



Palm Positive Update – July 2021

TOP LINE PALM POSITIVE UPDATES

Traceability to Mill Level: 100%

Traceability to Plantation Level: 100%

Physically Certified under RSPO: 100%

Number of Mills in Supply Chain: 87

Number of Tier 1 Suppliers: 13

Tier 1 Suppliers engaged on NDPE and CGF Forest Positive Coalition Asks: 100%

Number of Smallholder and Landscape Programs in progress: 5

Since 2013, Mars has purchased 100% Roundtable for Sustainable Palm Oil (RSPO) certified palm oil for all business segments globally, and we are working to go beyond certification as we seek to ensure that the palm oil we use is produced without deforestation and with respect for human rights. Mars expects our suppliers to meet our palm oil standards and to engage with their suppliers to advance respect for human rights in their extended supply chains, with a particular focus on risks facing vulnerable migrant workers.

In 2019, we announced our [Palm Positive Plan](#), with the goal of delivering 100% deforestation-free palm oil by the end of 2020 and advance respect for human rights across our suppliers' extended supply chains. Through the implementation of the plan, the company has significantly simplified the Mars palm oil supply chain – moving from more than 1,500 mills to fewer than 100 in 2021 and plans for further reductions by 2022.

The company publishes its [Tier 1 palm oil supplier and mill lists](#), updating as the Palm Positive Plan progresses. With a shorter supply chain comprised of partners who are committed to driving improvements in management systems and working conditions, we can increase accountability, influence, and connectivity. This approach is focused on deeper relationships with suppliers and engaging with our Tier 1 suppliers as they build their capabilities to monitor, eliminate deforestation and to address and prevent human rights risks in their supply chains.

Our commitment is aligned with the [Accountability Framework Initiative](#) and the [Palm Oil Roadmap](#) of the Consumer Goods Forum (CGF) [Forest Positive Coalition of Action](#), and the [Consumers Goods Forum Human Rights Coalition \(Palm Oil Project\)](#).

Mars is pleased to report that 100% of our mills meet our CGF Forest Positive Coalition of Action Commitment for no deforestation and no development on peat.

PALM OIL SUPPLIER ENGAGEMENT

Mars utilizes its own set of Principles & Criteria (P&C) to assess suppliers in their commitment to our internal sourcing guidelines, as well as the CGF Forest Positive Coalition Asks and Commitment of palm oil suppliers.

As of the end of 2020, 100% of our direct supplier's performance has been assessed in our Palm Positive Scorecard. Our policy position is that suppliers scoring higher on the scorecard are rewarded with higher volumes while companies that score poorly are engaged to foster improvement or, if needed, phased out of the Mars palm oil supply chain.

100% of our Tier 1 suppliers have been engaged on the Mars Palm Positive Plan P&C and CGF Forest Positive Coalition Asks and Commitment.

The Mars Palm Oil Principles & Criteria

To facilitate engagement with suppliers, Mars has created its Palm Positive P&C which covers the implementation of NPDE policies, with specific requests such as the status or existence of monitoring and verification policies and their implementation, grievance management systems, human rights managements systems, engagement with smallholders and other critical information. The result of the P&C is the Mars Palm Positive Supplier Scorecard (example below) which is used to manage the company's palm oil engagement with suppliers and to track their progress in meeting all of the requirements of the Palm Positive Plan.

Mill suppliers not meeting the requirements of the Palm Positive Plan Scorecard are first engaged and given a specified time period for improvement based on the nature of nonconformity. Those that repeatedly fail to meet our timelines or refuse to meet our requirements are no longer eligible to be a supplier of one of Mars' Tier 1 suppliers.

Example of the Mars Palm Positive Supplier Scorecard

Supplier	Policy	Transparency	Monitoring & Verification	Grievance System & Management	Transformation commitment in Landscapes	Management of Labor Risk in Extended Supply Chain	
Company A	Green	Green	Green	Yellow	Yellow	Yellow	Continued Engagement ↓ ↓ ↓ ↓ ↓ ↓ Suppliers phased out after repeated failure to comply with Mars P&C
Company B	Green	Green	Green	Green	Yellow	Yellow	
Company C	Green	Green	Green	Green	Yellow	Yellow	
Company D	Green	Green	Yellow	Red	Yellow	Red	
Company E	Yellow	Yellow	Red	Red	Red	Red	
Company F	Yellow	Red	Red	Red	Red	Red	

LANDSCAPE APPROACHES & SMALLHOLDERS

Mars recognizes that to truly create a world in which everyone thrives that we must take a wholistic approach to our sourcing. To that end, the company has made several investments in programs designed to effective positive change on the landscape or jurisdictional level, and at the same time we know we must support smallholders to ensure they are included in the push to develop a more sustainable palm oil supply chain. Through our Palm Positive Plan, Mars has embedded deep supplier engagement. This is a recognition of the strategic role indirect suppliers play for our direct suppliers' and their ability to deliver on our suppliers extended supply chain forest positive solutions. To that end we have formed several partnerships to achieve those goals:

Coalition of Sustainable Livelihoods (CSL) in North Sumatra and Aceh, Indonesia

The Coalition for Sustainable Livelihoods (CSL) is an emerging initiative focused on collective action to drive economic development, reduce poverty and improve natural resource management in the Indonesian provinces of North Sumatra and Aceh. - [The Coalition for Sustainable Livelihoods \(CSL\)](#) launched in September 2018 during a collaborative planning workshop in Medan, Indonesia, that aimed to gather stakeholder input for shaping and building the initiative. The goal: to capture the value of diverse collaboration through a sustainable landscape approach in contributing to sustainable livelihoods and improved natural resources management. More than 130 representatives from across government, private sector, financial institutions and civil society joined the Coalition's initial supporters, which have grown to include Barry Callebaut, Conservation International (CI), Danone, Earthworm Foundation (formerly The Forest Trust), The Sustainable Trade Initiative (IDH), The Livelihoods Fund, Mars Wrigley, Mondelēz International, PepsiCo, Unilever and the United Nations Development Program (UNDP). By aligning public and private sector efforts, the CSL aims to help advance government programs and policies as well as contribute to supply chain sustainability for companies operating in and purchasing products from North Sumatra and Aceh.

Aceh, Indonesia Landscapes programs

In the Indonesian district of [Aceh Tamiang](#), growers, buyers and end-consumers of palm oil have, since 2016, been working with the local government to help protect the sensitive Leuser Ecosystem, a 2.6-million-hectare area of tropical forest, and make the entire jurisdiction a sustainable source of commodities.

This jurisdictional approach to sustainability originally focused on Aceh Tamiang made possible due to leadership from the district government. Also vital in Aceh Tamiang is the support of our experienced implementer [Earthworm Foundation](#).

In February 2021 Mars joined with Nestle to take a leadership role in the Earthworm Areas for Priority Transformation (APT) supporting a vision across the whole of Aceh, targets have been set and progress made: a multi-stakeholder forum, a key element of a jurisdictional approach, has been set up. Work to achieve these targets is ongoing, including on alternative livelihoods projects and smallholder training in good agricultural practices. Successes have snowballed and drawn in additional partners, each of which is contributing resources according to its ability.

GAR / Koltiva Smallholder project in Aceh, Indonesia

In 2019, Mars' indirect supplier Golden Agri-Resources (GAR) initiated a supplier support program, Ksatria Sawit, which pairs their supplier mills with the ag-tech company [Koltiva](#), to help achieve 100 percent Traceability To Plantation (TTP) by 2020. Ksatria Sawit aims to engage supply chain actors with programs to help them adopt sustainable agriculture practices that are compliant with the GAR Social and Environmental Policy (GSEP).

To scale up the program, GAR has partnered with Mars Company to extend Ksatria Sawit to 13 mills, 400 SMEs, and 12,500 smallholder farmers, which amounts to around 50,000 hectares of palm oil plantations. In addition to supply chain engagement and tracing, more than 4,000 independent smallholders will receive coaching to scale up their practices to be certification-ready under this program.

Livelihoods Fund for Family Farmers

In May 2021, Mars announced launching another 10-year project as part of its continued commitment to the Livelihoods fund for Family Farming (L3F) to help [2,500 smallholder palm oil](#) farmers achieve sustainable livelihoods in North Sumatra, Indonesia. The project aims to build a transparent and deforestation-free supply chain thanks to locally adapted agroforestry models, regenerative agriculture, and biodiversity enhancement. Mars, Danone and L'Oréal will be off-takers, with the program implemented and building on Musim Mas' smallholder program supported by implementing NGO partner SNV. The project will help regenerate 8,000 hectares of palm farms in degrading land areas, while restoring additional 3,500 hectares of local biodiversity.

HUMAN RIGHTS

Mars believes some of the highest risks to people may appear at the farthest end of supply chains, where we typically have low or no influence, visibility, or control. The company focuses on advancing respect for human rights in our extended supply chains, in close collaboration with our suppliers, their business partners, the industry, government, and communities. We prioritize work on supply chains in which the most severe human rights risks, including forced labor, may be present, including, for example, cocoa, fish, and palm oil.

In 2018, Mars updated our Practitioner's Guide to Human Rights in Sustainable Sourcing, with detailed guidance on activating our CARE Framework and developing human rights action plans, including elements related to forced labor, where relevant. In 2019, we launched additional guidance material focused on how procurement teams can engage suppliers as they develop approaches to address key risk factors. This is supported by a range of tools and templates launched in 2020, including a roadmap to help understand supplier management systems and how they can be progressively strengthened. Tailored training is provided to relevant teams internally.

- Since 2017, Mars has worked with Verité and our supplier Wilmar to explore how businesses across the palm oil supply chain can better understand, address, and prevent human rights risks, with a focus on forced labor. **Verité published a detailed [case study of insights from this work in 2020](#)**. We funded additional work with **Verité to launch a new, [customized online toolkit in 2021](#)**, equipping palm oil producers across the sector with practical guidance to design and manage their own effective due diligence systems. We are beginning to develop longer-term, supplier-driven initiatives to reduce human rights risks, including those related to

forced labor, with other key suppliers in Malaysia and in Brazil, and will continue this approach across our supply chain.

- The company is working to better understand the nature of human rights risks, including forced labor, across other supply chains we rely on as a business and to identify how we can play the most appropriate role in driving change. For example, Mars and United Plantations we have embarked on a strategic collaboration supported by Verité with a common goal of transparently improving safety and human rights gaps within their shared supply chain.
- Mars participated in the development of the **Palm Oil Collaboration Group's (POCG) Human Rights Due Diligence (HRDD) Library of Tools**, which contains a selection of publicly available tools that can support companies in the HRDD process. The resources included in the library are chosen because they are UN Guiding Principles-aligned HRDD tools with practical components, such as guidance questions, checklists, indicators, or another instrument. The tools are developed by various organizations to support companies in the implementation of one, more or all steps of the HRDD process.

More information on our human rights work and our efforts to address modern slavery can be found [here](#).

INDUSTRY COLLABORATION

As Mars continues this stepped-up engagement, we're committed to sharing our learnings along the way through regular public updates and engagement in industry forums. We continue to support the **Consumer Goods Forum Palm Oil Working Group**, which commissioned [research](#) to identify risks of forced labor in the palm sector in Indonesia and Malaysia in 2018. Insights from the report are informing where we prioritize action, including collaborative work on [human rights due diligence systems](#) in the palm oil sector. Additionally, Mars has been active in other industry venues:

- Mars is a co-convener of the [Palm Oil Collaboration Group \(POCG\)](#) Social Issue Working Group
- Mars is a member of the RSPO's [Human Rights Working Group](#) which was established to provide strategic and technical advice to support the successful and effective implementation of the relevant RSPO Principles and Criteria (P&C), in particular criteria which relate to human rights.
- Mars is a founding member of the **China Sustainable Palm Oil Alliance (CSPOA)** which jointly launched by the RSPO, China Chamber of Commerce of Foodstuffs and Native Produce (CFNA) and World Wildlife Fund (WWF) to create a platform for pre-competitive cooperation among the stakeholders in the palm oil supply chain and promote sustainable palm oil in China.
- Formed in 2017, Mars participates in the **North American Sustainable Palm Oil Network (NASPON)**, an independent group of associations, civil society organizations, consumer goods manufacturers, food-service retailers, retailers, and palm oil traders and producers who are committed to increasing the use of certified sustainable palm oil in North America and to working collaboratively to find industry wide solutions for human and labor rights, local communities, and biodiversity throughout the palm oil supply chain.