



Palm oil

PROGRESS REPORT

2020

Towards a sustainable
palm oil supply chain



Reporting on progress

As a leading group in the palm oil market, LIPSA is committed to work in building a sustainable palm oil supply chain that respects the environment and people.

To formalize our commitment, we published our Palm Oil Sustainability Policy that follows the principles of No Deforestation and No Exploitation (NDPE).

We actively work in our palm oil supply chain to implement our commitments. Since 2019, we are members of Earthworm Foundation to demonstrate our willingness to see positive change across our operations. We follow Earthworm's V-T-T-V framework in our sustainability journey:



VALUES

define and internalize our values into clear policies and commitments



TRANSPARENCY

map our supply chain actors and geographies to chart strategies and foster accountability through publication of data and progress updates



TRANSFORMATION

collaborate to implement tools and processes that transform the way business operates



VERIFICATION

innovate on solutions to measure impact, assess progress and ensure accountability

LIPSA believes in the power of transparency and we are pleased to share our progress report for 2020, coming back on the main actions and successes of our work towards palm sustainability during the year. The report is articulated around the V-T-T-V model we are implementing.



VALUES



Define and internalize our values into clear policies and commitments

Back in 2019, we renewed and strengthened our **NDPE commitment (No Deforestation No Peat No Exploitation)** with the publication of our updated **Palm Oil Sustainability Policy**. Our policy represents our values and vision, and is the basis of our work towards a sustainable palm oil supply chain.

In 2020, we published our **Action plan for the period of April 2020 to March 2021**. It describes the main activities we planned for the implementation of our commitments during the period, with target dates. It has been **shared with 100% of our direct suppliers**, as their cooperation is key for us to achieve our ambition.

We also want to make sure our suppliers share our values and are aligned with our policy. To that purpose, in 2020 we updated our **Supplier Approval procurement process** so that every new supplier is systematically informed of our NDPE commitments. We took a step further with our key suppliers by assessing the **robustness and alignment of their NDPE policies** through the EPI tool (see p.5 for more details).

We value **cooperation** and we believe that **multi-stakeholders initiatives** are key to tackle industry-wide social and environmental challenges. In 2020, we renewed our membership with **Earthworm Foundation**, a global non-profit who has been a partner of our sustainability journey for several years. We are also an active member of **Fundacion Española del Aceite de Palma** since 2017, an association promoting the environmental and social benefits of using sustainable palm oil. As part of our commitment to promote the use of sustainable palm oil, we are also member of the **RSPO** (Roundtable on Sustainable Palm Oil) since 2005.

OUR KEY SUCCESSES IN 2020



Publication of our Palm Action Plan 2020-2021

99,6%

Volumes from direct suppliers with a NDPE policy or equivalent

100%

Key suppliers'* NDPE policies evaluated in EPI

**Our key suppliers represent 95% of our volumes in 2020*

INDUSTRY COLLABORATION



Membership Earthworm Foundation



Membership Fundacion Española del Aceite de Palma



Membership RSPO (Roundtable on Sustainable Palm Oil)



TRANSPARENCY



Map our supply chain actors and geographies to chart strategies and foster accountability through publication of data and progress updates.

We believe that reporting publicly on the successes, achievements and challenges we meet in our sustainability journey is a key step in being transparent. An important achievement for us in 2020 was the **redesign of our website**, allowing us to share our progress with more clarity with our stakeholders.

We want to report transparently **annually** on our sustainability journey. In the first quarter 2020, we published on our website our **Progress Report on Palm Oil Action Plan 2019**, summarizing the key actions we implemented during the period.

In early 2020, we also published a **sustainability dashboard** for the first time on our website, to summarize the key actions we undertake to implement our commitments, and to share our impact and KPIs. We will update this document every 6 months.

In 2020, we sourced **338 534 tons of palm oil**. For us, it is essential to know where it was produced. In 2020, we reached **100% traceability to mill**. The traceability data we collect from our suppliers is aggregated in a mill list and uploaded in our website **every 6 months**. In 2020, we published our Mill list for H2 2019 and H1 2020.

Building on this progress, we are looking to expand our work on **traceability to the plantation** level. In 2020, we worked on our **definition** for 'traceable to plantation' and we defined a methodology to collect the data from our suppliers. We are now starting to implement it, and we aim to be able to report on a **traceability to plantation score** by next year.

OUR KEY SUCCESSES IN 2020



Redesign of our website for more clarity



Publication of our Progress Report for 2019



Publication of our first palm sustainability dashboard

100%

Traceability to mill



Publication of our mill lists for H2 2019 and H1 2020



Definition of our methodology for traceability to plantation



TRANSFORMATION



Collaborate to implement tools and processes that transform the way business operates

TRACKING OUR SUPPLIERS' PROGRESS

We are committed to **actively engage and collaborate with our suppliers** to achieve our goals. In 2020 we took a step further in engaging with our suppliers by using **EPI (Engagement for Policy Implementation)**, a supplier engagement tool created by Earthworm Foundation and hosted in a SupplyShift platform.

The EPI process begins with a comprehensive **survey** completed by our suppliers, about their responsible sourcing policies and implementation. It is divided into 6 thematic sections: policy commitment, implementation and supplier engagement, transformation in action: labor and social issues/land management and conservation, grievances and non-compliant suppliers, and verification and monitoring.

Our suppliers' answers are then evaluated by Earthworm Foundation's experts, allowing us to create KPIs to follow our NDPE implementation progress, and to **track our suppliers' progress** over time.

In 2020, we used EPI with our **key suppliers**, representing **95% of our palm volumes**. We then organized **dialogue meetings** with them to discuss the findings of EPI. This process allows us to maintain a regular dialogue with our suppliers, to understand their actions and progress regarding responsible sourcing of palm, and to identify opportunities for improvement.

OUR PERFORMANCE INDICATORS IN 2020

95%

The suppliers we engaged in EPI in 2020 represent 95% of our global volumes

From our volumes evaluated in EPI in 2020:

100%

Covered by robust implementation plans at direct supplier level

100%

Covered by public annual progress reports

100%

Covered by deforestation monitoring technologies

3 000

Smallholders engaged in sustainability programs supported by our suppliers



TRANSFORMATION

Support programs in our supply chain that drive transformation and alignment with NDPE Standards

DRIVING POSITIVE CHANGE ON THE GROUND

Since 2019, we are actively supporting **structural change** for **social excellence** within the Guatemalan palm oil industry, with our partner **Earthworm Foundation**. In 2020, Guatemala represented **16%** of our global palm sourcing volumes.

In 2019, our support contributed to strengthening the social practices of targeted suppliers, and to the organization of a series of workshops to build participants' understanding on social risks and issues faced by the sector and options to manage these.

Building on these learnings and successes, in 2020 we supported **industry level engagement** to promote social performance in line with policy commitments in the Guatemalan palm oil sector. In 2020, we co-founded and participated to the following activities, through collaboration with **GREPALMA** (the Palm Grower Association of Guatemala) and other international buyers:

- Strengthening of the **social pillar** of GREPALMA's internal standard, the *Sello GREPALMA*, in order to ensure alignment with best practice.
- Identification of **priority issues**, based on a social benchmarking to identify gaps between national practices and international standards, and on a participatory risk mapping.
- Development of an **implementation plan** to strengthen labor and human rights practices within the Guatemalan palm industry on the priority issues identified, that will kick-off in 2021.

Credit:
Earthworm Foundation





NON-COMPLIANCE

Identify, respond and correct any case of non-compliance with our commitments in our supply chain

LIPSA is committed to respond and act against any violation of its NDPE Policy detected in its supply chain. Back in 2019, we created and published a **non-compliant suppliers procedure** to deal with grievances happening in our palm supply chain. We also published the decision trees we follow in case of grievances linked to deforestation cases and to labor issues.

We **investigate all grievances** received jointly with the commitment of our direct suppliers and our sustainability partner, the Earthworm Foundation.

In 2020, we have continued testing the implementation of the procedure and adapting it to ensure efficiency. We have also verified that our direct **suppliers have their own grievance mechanisms** and evaluated the **robustness** of our key suppliers' grievances procedures in EPI (see p.5 for more details).

We created and **published a grievance tracker on our website** to publicly report on our work with grievances. In 2020 we published **6 grievances** on our website, with the date of reception, a summary of the grievance, the source, and updates on status, progress and resolution.

In 2021, we will continue improving our management of grievances with the aim to identify cases of non-compliance in our supply chain **more proactively**, and to keep reporting on our progress **transparently**.

OUR PERFORMANCE INDICATORS IN 2020



Implementation of our grievance procedure



Publication of our grievance tracker

6

Cases published on our grievance tracker, with progress updates

96%

Volumes from direct suppliers with robust* grievances mechanisms

**i.e. public, incorporating a non-compliant supplier engagement process, with a regularly updated Grievance List and driven by time-bound actions;*

100%

Key suppliers'* grievances mechanisms evaluated in EPI

**Our key suppliers represent 95% of our volumes in 2020*



VERIFICATION

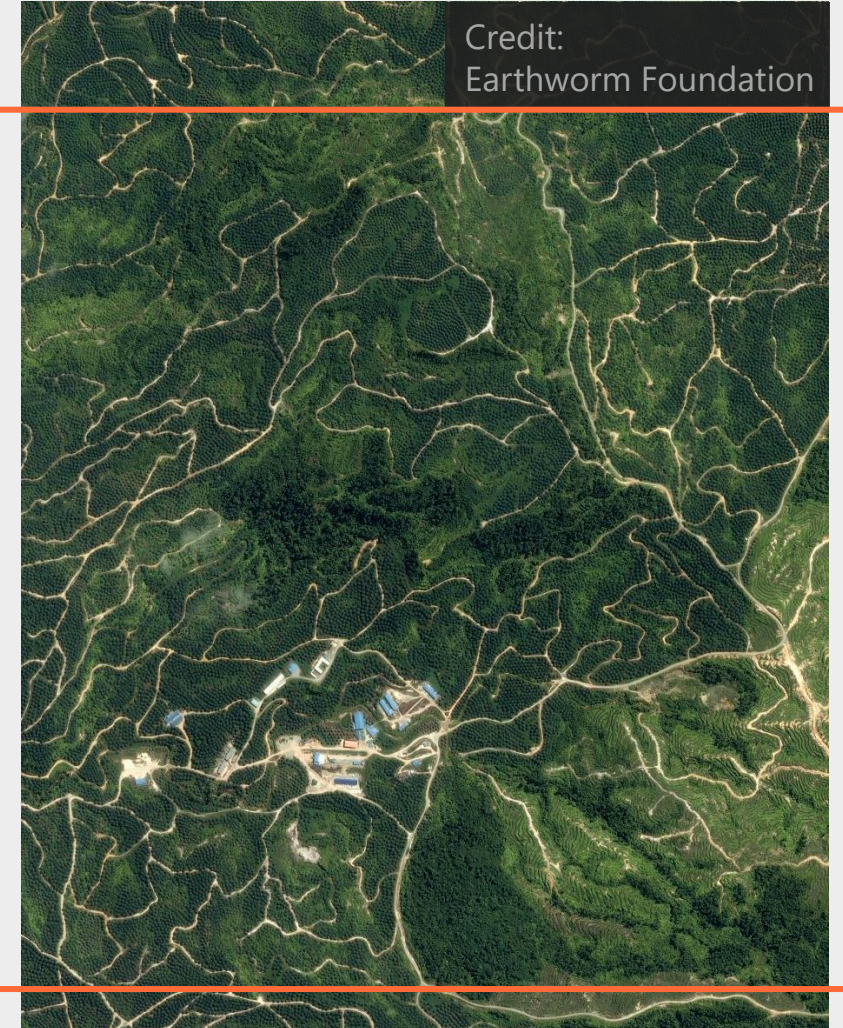
Innovate on solutions to measure impact, assess progress and ensure accountability.

As part of our journey to implement our NDPE commitments, we want to explore opportunities to **monitor our No Deforestation and No Exploitation commitments**.

Since 2019, we started looking at available technologies to verify No Deforestation across our supply chain. In 2019 and in 2020, we updated our full 2018 and 2019 mill lists on the **Global Forest Watch platform**.

From 2021, we are taking a big step as we will start using **Starling**, a **satellite tool** created by Airbus and Earthworm Foundation, for approximately 95% of our palm oil volumes. The Starling technology is able to receive forest cover change updates in near real time, and to link it with supply chain data.

With this process, we will **identify deforestation risks** in our supply chain, understand our key suppliers' **Deforestation Free** profiles, and push for No Deforestation **action plans** for priority mills.





 **Earthworm**

 **LIPSA**