



SUSTAINABILITY

REPORT

2023

April 2024

Towards a sustainable
supply chain





SUSTAINABILITY REPORT 2023

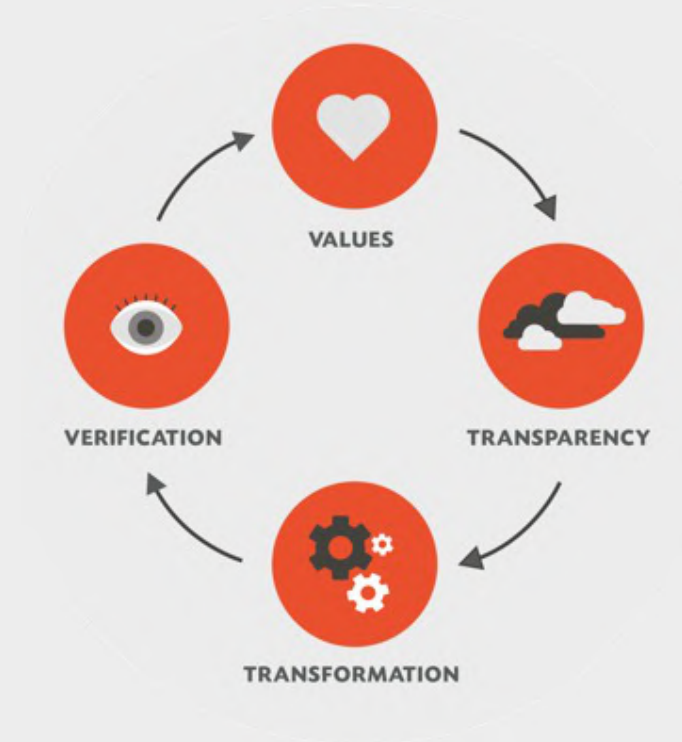
INTRODUCTION

We welcome you to our 5th Sustainability Report.

This is our progress report on building responsible sourcing for palm oil, coconut oil, and soybean oil.

We advocate for transparency in our sustainability efforts and commitments. For each commodity, we describe what we have achieved, and our plans to go beyond and drive a positive impact on society, climate, and the environment.

The report is built on Earthworm's V-T-T-V model. We articulate our actions across the supply chain on Values, Transparency, Transformation, and Verification.





SUSTAINABILITY REPORT 2023

ABOUT LIPSA

At LIPSA we are the leader in vegetable oils and fats for food, animal feed, technical applications, and biofuels.

We are committed to being a leading Group in the market, fulfilling all our commitments to our employees, clients, suppliers, and shareholders in a sustainable and solid way.

OUR SUSTAINABILITY APPROACH

LIPSA is committed to achieving new regulations and requirements on [responsible sourcing](#) and to continue working beyond those to address systematic risks within our supply chain that need a collective approach such as Human rights and smallholder exclusion.

To ensure the sustainability of our operations we have in place a [Responsible Sourcing Policy](#) that supports our engagement with suppliers to promote sustainability.

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

These pillars are the framework for developing specific targets, milestones, and further engagement to identify specific risk areas in our supplier's operations.

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](#).



PALM OIL.



SUSTAINABILITY REPORT 2023

Values



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. In 2023 we sourced around **400.316 mt of palm oil**. This amount is around **63%** of LIPSA's global volume sourcing in 2023.

Since 2005 we have been a member of **RSPO**. In 2009 we became RSPO certified and since then we have been promoting and increasing our palm oil-certified volumes reaching **52%** of certified volumes in 2023.

Since 2017 we have been **Earthworm Foundation members** guiding us to leverage our value chains to positively impact people and nature.

In 2023 we have been elected by the European Commission to be part of the pilot test on the **Information System developed by the EU**. Jointly with the other 100 companies elected, we have been running the test and sharing our feedback with peer companies and with the EU Commission.

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.

We will continue engaging the industry through our participation in different alliances to boost sustainability across the palm oil supply chain.

OUR KEY SUCCESSES IN 2023

In 2023 LIPSA has taken important steps on the journey to build a sustainable palm oil supply chain:

- ✓ Follow-up to the **European Imported Deforestation Regulation**. We have done a deeply internal exercise to understand the implications of the regulation and the alignment with our NDPE Policy and actions. We have engaged our key suppliers on EUDR to work together towards 100% compliance by the end of 2024.
- ✓ Rolled out **Starling verification on 90%** of our volumes through prioritizing alerts and direct supplier engagement.
- ✓ **Supplier engagement** with 90% of our volume one one-on-one to measure progress on our NDPE policy and set an action plan.
- ✓ **Promoting Social Excellence in Guatemala.**

Memberships:





SUSTAINABILITY REPORT 2023

Transparency



Committed to transparency

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

In 2023 we sourced 400.316 tons of palm oil and reached 100% traceability to the mill and 83% to the plantation.

LIPSA aims to reach **100% traceability to the plantation by the end of 2024**. We consider collecting traceability to plantation data is key to engage our suppliers on local legal compliance with the country of origin.

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 2023

100% Traceability to mill

83% Traceability to plantation



Publication of our [Palm Oil Sustainability](#) KPI's for 2023.



Publication of our [mill lists](#) for 2023.



The goal for 2024: 100% traceability to the plantation by the end of year.



SUSTAINABILITY REPORT 2023

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.

In 2023 supplier engagement with 90% of our volume one one-on-one to measure progress on our NDPE policy and set an action plan.

We have used EPI ([Engagement for Policy Implementation](#)), a supplier engagement tool created by our partner Earthworm Foundation.

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

We also have measured the progress of our suppliers through the [NDPE Implementation Reporting Framework](#) (IRF), which is a reporting tool that helps to measure the progress on NDPE commitments of palm oil companies across the full supply chain.

LIPSA has been completing the [IRF profile](#) for all our volumes sourced in calendar years 2022 and 2023.

For the volumes sourced in 2023, 61% were “Delivering” on their No Deforestation commitments, and 83% were “Delivering” on their No Peat commitments.

OUR PERFORMANCE INDICATORS IN 2023

100% NDPE IRF profile from our suppliers covering the total 2023 volume sourced.

90% Of our global volumes engaged in EPI in 2023

KPIs supplier performance under EPI in 2023:

100% Verifying **100% of their NDPE IRF profile** at the refinery level

100% Working under an implementation plan covering the entire supply chain, including third-party suppliers and traded volumes, addressing NDPE issues.

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



SUSTAINABILITY REPORT 2023

Transformation



Driving impact beyond our supply chain



We continue our work promoting social excellence in the oil palm sector in Guatemala. As Guatemala is one of our main sourcing countries, since 2019 we have been supporting a Social Performance project in Guatemala.

The goal of the project improving social performance is to reduce social risk derived from the palm oil industry operations. The multi-stakeholder project coordinated by Earthworm Foundation brings together the Guatemalan industry, GREPALMA, international peer companies, and civil society. The lines of action of the project are:

- Promote social performance in line with NDPE policy commitments
- increase the social license to operate their suppliers to reduce reputational and operational risk.

Since 2019 the project has focused on:

Phase 1: Priority topics identified and stakeholder engagement: 1. Free, Prior Informed Consent (FPIC); 2. Freedom of Association and Collective Bargaining (FOACB); 3. Health and Safety of Communities; 4. Human Rights Defenders.

Phase 2: Strengthening Capacities in the Palm Oil Sector: Build capacity on the first four issues

In 2023, the project entered **Phase 3:** Strengthening capacities/processes at the sector level and supplier-specific engagement:

- Focus on the Supplier level according to their gaps and needs identified during Phase 2.
- Focus at the Sector level (Palm Oil Producers Association GREPALMA Capacity Building Strategy)



SUSTAINABILITY REPORT 2023

GUATEMALA KPI's 2023:



MILLS

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

A total of 460,000 mt of palm oil was produced by the companies participating in the project.

The total amount of production of these companies is around 46% of the national production.



PEOPLE

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

4 Action Plans with key companies on specific issues and follow-up implementation.

4 Sessions training on key topics including EUDR readiness.



CHAIN REACTION

The project is a **multistakeholder project** that includes GREAPALMA (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.

The project Promoting Social Excellence in Guatemala has finalized a third phase in 2023. In 2024 LIPSA has decided to move forward with the industry and continue building the dialogue and promoting Social Performance excellence in Guatemala.

In 2024 the project will focus on doing a **specific follow-up of the action plans developed in 2023** on specific issues with the key companies. Follow-up will be done at the field sites and by a periodic engagement. Furthermore, the project will continue with capacity building with the Human rights approach and new EU regulations on Human Rights.

MOVING FORWARD



SUSTAINABILITY REPORT 2023

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 2023, LIPSA monitored 100% of the volume sourced in 2022 and achieve a **61% Verified Deforestation Free score**.

OUR PERFORMANCE INDICATORS IN 2022

61%

Verified deforestation free volumes



Ambition 2025: **100% VDF** according to the EUDR Regulation.

The goal for 2024: To achieve 100% TTP and 100% verified deforestation free according to the EUDR cut off date.

Credit: Earthworm Foundation



Regulation 2023/1115 on deforestation and forest degradation

The Regulation aims to remove imported deforestation driven by relevant commodities including cattle, cocoa, coffee, palm oil, soy, wood, and rubber.

This Regulation applies to LIPSA as we market with two relevant products: [palm oil and soybean](#).

LIPSA is fully aware of the [European Union Deforestation Regulation \(EUDR\)](#), and is working to be fully compliant by the end of 2024, when the Regulation is set to take effect.

LIPSA is working on a [Due Diligence approach](#) to cover the new EUDR Regulation and aligned with our [Responsible Sourcing Policy](#) and our [NDPE Policy](#). Beyond the Regulation, LIPSA also has been working on traceability, a supplier engagement process, a grievance mechanism, and deforestation monitoring that will serve as a basis of our Due Diligence system. All this work is publicly reported every year in our [Sustainability Progress Report](#) and [Palm Oil Dashboard](#).

Together with our sustainability partner, [Earthworm Foundation](#), we are implementing new tools and procedures to develop a risk assessment for all our raw material suppliers and evaluate where potential risk mitigation measures are needed.

LIPSA'S BUILDING INTERNAL CAPACITY



LIPSA is monitoring our full palm oil supply chain for deforestation using [Starling Satellite technology](#). By the end of 2024, we will verify deforestation-free according to the EUDR cut-of-date our supply chain.



LIPSA is developing a digital traceability tool through our ERP to ensure that the DDS reference number linked to a specific shipment or purchase contract, is transferred correctly to our customers.



Our company was elected to participate in the pilot testing of the EUDR Information System. LIPSA participated in exchange sessions with other EU players that were in the piloting testing, to share learnings and improvement recommendations.



LIPSA is a member of [Fediol](#), the EU vegetable oil and protein meal industry association, a very effective channel to submit questions and receive updates on the EUDR Regulation.



COCONUT OIL.



SUSTAINABILITY REPORT 2023

Values



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.

LIPSA is concerned about the big challenges in terms of social and environmental management in the coconut industry. As the coconut demand is growing, so do the challenges in terms of social and environmental management. Most of the Farmers have limited access to finance, training, and markets and use inadequate fertilizer and pest management systems.

In this context, on **March 2023** LIPSA has published a [Coconut Sustainability Policy](#) building on the company's Responsible Sourcing Policy we outline our commitments to coconut sustainability.

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 2023

Our milestones in 2023 to build a sustainable coconut oil supply chain:

- We published a **new Coconut Sustainability Policy**.
- We joined the **Sustainable Coconut Partnership**.
- We work as a member of **Proforest** to implement our policy through responsible sourcing.



SUSTAINABILITY REPORT 2023

Transformation



Suppliers engagement

LIPSA is committed to applying the principles, ambitions, and criteria of the Sustainable Coconut Charter to our supply chain.

Understanding our supply chain is key to starting working and implementing the criteria through our supply chain.

In 2023 we did an initial mapping and traceability of our supply chain to identify where improvement in traceability may be needed.

We also engage and evaluate five priority suppliers for LIPSA. Each of these suppliers was assessed on their sustainability performance through the phased **scorecard approach and traceability template by Proforest**.

Through this process, Proforest supported us in a consistent evaluation of our supplier sustainability performance against our Coconut Sustainability Policy. A roadmap was developed based on the outcomes of each supplier to address gaps in alignment with our Policy and the commitments and expectations of the sustainable coconut charter.

In the second phase, on 2024, a more specific engagement will be performed with two key suppliers to drive continuous improvement in responsible sourcing.

OUR PERFORMANCE INDICATORS IN 2023

Initial supply chain mapping and traceability of our coconut supply chain.

98%

Of our global volumes engaged through the Scorecard Assessment.



SOYBEAN OIL.



SUSTAINABILITY REPORT 2023

Values



Sustainable soybean oil supply chain

Soybean oil is a soft oil that LIPSA refines and sells for food production. Our company buys crude sunflower oil from crushers all over the EU and other third countries.

We are concerned about the deforestation risk associated with the soy supply chain and the challenges of traceability and transparency in this supply chain. In that sense and aligned with the EUDR Regulation, we have rolled out our **commitment to a zero-deforestation supply chain for soybean oil**.

December 2020 is the cut-off date according to the European Regulation.

In January 2023 **LIPSA joined a multi-stakeholder initiative led by Earthworm Foundation** to engage the soy industry in Spain to socialize soy challenges within international supply chains. LIPSA recognizes the Spanish role as one of the major soy importers in Europe.

One of the learnings over 2023 is that the soy industry in general, needs to work on transparency and replicate the efforts made by the palm oil industry. Collective action at the industry level is key to addressing the lack of transparency.

During 2024 LIPSA will continue engagement with suppliers to meet deforestation-free in our soybean oil supply chain. We will work to develop a Due Diligence system to cover the EUDR requirements and to continue working with the industry to increase awareness and engagement in key issues on responsible sourcing.

OUR MILESTONES IN 2023

Our milestones 2023 to build a sustainable soybean oil supply chain:

-  **Engagement with our soy suppliers** to raise awareness on the new European Imported Deforestation Regulation.
-  Start working on **traceability**.
-  Joint a **multi-stakeholder initiative**.

