MARS

August 2024

Soy Sourcing & Deforestation Action Plan | 2023 Progress Update

As part of our Sustainable in a Generation Plan, Mars set ambitious science-based Climate Action targets and has articulated a Deforestation and Land Use Change Position, which specifies our commodity-specific action plans for soy, beef, pulp & paper, palm and cocoa. We are proud of our #2 ranking out of companies in the Packaged Food Sector in the Forest 500 2023 annual report[1].

Below we summarize progress in implementing our Soy Sourcing & Deforestation Action Plan. By 2025, we aim to eliminate deforestation and conversion of natural ecosystems in Mars supply chains for our soy ingredients from Latin America. This update reflects our global direct soy sourcing data from 2023. Our commitment is aligned with the Accountability Framework Initiative Regional Guidance and the Soy Roadmap of the Consumer Goods Forum (CGF) Forest Positive Coalition of Action.

To implement our commitment, we are:

- Mapping, managing, and monitoring our supply chains; and
- Working beyond our supply chains to accelerate sector-wide transformation.

Mapping, managing and monitoring our supply chains

We annually update the origin information of the direct soy[2] we procure worldwide[3]. For countries identified at risk for deforestation and conversion[4], our partner Proforest runs a geospatial risk analysis using information provided by our suppliers, satellite imagery, and other data sources[5]. The risk analysis provides us with insights on how exposed our suppliers are to conversion of natural ecosystems and other potential breaches to our commitments, which in turn allows action to be taken to address risks.

In 2023, Mars[6] sourced 167,651 metric tons of direct soy ingredients, equivalent to 160,320 metric tons of soybeans[7].
The following information shows our progress toward achieving our commitment by 2025:

- Total direct soy volumes with known origin country: 100%
- Total direct soy volumes at low or negligible risk for deforestation and conversion, or certified, or traceable to farms with no deforestation or conversion: 91%
- Total direct soy volumes at risk for deforestation and conversion: 9%

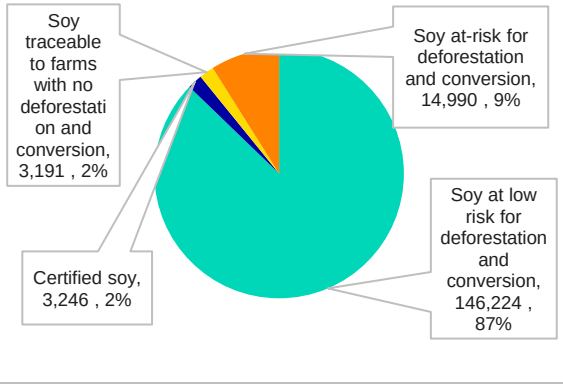
Footer Notes

[1] See https://forest500.org/rankings/companies.
[2] Soybean oil, soybean meal, soybean concentrate, soybean isolate, soybean lecithin, soybean protein, soybean sauce
[3] Origin defined as the silo or crusher and its supply shed for at-risk countries and origin country for all other countries. We request all our direct tier 1 soy suppliers sourcing in at-risk countries to share with us information from the upstream supplier, including the location and sourcing radius of the soybean first aggregators, which allows us to have visibility of their supply shed. The following radii were considered for the analysis: Brazil: 240km, Argentina: 400km. We adopted the radius considering: information provided by suppliers and by local organizations working in the soy sector.
[4] Based on our country-level risk assessment, the following countries from which we source direct soy are considered at-risk for deforestation and conversion: Argentina and Brazil. Countries other than these from which Mars sources are considered low risk for deforestation and conversion associated with soy, considering Maplecroft, WRI (2020) and WWF (2021).
[5] Official data sources relating to legally protected areas and to areas found to be breaching environmental legislation, whenever made available by the Argentina and the Brazil federal governments. Other data sources include Mapbiomas and Global Forest Watch. The analysis considers the Jenks Natural Breaks algorithm to assign risk thresholds, building upon a full country territorial analysis as to soy production and native vegetation conversion.
[6] Considers the total amount of direct purchases of soy products in Mars Petcare, which accounts for the material portion (93%) of the total soy supply to Mars. Additionally, it excludes some new mergers and acquisitions and co-manufacturing.
[7] The methodology for estimating our direct soy footprint considers the soy product volumes we purchase from our suppliers to which we apply the conversion factors from the RTRS Footprint Calculator using economic allocation.

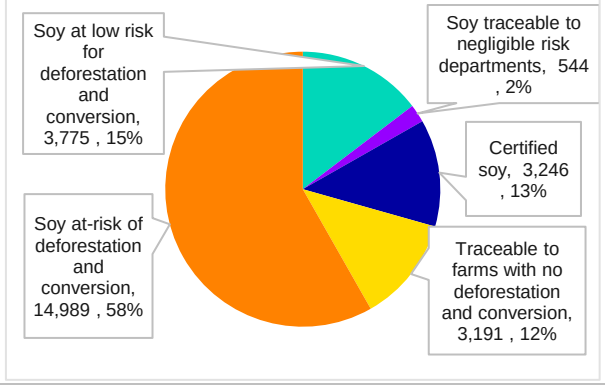
- Total direct soy volumes traceable to at-risk countries: 15%
- Traceability from our factory to the first aggregator-level in at-risk countries: Brazil: 53%; Argentina: 89%.

To ensure meaningful and measurable impact, we are continuously looking to evolve our reporting methodologies to align with industry and third-party standards. Mars is committed to ensuring robust reporting therefore we are actively engaging with a number of third parties to enhance our monitoring and reporting practices.

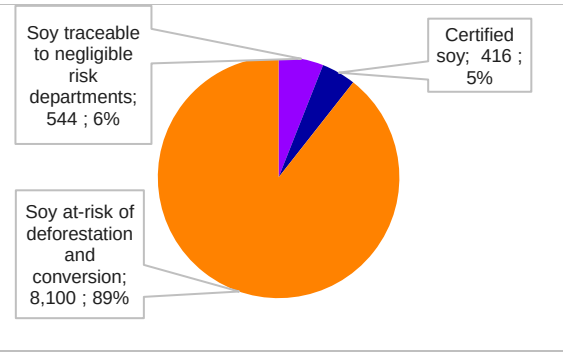
Below we further detail our progress in implementing our commitments.



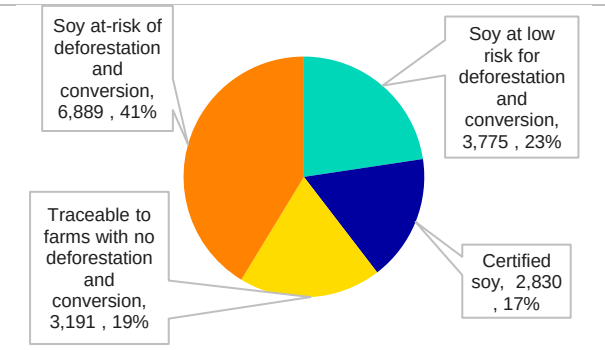
Total Global Mars Direct Soy Purchases in 2023 (in metric tons and %) [8, 9, 10]



Direct soy purchased from Argentina and Brazil in 2023 (in metric tons and %)



Direct soy purchased from Argentina in 2023 (in metric tons and %)



Direct soy purchased from Brazil in 2023 (in metric tons and %)

In the following table, we summarize the progress in the implementation of our commitments in the past three years for both countries. Significant changes in our data are explained in the text below.

Footer Notes

[8] Acceptable schemes are: RTRS (when Chain of Custody is Segregated or site-level Mass Balance) and Proterra (when Chain of Custody is Identity Preserved, Segregated and site-level Mass Balance)

[9] No deforestation and conversion as per the expectations of our Soy Sourcing Policy and applying site-level mass balance

[10] Soy products are traceable to subnational origins where risk of past deforestation and/or conversion (D&C) is negligible. The jurisdictions with the lowest rates of D&C, collectively accounting for less than 5% of the country's total D&C as of Mars' cutoff date, were considered negligible risk origins. Mars views this pathway as an interim approach prior to progressing towards certification or traceability to farm.

2021	2022	2023	2021	2022	2023
Soy from low-risk origin[11] – Argentina			**Soy from low-risk origin – Brazil**		
77%	84%	11% (change due to new land conversion datasets)	42%	91%	51% (change due to increased supply chain transparency)
Traceability[12] in Argentina			**Traceability in Brazil**		
77%	84%	89%	73%	92%	53%

In Argentina, we continued to improve our ability to trace our direct soy up to the first aggregator. The availability of new remote sensing data, particularly Mapbiomas data for non-forest vegetation, revealed conversion in areas that were previously assessed to be low risk. As a result, our low-risk volumes have decreased to 11% of the total. We are transitioning towards other approaches to bring our soy volumes from Argentina in line with our soy sourcing policy, namely certification and traceability to farms with no deforestation and conversion.

In Brazil, our efforts to increase transparency in our soy supply chain revealed that some volumes, that were asserted in the past to be originating from low-risk countries, were in fact coming from Brazil. Consequently, the soy volumes from low-risk origins and the level of traceability to the first aggregator have dropped. We are actively collaborating with the suppliers associated with these volumes to ensure compliance with our sourcing requirements.

In 2023, we launched the Next Generation Soil (Solo das Próximas Gerações) project in Mato Grosso, focusing on regenerative agriculture to support soy farmers linked to our supply chain to reduce the environmental impact in their production. This initiative is a collaboration with Amaggi, a leading soy supplier, and Produzindo Certo, an agro-sustainable consulting firm. Currently, the training is in a pilot phase, involving three farms covering 10,000 ha and in full compliance with our no-deforestation, no-conversion policy.

In 2023, we have engaged 100% of our upstream suppliers originating from Argentina and Brazil to share our commitments, as well as CGF's Forest Positive Approach[13], and to underscore the importance of supplier action to ensure that our sourcing requirements are met. In Brazil, particularly, 100% of upstream suppliers potentially sourcing from the Brazilian Amazon are signatories of the Amazon Soy Moratorium,[14] and 100% of all the direct soy not already addressed by physical certification is covered with Round Table on Responsible Soy regional credits[15].

Footer Notes

[11] Origin defined as the silo or crushing facility and its supply shed. See footer note 3

[12] Traceability to the silo or crushing facility level in at-risk countries.

[13] See the latest version of the Guidance on the Forest Positive Soy Roadmap

[14] The upstream suppliers potentially sourcing from the Brazilian Amazon are Amaggi, Bunge, Cargill, CJ Selecta. The list of direct suppliers is available on https://www.mars.com/about/policies-and-practices/soy-policy and is updated annually.

[15] Total RTRS regional credits purchased: 21,239 tons of soybean equivalent, and 7,994 tons allocated to 2023 volumes. More information on this approach is available here: https://responsiblesoy.org/material-rtrs?lang=en

Indirect soy in our supply chain

In addition to soy derivatives Mars procures directly to make pet food, soy is also relevant as a feed ingredient for animal farming by-products of which are used as ingredients for pet food. This soy is considered embedded soy in Mars' supply chain. We have examined our indirect soy and estimated it as 355,467 metric tons, in 2023[16].

In 2022, in collaboration with Proforest, we developed a strategy to address indirect soy in Europe, building on sector best practice requirements through the CGF Forest Positive Coalition Soy Working Group and other sector wide frameworks. As a result, we engaged 11 priority suppliers, representing 19.4% of our global animal protein volumes and assessed their sustainability performance. In 2023, we revised our risk assessment to better understand our potential exposure to risks associated with embedded soy from deforested or converted areas. As part of this effort, we prioritized five new suppliers for engagement. Our supplier engagement program included scheduling introductory calls to outline our requirements and engagement process, sharing the Supplier Self-Assessment Tool (SAT), and analyzing the returned questionnaires. We categorized supplier performance and identified necessary actions to discuss continuous improvement steps. We provided these suppliers with capacity-building support focused on deforestation and conversion-free commitments, as well as compliance with the European Union Deforestation Regulation (EUDR). Finally, we initiated discussions with retailers to forge a supply chain partnership aimed at establishing a deforestation and conversion-free (DCF) supply chain in Europe.

Working beyond our supply chains to accelerate sector-wide transformation

We engage across our industry (peer companies and suppliers) and continue playing an active role in the CGF Forest Positive Coalition of Action. We worked collaboratively with the Soy Work Group members to develop the Soy Roadmap, aligning on a common path for companies to accelerate the implementation of soy sourcing commitments and addressing key producing regions at-risk for deforestation and conversion.

Through the participation in ACT Commodities' regional approach, we support farmers in specific regions in Brazil: Maranhão, Tocantins, Piauí and Bahia. Via this approach we purchase Round Table on Responsible Soy (RTRS) regional credits generated by farmers who are incentivized to adopt more sustainable farming practices and to increase the number of certified soybean farms. These credits aim to cover 100% of our direct soy volumes from Brazil which are not already physically certified or traceable to farm, and they help support the production of responsibly produced soy in key regions.

Footer Notes

[16] The methodology for estimating indirect (i.e., embedded) soy considers the soy quantities embedded in the animal products we buy directly for our pet food products. These quantities are calculated using Life Cycle Assessment (LCA) datasets based on the World Food LCA Database, and follow an economic allocation approach, in line with allocation procedures under the European Commission Product Environmental Footprint (PEF) and the GHG Protocol.