

Mars: Raising standards

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Mars (ticker MARS), a private family-owned snack and pet food company,[1] announced on 14 Aug 2024 that it would make an all-cash offer for Kellanova (ticker K), a publicly-listed global food company, for total value nearly $36bn.[2] Both companies are part of the recently introduced Deforestation Debt Universe, highlighting the relevance of the transaction to deforestation-aware investors.[3] On 5 Mar 2025 Mars came to the bond market to borrow circa $26bn to fund this acquisition, in what is set to be the eighth largest US Investment Grade bond deal ever.[4]

The USD bond deal announced on 5 Mar 2025 is in eight tranches, with maturities ranging from two to 40 years (full details are in Table 3 in the Appendix).

The food sector is environmentally sensitive. Mars and Kellanova's products rely on a number of commodities with links to deforestation, where standards of supply chain management can vary substantially. Between Mars and Kellanova we see the following differences:

- Kellanova's deforestation policy[5] is not currently in line with the Accountability Framework Initiative's Core Principle 1, which includes committing to eliminating deforestation from operations, supply chains and financial investments. By following this initiative, Mars has aligned expectations for its suppliers and committed to eliminating deforestation, conversion and human rights abuses from its soy, beef and cocoa supply chains by 2025.[6]
- Mars has committed to hold flat the total land area associated with its value chain and to remain below their 2015 land footprint across the value chain,[7] but Kellanova has made no commitment on this metric.
- Mars has committed to achieving net zero GHG emissions across its full value chain by 2050,[8] whereas Kellanova has committed only to a 90% reduction by 2050 from a 2015 base.[9]

By combining entities, this acquisition is a chance to raise standards for Kellanova's supply chains to that of Mars. This bond deal represents an opportunity for investors to engage a private company, to support best practice sustainability at the new combined entity

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[1] "Mars, Incorporated: History in the Making ", Mars, accessed 05 Mar 2025.
[2] "Mars to buy Pringles maker Kellanova for $36 billion in 2024's biggest deal", Reuters, 14 Aug 2024.
[3] For more details please see "Deforestation Debt Universe", AFII, 7 Jan 2024.
[4] "Mars Looks to Sell $26 Billion of Bonds", Bloomberg, 5 Mar 2025.
[5] "Global Policy on Deforestation", Kellanova, Feb 2025.
[6] "Mars", Accountability Framework Initiative, accessed 05 Mar 2025.
[7] "2023 Sustainable in a Generation", Mars, accessed 05 Mar 2025.
[8] "Mars Net Zero Roadmap", Mars, 2023.
[9] "Climate Action", Kellanova, accessed 05 Mar 2025.

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Deforestation exposure details

Deforestation Debt Universe

AFII has created the Deforestation Debt Universe, a comprehensive universe of issuers with substantial deforestation exposure that are significant for fixed income investors.[10] The primary data source informing this work comes from Forest IQ, a consolidated dataset that enables the comparison of deforestation exposure across different commodities.[11] Both Mars and Kellanova are included in the Deforestation Debt Universe, and this data set allows us to compare the exposure and performance of the two companies.

Mars and Kellanova scores from Forest IQ

As consumer staples companies, both Mars and Kellanova are highly reliant on the integrity of the ecosystems from which they source commodities. On the face of it, Mars and Kellanova have similar deforestation risk profiles from Forest IQ. Both companies are exposed to key deforestation-linked commodities as shown in Table 1.

Table 1. Deforestation exposure and financial materiality for Mars and Kellanova. Source: Forest IQ.

Company Name	Mars Inc (Ticker: 4614Z US Equity)					Kellanova (Ticker: K US Equity)				
Commodity	Palm oil	Soy	Beef	Pulp & Paper	Cocoa	Palm oil	Soy	Beef	Pulp & Paper	Cocoa
Deforestation Exposure: Score/5	5	4	4	3	5	5	4	4	3	5
Deforestation Exposure: Category	Critical	Very High	Very High	High	Critical	Critical	Very High	Very High	High	Critical
Financial Materiality: Category	High	High	High	High	High	High	High	High	High	High

However, if we look beyond this at the companies' relative deforestation reporting scores we see that these two companies have different profiles for managing that deforestation exposure.Mars scores significantly higher, with ' 'Moderate' for Palm oil, Soy, Beef, Pulp & Paper and Cocoa, where Kellanova has 'Moderate' for Palm oil and Pulp & Paper, and 'Weak' for Soy, Beef, and Cocoa, as shown in Table 2.

Table 2. Deforestation reporting and commitment scores. Source: Forest IQ.

Company Name	Mars Inc (Ticker: 4614Z US Equity)					Kellanova (Ticker: K US Equity)				
Commodity	Palm oil	Soy	Beef	Pulp & Paper	Cocoa	Palm oil	Soy	Beef	Pulp & Paper	Cocoa
Performance reporting: Category	Moderate	Moderate	Moderate	Moderate	Moderate	Moderate	Weak	Weak	Moderate	Weak
Performance reporting: Score/10	5	4.5	3.5	4.5	3.5	4.5	3	2.5	3.5	1
Commitments strength: Category	Advanced	Advanced	Advanced	Advanced	Advanced	Advanced	Moderate	Moderate	Advanced	Weak
Commitments strength: Score/4	3.5	3	3	3	3	2.5	2	1.5	2.5	1

[10] "Deforestation Debt Universe", AFII, 7 Jan 2024.

[11] This data is at 26 Feb 2025 and was obtained under license from Global Canopy as part of its proprietary Forest IQ project https://forestiq.com. More up-to-date data may be available from Forest IQ.

Under Forest IQ's methodology[12] companies can score up to 4 for their 'No deforestation and conversion commitment strength'. Considering a broad average across commodities, Mars has an average of 3.1, where Kellanova scores 1.9.

Comparing commitments

Mars is recognised for following the Accountability Framework Initiative,[13] a roadmap for achieving ethical supply chains, including eliminating deforestation from operations, supply chains and financial investments.[14] It has maintained a deforestation-free palm oil supply chain since 2020 and has committed to halting deforestation and conversion.[6] Further, Mars is rolling these expectations down the supply chains, expecting suppliers to follow guidelines to stop deforestation from specified cut-off dates, even if we note that these dates themselves are not disclosed.[15]

There are areas where Mars' sustainable supply chain stands out, such as the company's goal to hold flat the total land area associated with their value chain and remaining below their 2015 land footprint across the value chain.[16] Further, Mars has a score of 61.5% from Forest500, one underlying data source for Forest IQ, putting it 6th of the 350 companies assessed. Kellanova, on the other hand, scores 35.2%.[17]

When comparing emissions reductions targets, there are further differences. Kellanova does have targets for GHG emissions from Forest, Land use and Agriculture (FLAG),[9] but does not have a target in place to reduce these to zero and instead has a target to reduce them by 45.45% by 2030 from a 2015 base year. Further, where Mars has committed to achieving net zero GHG emissions across their full value chain by 2050,[18] Kellanova has committed to a 90% reduction by 2050 from a 2015 base year.[9] By comparison, Mars first committed to achieving net zero across its full value chain in 2021.[19]

Conclusion

Mars has come to market with an issuance of nearly $26 bn, which will likely be one of the largest US corporate bond issuances of 2025, to fund its acquisition of Kellanova.

Mars and Kellanova have the same deforestation exposure scores across commodities palm oil, soy, beef, pulp & paper and cocoa, but Mars has higher scores for deforestation performance reporting and underlying that, deforestation commitment strength. This acquisition therefore presents an opportunity for investors to progress supply chain standards in areas where Mars excels ahead of Kellanova.

We identified that investors can drive a more robust deforestation policy which commits to ending deforestation and conversion, for a commitment to hold flat the total land area associated with Kellanova's value chain, and for Scope 3 GHG emissions targets to fully eliminate Scope 3 GHG emissions rather than a reduction target.

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[12] P24, "Forest IQ Methodology", Forest IQ, 22 Jan 2025. We note that this is updated from the data itself above.
[13] "Deforestation and conversion", Accountability Framework Initiative, accessed 05 Mar 2025.
[14] "Protection of forests and other natural ecosystems", Accountability Framework Initiative, accessed 5 Mar 2025.
[15] "Deforestation & Land Use Change Position", Mars, accessed 05 Mar 2025.
[16] "2023 Sustainable in a Generation", Mars, accessed 05 Mar 2025.
[17] "Forest500 Rankings", 5 Mar 2025.
[18] "Mars Net Zero Roadmap", Mars, 2023.
[19] "Mars Pledges Fresh Climate Action to Achieve Net Zero Emissions Across Full Value Chain", Mars, 4 Oct 2021.

Appendix

Table 3. Details of Mars bond offering. Source: Bloomberg, accessed 5 Mar 2025.

144a ISIN	Reg S ISIN	Maturity
US571676AW54	USU57346AS46	2 yrs
US571676AX38	USU57346AT29	3 yrs
US571676AY11	USU57346AU91	5 yrs
US571676AZ85	USU57346AV74	7 yrs
US571676BA26	USU57346AW57	10 yrs
US571676BB09	USU57346AX31	20 yrs
US571676BC81	USU57346AY14	30 yrs
US571676BD64	USU57346AZ88	40 yrs

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