



MARS



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# MARS, INCORPORATED UPDATE ON SUSTAINABLE PALM OIL SOURCING

December 2018

Mars continues supplier engagement to support supply chain transparency and transformation



# SUMMARY

In 2013, we developed our [global palm oil position](#), outlining our commitment to source fully sustainable and traceable palm oil that is free from deforestation and produced with respect for human rights. Since then, we have sourced 100% of our palm oil through the Roundtable on Sustainable Palm Oil's (RSPO) mass balance program and have traced the origins of our palm oil to the mills where it was processed.

We continue to collaborate with suppliers on ways to transform palm oil production to a level that meets our policy requirements - a process we call our GOOD program. This program supports our commitment to reducing our environmental impacts in line with what science says is necessary, and to improving the lives of a million people in our value chain, as we strive to make our business [Sustainable in a Generation](#).

As part of this work, Mars and our suppliers are streamlining our palm oil supply chain to include fewer refineries. This enables us to target our resources and deepen our engagement with defined suppliers for a simpler and more effective supply chain.



## Our Progress

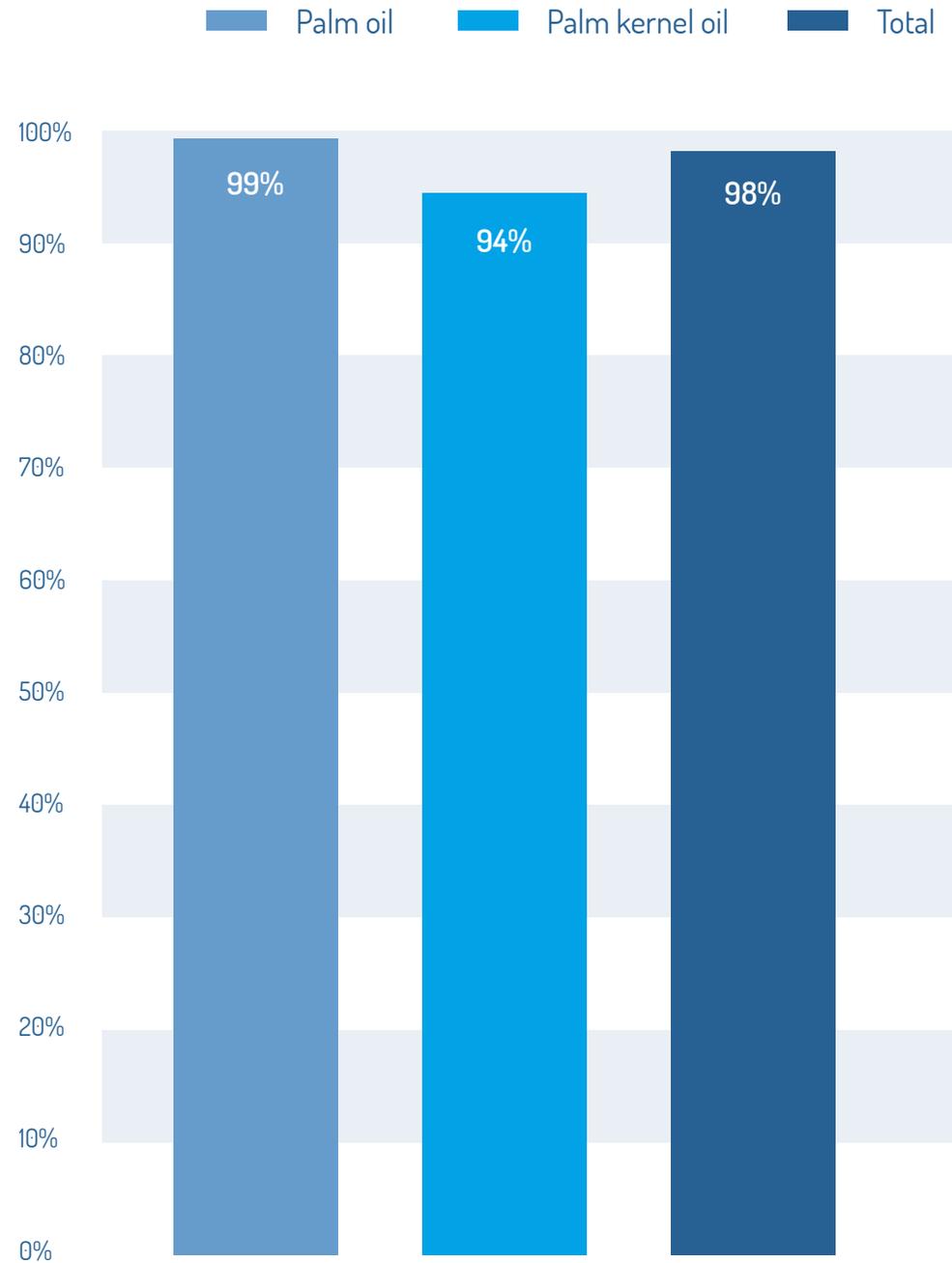
This update summarizes our actions in 2018 (to date) across three key areas; supply chain traceability, supplier engagement, collaboration and transformation, and a few highlighted work streams.

## What we've been doing

### Traceability

**Achieved 98% traceability of palm oil supplies to mill level in the first half of 2018 up to June 2018.**

Through ongoing traceability efforts, we are working to gain clearer insights into where our volume originates, and the complexities of the palm oil industry at large. We are working with our suppliers to streamline our supply chain by minimizing the number of refineries we source from, which will enable us to use our resources more effectively and bring about more rapid transformation.



H1 2018

What we've been doing

Our top 6 suppliers  
cover 80% of palm vol.

- AAK
- ADM
- Bunge Loders  
Croklaan
- Cargill
- COFCO
- EFKO
- Felda IFFCO
- Frigorifico  
Allana
- FUJI OIL
- IFFCO
- Olam
- Olenex
- Sime Darby  
Unimills
- Wilmar

## What we've been doing

### Supplier Engagement

## A tool for suppliers

We first used our scorecard in July of 2017. It rates palm oil suppliers' efforts across six sustainability criteria: policies, transparency, traceability, transformation programs, verification processes and grievance mechanisms. To focus on actions rather than words, the scorecard applies greater weighting to the last three areas.

Each of our direct suppliers received the results of their scorecard and responded positively to us being clear with our expectations. We will incorporate the scorecard results into our annual supplier selection process.

We've partnered with our suppliers to further track progress and strategies to drive collective improvement. We have re-communicated our intent in 2018 to select businesses based on performance, and in doing so are holding both our Tier 1 suppliers and ourselves accountable.

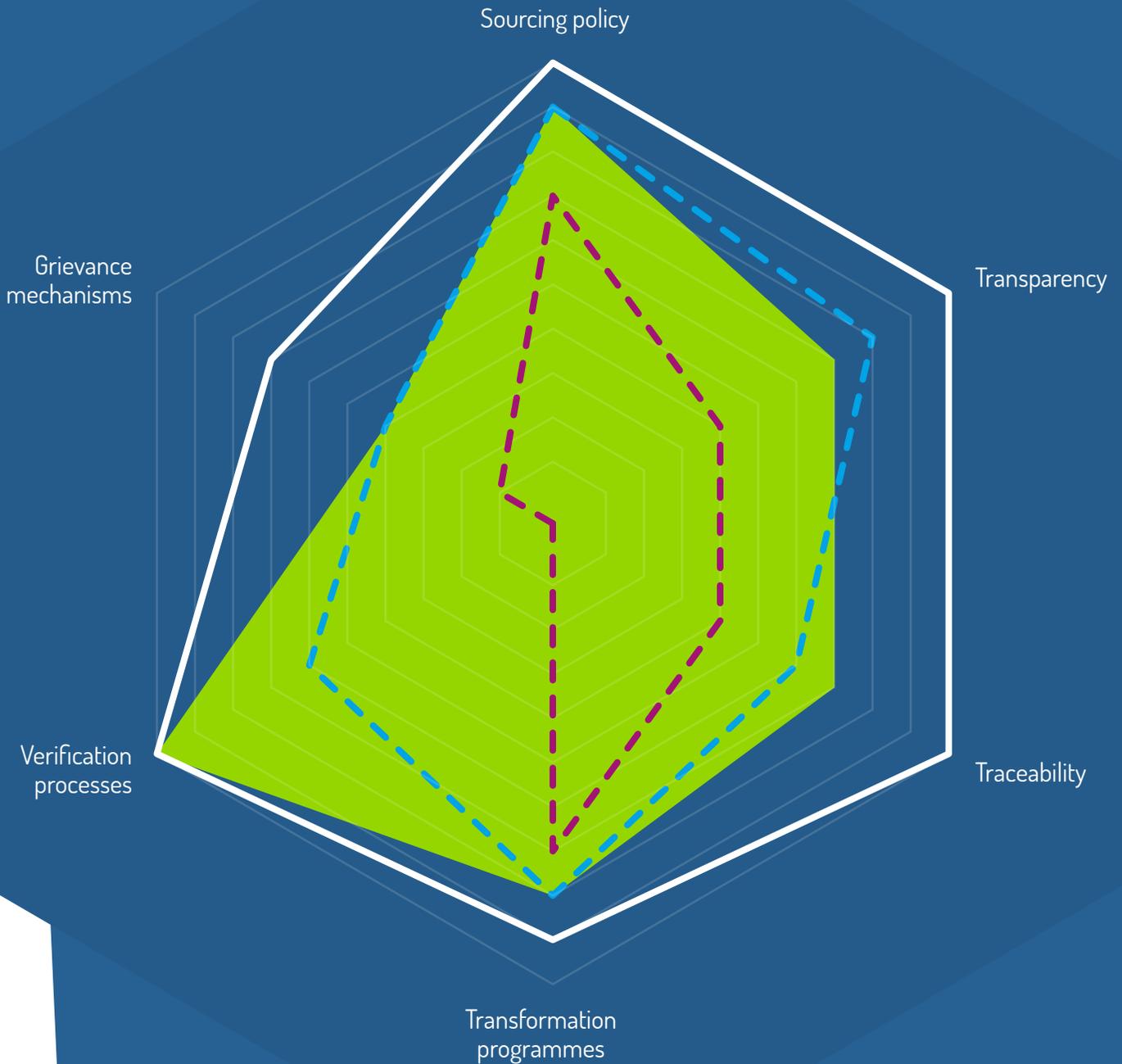


# ILLUSTRATIVE SUPPLIER SCORECARD

Weighted supplier score example for illustration

**72.1%**

- Supplier score
- Minimum score
- Industry average score
- Industry best score



**Sourcing policy:** NDPE & % vol committed

**Transparency:** Public domain reporting

**Traceability:** To mill, To plantation

**Transformation programmes:** % vol covered, Resources, Commercial due diligence

**Verification processes:** GFW tool used, 3rd Party verified

**Grievance mechanisms:** In place, Original complainant engaged within 12 months

## What we've been doing

### Collaboration & Transformation

**Supported The Forest Trust (TFT)'s spatial analysis of two districts (Aceh Tamiang and Aceh Singkil) that overlap with the Leuser Ecosystem. The spatial analysis uses Radar technology, and assesses the likelihood and causes of any deforestation encroaching on the Leuser ecosystem.**

Our support to the landscape level work in Aceh has enabled us to map key areas at risk of deforestation. TFT's aim is to assess the likelihood and underlying causes of any deforestation encroaching on Leuser, and to collaborate with palm oil producers, the Aceh government, national parks and other local stakeholders to take effective action to address the root causes.

In Malaysia, we have maintained our support for TFT's Aggregator Refinery Transformation (ART) program in Pasir Gudang by supporting training for refineries' third party suppliers.

We continue to support TFT's pilot Kumacaya framework for monitoring and verifying commitments to resolve social and environmental grievances. Our support has focused on Peninsular Malaysia and developing a framework around capability building among local civil society groups. We have worked to build a mutual process where small organizations can benefit from being part of a bigger network, and have created monitoring activities for reporting from the ground to companies. The pilot's findings have improved ways of working with the local experts carrying out monitoring.

## What we've been doing

### Collaboration & Transformation

## Partnering with experts to advance respect for rights

In June and October 2017, Mars and our global strategic partner, Verité, met with key supplier, Wilmar, to co-create a framework to pilot a human rights program in Wilmar's extended supply chain. Wilmar will implement the plan through its existing ART program in the Pasir Gudang landscape in Peninsula Malaysia, which Mars has helped fund via TFT since 2015. Mars and Wilmar agreed to work together on a detailed roadmap for implementation, in partnership with Verité Southeast Asia. Our collective intent is to share our learnings across the industry, through the Consumer Goods Forum and the RSPO Human Rights Working Group; so that together, we can identify solutions to common labor challenges and scale more quickly.



We continue to play an active role in the RSPO Human Rights Working Group, participating in the P&C review and speaking at the first-ever panel on human rights at the RSPO Roundtable event in London, in June 2017.

# A LOOK BACK

1

Working with suppliers to develop more robust measures of verification and transformation for our sustainability scorecard – including key performance indicators for tracking progress against our commitments.

2

Working with Wilmar to finalize a practical human rights action plan as part of the existing ART program in Pasir Gudang.

3

Engaging coalition partners to align on the most effective ways to scale up work at a landscape level around the Leuser ecosystem.

We're continuing to prioritize working closely with our suppliers and developing industry collaborations for lasting change. Key actions included:

4

Continuing our leadership in the Consumer Goods Forum globally, as well as supporting efforts to advance the Priority Industry Principles on Forced Labor in the palm oil sector.

5

As an active member of RSPO, strengthening and deepening their approach to incorporating human rights standards.