



Progress Report 2013/2014 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.

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 new 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. 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.

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.

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. 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.

Fish: The increased demand for fish has had serious consequences for the biodiversity of marine life. 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.

Palm Oil: 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. 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. 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.

Forests: As one of the world's leading food companies, Mars recognizes the need to commit to the protection of forests and their biodiversity. As a priority for tackling our land use impacts, Mars is focusing on deforestation. Deforestation causes about 15 % 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.

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.

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 the largest driver of deforestation in the Brazilian Amazon. It is estimated that approximately 70 % 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.

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.

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.

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 system are based on ISO 90001, ISO 14001 ff 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 associate and supplier training and capacity building, transparency and disclosure were evaluated. Mars has steadily improved its ranking to 4th 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 discussions 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

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. 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

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 % 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 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.

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. 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 2013, 73 percent of our coffee and 232percent of our tea have been procured from certified sources.

During the period under review, i.e. 2013 – 2014, Mars expanded its self-commitments in three crucial areas of its raw materials, i.e. pulp & paper, soy and beef. In more detail:

Beef: By the end of 2017, 100% 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.

Soy: Our ambition is to ensure that, by the end of 2017, 100% 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.

Pulp & Paper: Our Commitment is that 100% of virgin pulp and paper-based packaging traceable to at least country of origin by the end of 2016, that 100% 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.

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.

During the period 2013 – 2014, 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 2012/2013, 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.

We 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 as following:

Pulp & Paper: 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 material 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.

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, by 2016 we will build 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. 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 following Sustainable Sourcing Charter:
 1. *Only from legal sources*
 2. *No deforestation of primary forest or areas of high conservation value, which contain items of biological, social or cultural value that it is important to conserve, including rare, threatened and endangered species and their habitat.*
 3. *No development in high carbon stock forest areas*
 4. *No new development on peatlands regardless of depth. Any existing operations on peat must be third-party audited as being managed responsibly*
 5. *No burning to clear land for new developments or to re-plant existing developments*
 6. *Compliance with the Mars, Incorporated Supplier Code of Conduct. This sets our expectations among other in the environment*
 7. *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.
- 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.

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:

- Finalize the mapping of our soy supply in Brazil. This process will be completed by mid-2016.
- 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. This process will be completed by mid-2016.
- In addition, when sourcing soy in Brazil, we will source only certified material from companies that are in compliance with 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 by mid-2016. 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 work with its suppliers to:

- Map our beef supply chain to understand where our suppliers are obtaining their raw material. This process will be completed by mid-2016.
- 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 will have to demonstrate compliance by mid-2016.
- 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 time frame.

While our beef sourcing in Brazil is the prime focus of this deforestation policy, we will also map our worldwide sources of beef by mid-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.

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 by the end of 2015. 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.

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 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.

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.

Cocoa genome: As already reported in the previous progress 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).

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).

Contact: Mr. Alex Assanvo, Manager Global Programs
