

An aerial photograph of a straight, light-colored road or path that stretches from the bottom center towards the top of the frame. The road is flanked on both sides by a dense, lush forest of tall palm trees, their fronds creating a textured canopy. The lighting suggests a bright, sunny day, with shadows cast across the road surface.

SUSTAINABILITY REPORT 2022

Last update: April 2023

“Towards a sustainable supply chain”

Introduction

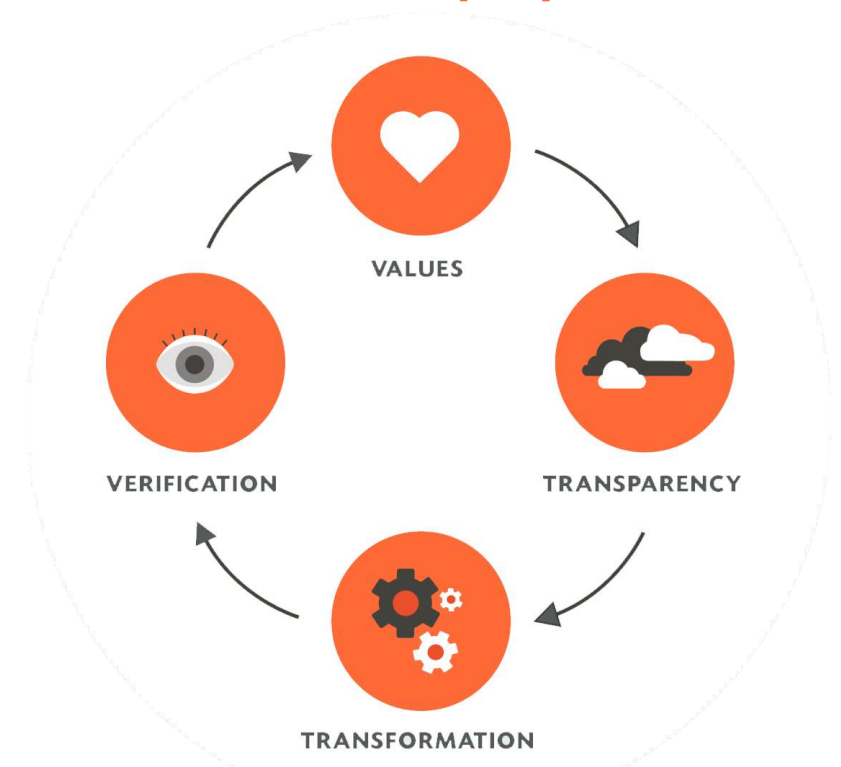
We welcome you to our **4th Sustainability Report** sharing our progress and efforts in 2022 on building sustainable supply chains that improve the lives of workers across the supply chain, their communities, and the environment.

LIPSA is working on responsible sourcing in soy and palm oil with [Earthworm Foundation](#) and in coconut oil with [Proforest](#).

The report is built **on Earthworm's V-T-T-V framework, the model we are implementing for palm oil and soybean, and we describe our actions and our plans to improve and do better for nature and people.**

Our responsible way of doing things focuses on:

- **Values:** Defining policies and commitments.
- **Transparency:** Working on traceability, internal monitoring KPI's, grievance management.
- **Transformation:** Driving impact beyond our supply chain. Engaging and collaborating with suppliers, customers, NGO's.
- **Verification:** Measure impact and achieve independent verification of our No deforestation commitments.



About LIPSA

We lead the vegetable oils and fats for food, animal feed, technical applications and biofuels industry.

Our facilities have the most advanced technology and a team committed to the philosophy and principles of LIPSA. We work to meet the most demanding standards and confront the challenges and demands of the market and our clients, providing practical, innovative, and efficient solutions. Always with safety and sustainability as the pillars of all our operations.

Our sustainability approach:

LIPSA is an important supply chain actor of agricultural commodities around the world, we are receiving raw materials from all over the world and sell our products on all five continents.

Sourcing safe, with high-quality raw materials, responsibly and transparently is important for LIPSA. It helps to ensure the high-quality products we sell to our customers while ensuring it also benefits the farmers, communities, and landscapes we are sourcing from, by improving livelihoods and addressing labour issues and deforestation.

At LIPSA we have in place a **Responsible Sourcing Policy** that supports our engagement with suppliers to promote sustainability in our supply chains. The Responsible Sourcing Policy has been designed across 3 specific pillars that reflect LIPSA's commitments on:

- Human rights and social practices
- Environmental protection
- Ethical performance

In addition, we have developed a commodity Policy that covers additional requirements in our supply chain. In 2019 we published our **Palm Oil Sustainable Policy** and in March 2023 we published our **Coconut Oil Sustainability Policy**.

We are committed to sourcing ingredients sustainably and to monitoring and address deforestation and impact on Human Rights.

A close-up photograph of several clusters of palm oil fruit. The fruits are oval-shaped and have a glossy, reddish-brown surface. Some fruits show a yellowish-orange hue, particularly at the base. The background is dark and out of focus.

PALM OIL



Roadmap to a Sustainable palm oil supply chain

Palm oil is one of the key raw materials for LIPSA and the most widely used vegetable in the industry around the world for its unique properties, enhancing the taste and texture of the other ingredients. Palm oil has an excellent yield compared with other vegetable oils and it is an important contributor to the economies and livelihoods of farmers in the producing countries.

Palm oil production is also related to negative impacts on biodiversity, as it contributes to deforestation and the use of chemicals in tropical forests and other species-rich habitats. There are also social issues involved: community rights, labour rights and smallholder farmers which are involved, and it is often difficult to trace back to their source to address these.

At LIPSA we are committed to building responsible sourcing of palm oil, assuring the preservation of ecosystems with greater conservation value, and ensuring human and social rights.

LIPSA work as a member of the **RSPO** (Roundtable on Sustainable Palm Oil) since 2005, as part of our commitment to promote the use of sustainable palm oil.

We work too as member of the **Earthworm Foundation** alongside a community of organizations leveraging our value chains to positively impact people and nature.

OUR KEY SUCCESSES IN 2022

In 2022 LIPSA has taken important steps on the journey to build a sustainable palm oil supply chain:



We continue promoting **social excellence in Guatemala** addressing key issues in Human Rights within the palm oil industry.



We continue monitoring our palm oil supply chain for deforestation and conversion with **the Starling satellite technology**.



Supplier engagement with 90% of our volume one on one to measure progress on our NDPE policy and set an action plan.

Transparency



Committed to transparency

To increase transparency in our supply chain we disclose on our website every six months the full mill list we source palm oil.

In 2022 we sourced 365.805 tons of palm oil and reached 100% traceability to the mill and 78% to the plantation.

LIPSA is engaging and supporting our direct suppliers to collect their traceability to the plantation data.

Our company's ambition is to reach **100% traceability to the plantation by 2025**. We consider collecting traceability to plantation data is key to be able to monitor and address deforestation and impacts on Human Rights.

In our commitment to building a transparent supply chain, we maintain a transparent and accessible **[grievance mechanism](#)**. We can investigate grievances following our **[grievance procedure](#)** and **[decision tree](#)**. We inform all parties and customers involved of the outcomes.

We publicly report grievances we are involved in on our **[public grievance list](#)**.

OUR PERFORMANCE INDICATORS IN 2022

100% Traceability to mill

78% Traceability to plantation



Publication of our **[Palm Oil Sustainability](#)** KPI's for 2022.



Publication of our **[mill lists](#)** for H1 2022 and H2 2022

The goal for 2023: Scale up traceability to the plantation and achieve a 90% score

Ambition 2025: 100% TTP

Transformation



Suppliers engagement

LIPSA is committed to sourcing responsibly and building supply chains that improve the lives of workers across the supply chain, their communities, and the environment, preserving the land and resources for future generations.

Since 2020 we monitor yearly our suppliers and measure their progress on our NDPE policy commitments and set action plan.

Our company use EPI (**Engagement for Policy Implementation**), a supplier engagement tool created by our partner Earthworm Foundation.

We have followed a periodic engagement with our suppliers to measure their maturity level, traceability data, grievances cases status, and deforestation alerts.

In 2022, we used EPI with our **key suppliers**, representing **90% of our palm volumes**.

OUR PERFORMANCE INDICATORS IN 2022

90% of our global volumes engaged in EPI in 2022.

KPIs supplier performance under EPI in 2022:

100% of mills covered by **Refinery Roadmaps/ Action Plans**.

100% verifying **100% of their NDPE IR profile at the refinery level**.

100% covered by a **robust non-compliance supplier process**.

Transformation



Driving impact beyond our supply chain

We continue our work promoting social excellence in the palm oil sector in Guatemala.

As Guatemala is one of our main sourcing countries, since 2019 we are supporting a **Social Performance project** in Guatemala.

During 2022 we support particularly to:

- **Bringing together civil society and palm oil industry and enforcing collaboration and understanding.** Through the project sessions and development, there has been an opportunity to share lessons learnt, perspectives, and gaps needed to be filled in.
- **Tools developed and placed in practice by the companies.** The project provides tools on self-diagnosis and the good stand practices documents.
- **4 Sessions of training** for the key topic, on Human Rights Defenders, FPIC Health and security and freedom of association.
- **Co-design with GREPALMA of the next actions** based on the results of the field visits to operations involved and lessons learned from the process, aligned with the international industry expectations moving forward.



Guatemala KPI's 2022:



MILLS

10 mills involved from the 21 mills currently working at the national level.

A total of 572,613 mt of palm oil was produced by the companies participating in the project.

The total amount of production of these companies is around 53% of the national production.



PEOPLE

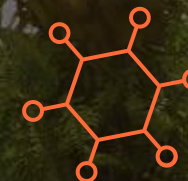
4 field visits to evaluate the progress of companies and verify the aspects identified to be reviewed in the field.

4 Tools of self-assessment on key issues identified by the project.

4 documents on good stand practices.

4 Sessions training for the key topic, on Human Rights Defenders, FPIC Health and security and freedom of association .

Around 75.805 workers benefited through this project.



CHAIN REACTION

The project is a **multistakeholder project** that includes GREPALMA (Guatemala palm oil federation), palm oil companies, and key Civil Society actors in Guatemala.

The working group is driven by the international industry expectations of LIPSA and other companies supporting this project.

MOVING FORWARD

The project Promoting Social Excellence in Guatemala has finalized a second phase in 2022. In 2023 LIPSA has decided to move forward with the industry and continue building the dialogue and promoting Social Performance excellence in Guatemala.

In 2023 will be a deeper engagement with companies involved and at the GREPALMA level.

Verification



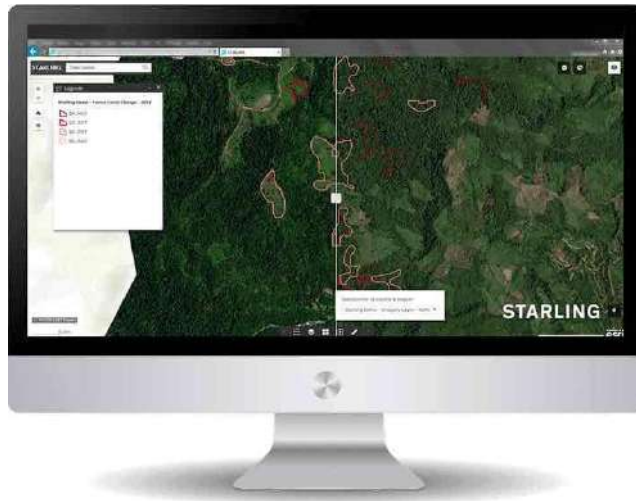
Achieve independent verification of our No deforestation commitments

As part of our journey to a Sustainable palm oil supply chain, LIPSA is committed to a **100% verified deforestation-free** supply chain by 2025.

We keep monitoring our full palm oil supply chain for deforestation using **Starling satellite technology**.

With this process, we identify deforestation events and risks in our supply chain and we engage our suppliers to ensure there is a plan in place and progress towards our no deforestation commitments goals.

At the end of 2022, LIPSA monitored 100% of the volume sourced in 2022 and achieve a **56% Verified Deforestation Free score**.



OUR PERFORMANCE INDICATORS IN 2022

56% verified deforestation free volumes.



Ambition 2025: 100% VDF

The goal for 2023: Scale up traceability to the plantation and achieve a better deforestation free score.

A close-up photograph of a person's hands using a machete to cut a coconut. The coconut is dark and has some roots attached to its base. The person is holding the coconut with one hand and the machete with the other. The background is a blurred green field.

COCONUT OIL



Roadmap to a Sustainable coconut oil supply chain

Coconut oil is a key raw material for LIPSA. We buy the crude coconut and refine it to sell to food goods manufacturers or cosmetics manufacturers.

The Philippines is the major supplier for our company. We are concerned about the big challenges in terms of social and environmental management in the coconut industry in the Philippines and the rest of the origins.

In this context, LIPSA has published a **Coconut Sustainability Policy** building on the company's Responsible Sourcing Policy we outline our commitments to coconut sustainability.

We are committed to participate and collaborate with multi-stakeholders initiatives to tackle industry-wide social and environmental challenges.

On April 2022, LIPSA joined the **Sustainable Coconut Partnership** and we are upholding the principles of the charter to our supply chain.

Since July 2022 our company work as a member of **Proforest**, an independent mission-driven organization working in the field of natural resources management.

OUR MILESTONES IN 2022

Our milestones in 2022 to build a sustainable coconut oil supply chain:



We publish a new **Coconut Sustainability Policy**.



We joint the **Sustainable Coconut Partnership**.



We work as a member of **Proforest**.



A close-up photograph of soybean pods hanging from a plant. The pods are dark brown and elongated, with a fuzzy texture. The background is a warm, golden-yellow color, suggesting a sunset or sunrise. The lighting creates a soft glow around the pods.

SOYBEAN OIL



Sustainable soybean oil supply chain

Soybean oil is a soft oil that LIPSA refines and sells for food production. We buy crude soybean oil from crushers all over the EU and other third countries.

Our company is concerned about the deforestation risk associated with the soy supply chain and the challenges of traceability and transparency in this supply chain.

In this context in 2022, we started working on socializing soy challenges internally and understanding deeper our supply chain through a **first engagement with our suppliers**.

We also started **working on traceability** to understand our exposure to high-risk sourcing areas in terms of deforestation and to define the next steps toward a verified deforestation-free supply chain.

The lessons we learned from socialization with other companies during 2022 is the need to promote an action to assure a real transformation and increase transparency within the supply chain that allows the industry to address deforestation and conversion issues.

In that sense, in January **2023 LIPSA joined a multi-stakeholder** initiative led by Earthworm Foundation to identify and respond to deforestation and conversion challenges within the soy supply chain. This initiative provides a first response to the new European Imported Deforestation Regulation.

We will continue working on **traceability and transparency in the soy supply chain** and be looking to increase awareness within the industry on the challenges identified in soy responsible sourcing within Europe.

OUR MILESTONES IN 2022

Our milestones in 2022 to build a sustainable soybean oil supply chain:



First engagement with our soy suppliers.



Start working on traceability.



Joint a multi-stakeholder initiative.

“A World of Vegetable Oils”



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