because Mars sources from millers and crushers rather than directly from growers, we are engaging with leading soy suppliers. We have already met with them to clarify our expectations and to establish processes to validate compliance. Until 2017, Mars will be working to:

- Ensure to source from suppliers that abide by all Federal regulations in Brazil, that are pro-active in the soy moratorium program and that are fully engaged with local producers and NGOs.
- In addition, when sourcing soy in Brazil, we will source only certified material from companies that follow the Brazil Forest Code. This process will be completed by the end of 2017.

While direct sourcing in Brazil is the prime focus of this deforestation policy, we will also map the origin of our worldwide sources of soy. This effort will provide the understanding into whether or not we are sourcing from other geographies that are sensitive to deforestation due to soy cultivation so that we can determine what, if any, actions we should take.

Whilst we complete the direct sourcing project we will study our indirect soy usage, which is the soy fed to animals whose products we use. The results will clarify the total scope of our soy footprint and will enable us to assess our next steps.

On an ongoing basis we will continue to interact with government, industry and NGO stakeholders to stay abreast of soy sustainability best practices.

**Beef:** Between now and the end of 2017, Mars will conduct a gap analysis of our suppliers to understand who is already in compliance with the Brazil Forest Code, or who has plans in place to achieve compliance. All our direct beef suppliers have demonstrated their compliance during 2016, and ensure that, by the end of 2017, we will only source from suppliers who are able to demonstrate that beef coming from the Amazon Biome area is not from cattle associated with primary forest clearing or who have the right plans in place to do so within a reasonable period.

While our beef sourcing in Brazil is the prime focus of this deforestation policy, we mapped our worldwide sources of beef during-2016. This effort will give us visibility into whether or not we are sourcing from other geographies that are sensitive to deforestation due to cattle ranching so that we can determine what, if any, actions we should take.

**7. Explore the potential for cooperation with scientific institutions, non-governmental organizations (NGOs) and or governmental organizations with the aim of deepening dialogue and continuously improve the corporate management system vis-a-vis the biodiversity domain**

To make a dramatic difference in the lives of millions across rural areas in Africa, Asia and South America, we're investing in innovative scientific research and other programs that also seek to improve farming and production methods, which will help these farmers increase both the quality and the volume of their output

**Biodiversity – involving local populations:** Most cocoa farmers are unable to make significant investments in their businesses to break a cycle of decline. Mars has launched in 2009 a programme in Indonesia which has enabled cocoa farmers to more than double their yields and incomes. A steady increase of income decreases the pressure to farm on juvenile, often highly bio-diverse adjacent lands. This has been done by encouraging them to adopt 'good agricultural practices' – taking into account biodiversity considerations such as agroforestry approaches-, and the use of high-yielding varieties.

Crucial to the success of the project have been the institutional arrangements trialled and tested by Mars and the local farmers, first in Sulawesi, later in other parts of Indonesia. Farmers learn about new production techniques through demonstration and education at the Mars Cocoa Development Centres, which in turn support a network of Village Cocoa Centres to teach a larger number of farmers.

Such has been the success of the project in Indonesia that Mars decided to adopt in 2010 a similar approach in Côte d'Ivoire, the world's largest cocoa producer, in collaboration with the Ivorian government and the World Agroforestry Centre. This Mars 'Vision for Change' programme aims at provision of training for 150,000 farmers until 2020. Mars believes that this unique public-private partnership will raise yields and quality, significantly improve the welfare of rural families and ensure that negative impacts on the biodiversity of adjacent lands be minimized.

As part of the Mars WWF Tigers Alive Initiative Terai Arc Landscape (TAL) on the border of Nepal and India is being supported. This is one of the 12 priority tiger landscapes, where the species faces loss of habitat due to farming, unsustainable development and above all, poaching. The funds raised by WHISKAS has gone directly towards the creation of 17 community based anti-poaching units (CBAPUs) comprising of 94 members. In addition, funds provided these units with new searchlights, tents, life jackets for river crossings while on patrol, solar panels for powering guard posts, and motorbikes to help enforcement groups cover large areas in a shorter space of time. For the third consecutive year now, there have been no reports of tigers being poached in the TAL region.

**Cocoa Sustainability Challenges:** More than five million farmers in West Africa, Southeast Asia and the Americas are responsible for growing most of the world's cacao. These farmers continually struggle with unproductive, aging cacao trees they cannot afford to replace. In some places, their yields, incomes and quality of life are in decline.

Meanwhile, the chocolate industry continues to grow. By 2020, demand for cacao could outstrip supply by more than one million tons unless we do something now to boost production.

Cacao farmers produce just 10 percent of the output they could achieve under perfect conditions with best practices. By contrast, corn production has reached 60 percent of its theoretical yield. Typically funded by governments, agricultural agencies or universities, research into cacao cultivation has long been under-resourced, receiving far too little research or funding. It's our duty to help boost the productivity of the farmers we depend on by encouraging greater funding into cacao research.

Our work is led by the Mars Center for Cocoa Science in Bahia, Brazil, which opened in 1982. The Center is a hub for world-class science and collaboration and leads our work on cocoa breeding, agroforestry systems, biodiversity-rich environments and land rehabilitation.

One of our proudest accomplishments is our collaboration with IBM and the United States Department of Agriculture's Agricultural Research Center, during which we unraveled the sequencing of cocoa genomes. Since then, scientists worldwide have used that work to develop more resilient and higher yielding cocoa crops.

To achieve the greatest benefits for the largest number of farmers, Mars Chocolate is building Cocoa Development Centers (CDCs) in several cocoa-growing regions of Asia and West Africa. We're working with international donor agencies, governments, and other groups to provide farmers with the tools, techniques and training to cultivate high-quality yields. Farmers can use planting materials from CDCs to establish Cocoa Village Clinics — local nurseries that help with the commercial distribution of cocoa plants and provide an additional source of income. So Mars Chocolate is building Cocoa Development Centers (CDCs) in several cocoa-growing regions of Asia and West Africa, in partnership with international donor agencies, governments and other groups. These centers provide farmers with the tools, techniques and training to get the most out of their crops. Farmers can use planting materials from CDCs to establish Cocoa Village Clinics — local nurseries that facilitate the commercial distribution of cocoa plants — providing an additional source of income.

By 2020, we hope to reach 150,000 of Côte d'Ivoire's 750,000 farmers and help them triple their yields to up to 1.5 tons per hectare. We call it our Vision for Change program. We started the process in 2010, when we signed an agreement with the government of Côte d'Ivoire that served as the cornerstone of our commitment to collaboration and investment in the country. Under Vision for Change, we are setting up 25 Cocoa Development Centers in the country to reach 50,000 farmers, beginning in Soubré — the country's main cocoa-growing region. We will then work with industry partners to create an additional 50 Centers to reach an additional 100,000 farmers.

Seventeen CDCs were created, including four built by our collaborators, ECOM and Barry-Callebaut.

To promote our approach around the world, our Sustainable Cocoa Initiative works across three areas to put farmers first:

- Reaching as many farmers as possible by certifying our entire cocoa supply and encouraging others in our industry to commit to certification
- Improving cocoa breeding, farming methods and protection against pests and disease by conducting breakthrough research
- Giving farmers the knowledge and technology they need to triple their yields by investing in critical cocoa-sourcing regions

**Investment in Agricultural Research – Technology Transfer:** The transformative research Mars conducts assists farmers to increase their income through more productive agricultural practices and higher quality, more disease-resistant plants and thus decreasing the pressure on utilising lands, which has so far not been used for farming. Because Mars understands that it cannot succeed alone, Mars has engaged in several collaborations with farmers, manufacturers, governments and their development organizations, science institutions, international donors and NGOs. Mars also collaborates with numerous organizations, e.g. in the screening, breeding and selection of pest- and disease-resistant varieties.

**Cocoa genome:** As already reported in the 2011/2012 report, in 2010 Mars, IBM and the US Department of Agriculture completed a two-year effort to sequence the cocoa genome. This research will lead to more accurate breeding and allow farmers to plant better-quality trees that produce more cocoa and are more resistant to pests and disease. The genome was made public through the Public Intellectual Property Resource for Agriculture (PIPRA) and thus the gene sequence cannot be patented so that breeders around the globe are encouraged to develop better varieties.

At the Mars Centre for Cocoa Science in Brazil, Mars focuses on creating best post-harvest practices, improving the quality and performance of cocoa plants and developing new methods to control pests and diseases.

**African Orphan Crops Initiative:** Based on the experiences of the Mars' led project to sequence the cocoa genome, Mars launched the AOCC, a collaboration between Mars, Incorporated, African Union – New Partnership for Africa's Development, University of California, Davis, and a host of other private and not-for-profit partners at the 2011 Clinton Initiative. This uncommon public private cooperation will more than double the number of sequenced plants.

**Fish:** With respect to the sourcing of fish products Mars partners both with the Monterey Bay Aquarium and the Marine Stewardship Council (MSC). Off the coast of Indonesia, Mars Associates and our research partners have been working since 2007 to rebuild damaged sections of coral reef and to establish a marine protected area. Already, we've been happy to see significant increases in fish stocks, which provides both food security and job opportunities for many locals. We hope that the benefit of this project extends beyond Indonesia and that it serves as a blueprint for other similar projects around the world.

**Rice:** The Mars Food rice varietal improvement program links crop performance to sustainable best practice. Mars Food Europe has been working with the European Commission on the CEDROME project in the Mediterranean to develop drought resistant cereals. The concept of development centres and village centres, pioneered successfully in cocoa, will be applied to rice farmers in Pakistan as from 2013.

**Beef:** Mars' focus is on the Amazon region, where highly sensitive forest areas have been historically felled for cattle ranching. In 2009 the three of the largest players in the cattle industry agreeing to stop buying cattle from newly deforested areas in the Amazon rainforest, a permanent agreement called the Cattle Agreement. Over the years, national governments, non-governmental organizations, farmers and industry have engaged in efforts to balance the employment and poverty reduction benefits of ranching with deforestation concerns. These efforts have resulted in initiatives such as, the Brazilian Roundtable on Sustainable Livestock (GTPS), World Wildlife Fund Sustainable Ranching Initiative, Global Roundtable for Sustainable Beef (GRSB) and the Sustainable Agriculture Initiative (SAI).

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