

Exploring the shared fundamentals of the Impact Management Project within Mars' approach to socioeconomic impact

Mars is an Advisor for the Impact Management Project. We talk to Kate Wylie, Global Vice President of Sustainability, in this next edition of the Signposting series, to learn more about how they manage impact – with a specific focus on income.

Impact Management Project (IMP): For a company with over \$35 billion in revenues, how do you approach sustainability? How do you understand your effects on people and planet?

Kate Wylie (KW): The world is facing significant challenges. Poverty, water stress, climate change, and other social and environmental issues are holding back the potential of people, communities and business.

At Mars, we believe it's time to take a new approach to addressing these challenges. It's also time to embrace a new sense of urgency. That's why we launched our [Sustainable in a Generation Plan](#) – a plan to grow in ways that are good for people, good for the planet and good for our business.

We've combined our business principles with science to guide us in shaping a plan within which Mars can grow, while operating within planetary boundaries and delivering positive social impact. Our plan takes an impacts-based approach, focusing our strategies, investment and metrics on six areas across our business: climate, water, land, income, human rights and health & wellbeing. These are the social and environmental impacts most material to our business; they also are the areas where our efforts can deliver the most impact.

We're investing approximately \$1 billion in the next few years to advance our Sustainable in a Generation Plan. And we're actively engaging our 100,000 associates around the world as champions and ambassadors of this plan. We know that progress will require

uncommon collaboration and unprecedented innovation. It's a bold plan focussed on delivering meaningful impacts for both people and the planet, which is what excites me most -- and why we're involved in the Impact Management Project!

IMP: Let's focus on income, which is one of your six impacts. What was the intention behind exploring Mars' effects on income within its extended supply chain? What constraints have guided your decision on strategy?

KW: The unfortunate reality is that far too many farmers live in poverty. That's bad for farmers, but also bad for business and for the global food system. Farmers who do not earn a decent standard of living will not be efficient, productive or engaged in their critical role at the start of the supply chain and raw material quality may suffer. And farmers living in poverty are likely to look for alternative jobs and may move away from farming. As a company that relies upon farmers all around the world, we want to do our part to lift them out of poverty.

Our vision is for business to be built on high-quality and highly-efficient supply chains where people are thriving, engaged and motivated, and where everyone earns a decent standard of living.

Unfortunately there are multiple constraints that have historically impeded progress against this vision. Companies cannot guarantee overall household income levels, as we can't control all the variables - a farmer's household income is made up of multiple levers that drive both revenue and costs. Additionally, we may have limited overall influence when the crop we buy from a supplier is only a small, if important, percentage of a farmer's household income. But we absolutely can play a critical role alongside other actors, using an evidence-based approach.

There's also the fact that farmer income lacks internationally agreed policy frameworks and fundamentals. For example, there's no alignment on targets, metrics and measurement approaches, or the roles and responsibilities of supply chain actors. This lack of clarity creates real barriers to driving impact on the ground, at scale, for Mars and others.

IMP: What is Mars' impact goal on income?

KW: At Mars, we believe everyone working within our extended supply chains should earn sufficient income to maintain a decent standard of living.



WHAT

IMP: Let's break that down. WHAT outcomes are you ensuring, and how important are those outcomes to those experiencing them?

KW: For this impact goal, we want farmers to earn a sufficient income to **maintain a decent standard of living**.

Poverty is the first Sustainable Development Goal (SDG) for a reason - it is the root cause of many other social and environmental issues. Being able to afford a decent standard of living means you have sufficient income to afford food, water, housing, education, health care, transport, clothing and other essential needs, including provision for unexpected events.



WHO

IMP: Now let's move onto WHO will experience these outcomes, and how underserved are they in relation to a decent standard of living?

KW: Our initial focus is on our **extended supply chains**.

Mars buys a range of raw materials from thousands of suppliers who in turn source these materials from an estimated 500,000 smallholder farmers worldwide (as well as larger scale farms). The majority of these smallholder farmers are in West Africa or Asia, with fewer in Central and South America. These farmers grow crops like cocoa, rice and mint. Each supply chain provides a unique context and a different set of challenges, which we have analysed in depth.

We're beginning with a focus on smallholder farmers. While this ambition applies to everyone in our supply chain, our first priorities are those within our operations and those who are most vulnerable: farmers and farm workers.

There are approximately 500 million smallholder farms worldwide and more than 2 billion people depend on them for their livelihoods (IFAD). An estimated 200 million of those smallholders are connected formally or informally to supply chains (World Bank, 2017). The unfortunate reality is that a majority of these smallholders are living in poverty; in fact, an estimated 63% of the world's extreme poor work in agriculture (World Bank, 2013).



IMP: Let's explore HOW MUCH. What is your effect on that outcome, and how significant do you expect your effect to be?

HOW MUCH

KW: As we explore the question of "how much", we're focused on understanding what's necessary to **earn a sufficient income** to maintain a decent standard of living.

The level of impact required for farmers to reach a decent standard of living will differ depending on the specific context and the starting level of income. But to provide an example, it is estimated that some smallholder farmers need to at least triple their incomes to have sufficient income for a decent standard of living. We are leading programmes to significantly increase the income of farmers in a number of raw materials including our programmes in cocoa, mint and rice as well as through the Livelihoods Fund for Family Farming.

For example, the vanilla programme within the Livelihoods Fund for Family Farming aims to triple farmers' revenues and provide companies with quality and fully traceable vanilla over a 10-year span.

We expect a sufficient income to drive deep, long-term effects on a decent standard of living, at scale. We're gathering data against a series of indicators to track these effects over time.



IMP: What is Mars' CONTRIBUTION to this effect?

CONTRIBUTION

KW: To improve and advance our effects on income, we're focusing on supply chain transformation, with a focus on our priority raw materials.

Supply chain transformation takes time, typically 5 to 10 years. This requires deep and long-term relationships across multiple actors, to provide the necessary support until farmers are self-sufficient and truly sustainable. This will require support of longer-term contractual commitments and greater transparency in supply chains to ensure we are collectively delivering a more significant effect.

Work is already underway in a number of raw materials, including investment in agricultural science research, technology transfer, certification, and co-founding the [Livelihoods Fund for Family Farming](#).

In 2017, we launched the [Farmer Income Lab](#), a collaborative "think-do tank" to establish and address the critical questions we need to answer to improve farmers' incomes within our supply chains to the extent required. We'll learn by analysing existing research and

drawing on world-leading expertise to find missing insights. We'll develop new models that companies like Mars can act upon and create solutions that can be replicated and scaled. And then we'll act by piloting new models within Mars' own supply chains and inspiring action and commitment across our industry.



RISK

IMP: And finally let's look at RISK. There are a lot of impact risks to manage with such an ambitious effort.¹ Can you describe how you are mitigating some of them?

KW: All the impact risk factors outlined in the Impact Management Project apply to our income strategy, so I'll focus here on one example and how this is affected by **external risk** and **efficiency risk**.

As I mentioned above, sufficient income for a farmer is made up of multiple levers, both revenue and costs. Evidence shows that increasing productivity is key – access to the best planting material, good agricultural practices and appropriate farm inputs can double or triple smallholder yields. However, given the level of change required, productivity, while vital, is not the only lever we can pull. Other levers include increasing income from secondary crops, farm size, farm gate and market price, and in some cases including further value adding activities, such as crop processing. Reducing costs such as inputs, taxes, loan interest, storage, equipment and transportation can also play a role. In addition, factors such as women's empowerment, access to finance and financial literacy are fundamental to improving long-term household income, resilience and an overall decent standard of living.

Different actors can control, influence or have no ability to change the different levers above. We will only achieve our long-term ambition **if all actors play their crucial role**, each shifting the levers they can best affect to mitigate efficiency risks and external risks.

For example, origin governments must play their role in creating a supportive environment through infrastructure and agricultural investment, and policy development. Sustainable sourcing is a system, based on nature and people. We believe the system can and should be redesigned, so all businesses based on agriculture throughout the supply chain, including farmers, can thrive.

IMP: Thank you, Kate! How can people stay updated on your progress and lessons learned?

You can read more about our work at <http://www.mars.com>, our [Income Position Statement](#) and sign up to our Farmer Income Lab newsletter at www.farmerincomelab.com.

¹ More details on impact risk available [here](#).



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