

Verified Sourcing Areas

an IDH developed concept

Securing the supply of sustainable commodities at a competitive price and scale

Sustainability commitments are increasingly topping the agendas of traders, processors, consumer-facing companies, producers and governments. There is a growing demand for sustainably sourced products across entire supply chains, yet no efficient and inexpensive option currently exists to guarantee supply of commodities that fulfil these commitments at the right volume and cost. Certification schemes and frontrunner companies are leading in sustainability, but struggle to reach critical mass at the same time. With critical mass, we have the opportunity to protect our forests and improve labour conditions.

Verified Sourcing Areas (VSAs) provide large volumes of commodities in line with sustainability commitments at a competitive scale and price while lifting the base level of sustainability in producing regions. Under this new area-based model, the objective is to work towards a situation where local stakeholders get recognized and rewarded for improving sustainability at scale, beyond individual farms or mills. This way, sustainability targets related to deforestation, labour, land tenure, and livelihoods can be much more ambitious in scale.

As a business case for this concept, IDH is establishing a direct link between the producing regions and end-buyers. Purchasing from a VSA contributes to sustainability on the ground and fulfils sustainability commitments in a credible manner.

What are Verified Sourcing Areas?

The VSA model brings together the producers within a region, supply chain actors, civil society and committed end buyers.

In the producing region, a Compact is made between private and public stakeholders at jurisdictional level, e.g. a municipality, district or province. Through this Compact, a coalition of public and private stakeholders agrees on priority sustainability topics and targets, the roadmap towards these targets, key performance indicators and the way to report on these. The compact thereby seeks to make best use of the strengths of each of the partners involved, turning sustainability into a joint responsibility between public and private sector.

In the VSA-model, any buyer, trader or interested 3rd party will be able to easily assess the producing region's status and progress on key sustainability targets. Progress is monitored and results are published on a regular basis in an online platform. Through the Verified Sourcing Area-model, committed end-buyers can get a better understanding of the products in their supply chain and directly support the sustainability in a producing region.

The VSA Compact

The VSA compact focuses on four global impact themes: deforestation, labour, land tenure, and livelihoods. It also outlines goals and targets that respond to the sustainability priorities in the local context. These local goals and targets may differ among jurisdictions.

The Compact Transparency Tool provides the opportunity to understand and monitor the continued progress on the four global impact themes and allows comparison across jurisdictions.

Benefits of the Verified Sourcing Area model

The VSA model builds on landscape approaches that are now being piloted widely. The VSA model goes a step further and includes both the producing landscapes *and* supply chain actors and buyers.

There are many benefits to the Verified Sourcing Area model. It proposes a mainstream solution to sustainability challenges. It recognises the benefits of existing

certification schemes, their continued relevance to set the agenda for sustainability, and it creates impact at a much larger scale, across commodities. It allows for more efficient engagement of end-buyers with producing regions on sustainability issues, ensuring sustainability efforts create maximum impact on the ground where they are needed most, while enabling government to fulfil its own role when it comes to sustainability.

Further development of the Verified Sourcing Area model

VSA's will create the enabling conditions to allow scaling. This is crucial to maximize impact on the ground. VSA's therefore need to produce sustainable commodities at a larger scale to maximize impact and keep costs low. The ability to scale quickly depends on the involvement of several stakeholders, including local governments, end buyers, and producers. From the market side, the VSA model needs to be able to capture global mainstream end buyer markets and translate this into broad-based improvement of sustainability on the ground.

With partners, IDH is developing the VSA Compact Transparency Tool by identifying the impact themes, detailing those in terms of scope and indicators, and engaging key stakeholders in the development process. Additionally, IDH is setting up the monitoring & verification system, ensuring transparency and trust of key stakeholders.

IDH's role in VSA's development

IDH's objective is to accelerate and scale sustainability within the international commodity markets and to make sustainable commodities such as palm oil and soy mainstream products. IDH is developing the Verified Sourcing Area model through conversations with local and global stakeholders, producers, traders and end-buyers. Since 2018, IDH has convened a group of global stakeholders as a VSA Global Steering Committee, where IDH acts as secretariat. The Global Steering Committee oversees the development of the VSA model and provides senior expertise on specialist topics. The development of the global model is assisted by VSA Readiness Pilots across the globe.