

Progress Report by **MARS**, Incorporated 2011/2012

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
4. report to the Management Board;
5. Defining realistic, measurable objectives that are monitored and adjusted every two to three years;
6. Publishing activities and achievements in the biodiversity sector in the company's annual, environmental,
7. and/or corporate social responsibility report;
8. Informing suppliers about the company's biodiversity objectives and integrating suppliers accordingly
9. and step by step;
10. Exploring the potential for cooperation with scientific institutions, non-governmental organizations
11. (NGOs) and/or governmental institutions with the aim of deepening dialogue and continuously improving
12. 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.

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 % 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.

Fish: Mars has committed to source 100 % 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.

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. At the end of 2012, Mars exceeded its 20 percent certified cocoa goal and became the world's largest user of certified cocoa.

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 9000 ff and the Eco-Management and Audit Scheme (EMAS) 14000 ff 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 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 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.

Cooperate Biodiversity Strategy: Going a step further, Mars has started 2012 to develop a corporate biodiversity strategy with the aim to develop measures that will have a positive impact both on biodiversity and on sustainable corporate development in each business segment.

There is a strong business case for integrating biodiversity considerations into the core management systems of Mars. The loss of ecosystems, species and genes threatens the future sustainability of our business activities.

By adopting a corporate biodiversity strategy, Mars will take 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.

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

Mars has appointed its Director of Global Programs and Partnerships, 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.

The Director of Global Programs and Partnerships is supported by specialized consultants, advising Mars on specific issues related to biodiversity.

4. Define realistic, measurable objectives that are monitored and adjusted every 2 to 3 years

Since becoming a founding member of the 'Biodiversity in Good Company' Initiative in 2009, Mars formulated a set of concrete biodiversity related commitments, i.e.:

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

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 2012 20 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.

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 % sustainable wild catch and sustainable aquaculture sources. On our journey to achieve this goal, we also partner with Monterey Bay Aquarium, and the Marine Stewardship Council (MSC).

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.

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. End of 2012, 50 percent of our coffee and 20 percent of our tea have been procured from certified sources.

5. 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.

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) is key in understanding the potential impact. In 2012/2013, Mars – in cooperation with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and Middlemarch Environmental Ltd. (UK) – carries 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.

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

Biodiversity – involving local populations: Most cocoa farmers are unable to make significant investments in their businesses in order to break a cycle of decline. Mars has launched 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 Centers, which in turn support a network of Village Cocoa Centers to teach a bigger number of farmers.

Such has been the success of the project in Indonesia that Mars decided to adopt 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 was launched in 2010 and aim 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.

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 being used for farming. Because Mars understands that it cannot succeed alone, Mars has engaged in a number of 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.

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.

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 centers and village centers, pioneered successfully in cocoa, will be applied to rice farmers in Pakistan as from 2013.