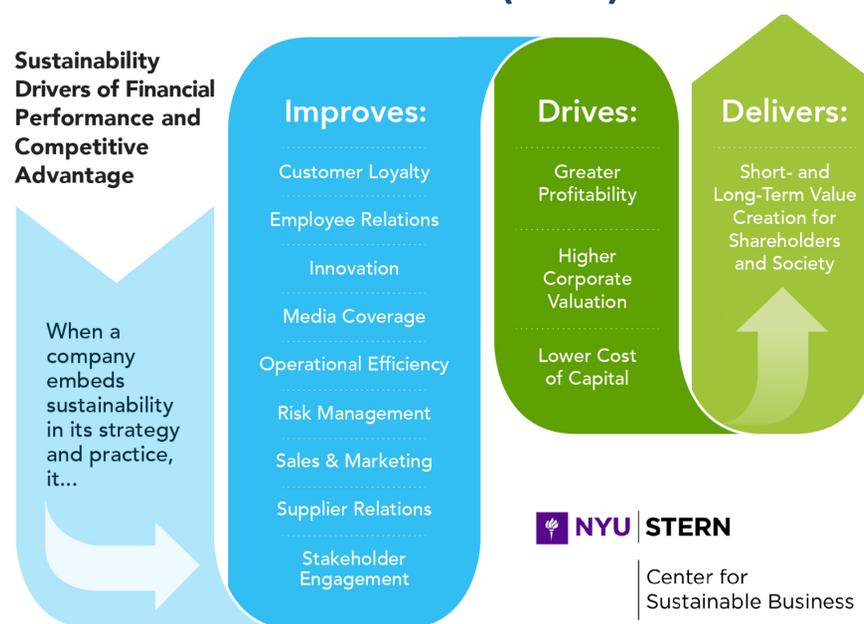


Abstract

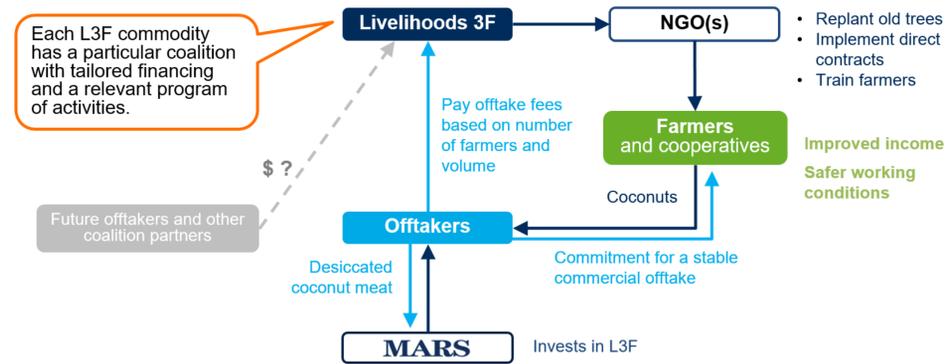
Strategic and long-term relationships in global supply chains are a promising model to deliver better economic, environmental, and social outcomes for all stakeholders. Our work addresses two key questions: 1) *What are the potential tangible and intangible benefits that companies can accrue through this more strategic approach?*, and 2) *How can companies value the tangible and intangible benefits that may accrue?* We interviewed key stakeholders involved in a new approach for sourcing vanilla (from Madagascar) and coconut (from the Philippines) directly from farmers who are participating in the *Livelihoods Fund for Family Farming (L3F)* program of Mars, Inc. **We argue that monetizing sustainability benefits speaks the language of corporate leaders and provide recommendations for data practitioners.**

“It is good business to think beyond commodities and invest in supply chains that will help business become stronger and more resilient in the future.” – Barry Parkin, Chief Procurement & Sustainability Officer, Mars

CSB Return on Sustainability Investment Framework (ROSI)



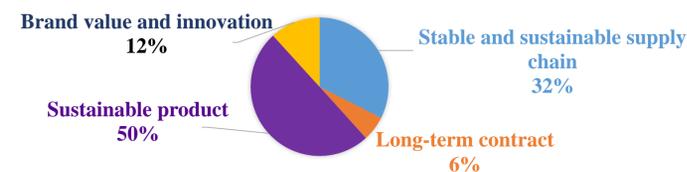
The Livelihoods Fund for Family Farming (L3F)



The L3F coalition: the fund takes in investments from Mars and suppliers (offtakers) to pay NGOs to train famers, organize cooperatives, and set up a direct commodity selling system. This example shows a coconut supply chain.

Results

- New strategic sourcing can potentially provide 22 business benefits** in five broad categories: stable and sustainable supply chains, long-term contracts, sourcing sustainable products, higher brand value and innovation, and addressing corporate risks.
- Monetizing the expected benefits:** The methods to monetize the benefits fell into three main categories: cost savings, avoided cost, and revenue growth. The ROSI for a subset of intangibles (excluding risk) was in the range of 20-33%.



Relative importance of the potential benefits of implementing L3F for one off-taker. Corporate risk was excluded due to the variance in outcomes and lack of data.

- For the SDG potential for scaling the project to all of the Philippines** we estimated that 1.7 million and up to 3.1 million coconut farmers would be lifted above the poverty line, which would reduce SDG target 1.1.1 (the proportion of population below the international poverty line) from 8.3% to 6.6% or 5.2% respectively.

Methods

- We applied the **five-step ROSI methodology** (Atz et al. 2019) to guide questions on how the L3F program might drive business and financial benefits.
- We then used **semi-structured interviews** to interview nine key stakeholders in the L3F program.
- We prioritized the 22 benefits and **employed data from public sources and our partners** to estimate potential returns.

Global supply chains could play a critical role in advancing progress on the SDGs

However, there are several reasons why sustainability initiatives are prone to miss out when it comes to allocating investment funds:

- Companies often do not consider or **ignore the potential intangible benefits** from projects because they do not appear in accounting measures (such as risk).
- Companies **do not track the metrics** that would enable monetizing benefits.
- Even when relevant data exist, teams outside the sustainability function may manage them and so **data are hard to access** (“lost in silos”).

Key references

- Atz, Ulrich, Tracy Van Holt, Elyse Douglas, and Tensie Whelan. 2019. “The Return on Sustainability Investment (ROSI): Monetizing Financial Benefits of Sustainability Actions in Companies.” *Review of Business* 39 (2). St. John’s University: 1–31.
- Whelan, Tensie, and Carly Fink. 2016. “The Comprehensive Business Case for Sustainability.” *Harvard Business Review* 21.
- Whelan, Tensie, Bruno Zappa, Rodrigo Zeidan, and Greg Fishbein. 2017. “How to Quantify Sustainability’s Impact on Your Bottom Line.” *Harvard Business Review* 23.

Acknowledgements

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More information can be found on our website: www.bit.ly/csb-rosi and <https://www.stern.nyu.edu/sustainability>