



SUSTAINABILITY

REPORT

2021

Towards a sustainable
supply chain



Credit: Earthworm Foundation

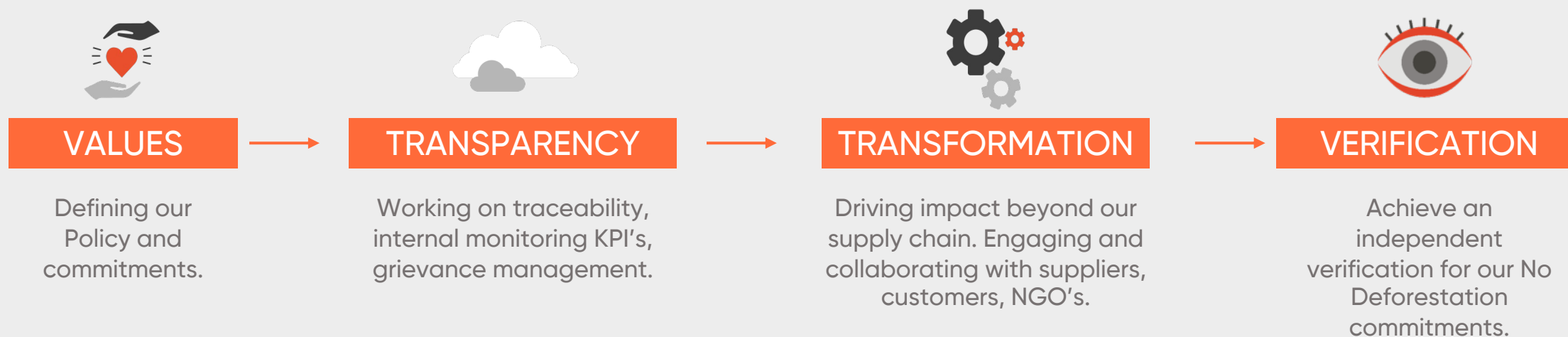


REPORT 2021

Reporting on progress

We are pleased to share our 3rd Sustainability Report sharing our sustainability progress and efforts for 2021 towards a Sustainable palm oil supply chain. The report is articulated on Earthworm's V-T-T-V framework, the model we are implementing.

Our responsible way of doing things focuses on:



For LIPSA Sustainability is a journey, not a destination. We always work to go further and take new steps to improve and do better for environment and our society. Over these challenging times all of us are living we are committed to expand those sustainability criteria to others commodities such as **Soybean oil**.

On 2022 we are willing to work on traceability to understand the exposure of LIPSA to high risk Sourcing areas in terms of deforestation. We will understand our soybean supply chain in order to define next steps and work towards a verified deforestation free supply chain.



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Values



Roadmap to a Sustainable palm oil supply chain

Palm oil is one of the most important raw materials for LIPSA. We are committed to a responsible sourcing and to use palm oil growth without deforestation and with fully respect of human and community rights.

Palm oil is widely used in the industry around the world for its unique proprieties at nutritional level and its functionality ensuring the products has the desired structure and stability.

Besides this, palm oil supply chain is also related to negative impacts on biodiversity as it contributes to land use change in tropical forest, peatlands and other rich biodiversity habitats. This forest clearing is popularly known as deforestation. In addition to this environmental concerns, there are also social issues related to palm oil supply chain: community rights, labour issues and smallholders farmers which are involved.

LIPSA is committed to leading the change engaging and collaborating with our customers, suppliers, industry organizations, NGO's, to make the global palm oil supply chain more sustainable and respecting environment and human rights.

We have been members of RSPO, a not-for-profit that unites stakeholders from across all the palm oil industry to develop and implement global standards for sustainable palm oil since 2005. Furthermore, since 2019 we are members of Earthworm Foundation (EF) to demonstrate our willingness to see positive change across all our operations.

Memberships:

Earthworm



OUR KEY SUCCESSES IN 2021

In 2021 LIPSA has taken important steps on the journey to build a sustainable palm oil supply chain:



Defined and implemented our traceability to plantation methodology. We work with our direct suppliers to collect their traceability to plantation data towards a 100% traceable to plantation supply chain.



Implement an independent verification of our No Deforestation commitments across our supply chain. We work towards a 100% verified deforestation-free supply chain.



Actively engage and collaborate with our key suppliers in dialogue about implementation of their NDPE commitments and track their continuous improvement activities over time.



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Transparency



Committed to transparency

To increase transparency of our supply chain we have disclosed traceability data of our supplying mills twice a year, since 2017.

In 2021 we sourced 301.316 tons of palm oil and we reached **100% traceability to mill**.

In 2021 we have defined our own traceability to plantation methodology, jointly with our partner on Sustainability, Earthworm Foundation.

In 2021 we reached a 51% traceability to plantation. Our ambition for 2025 is to reach 100% traceability to plantation. Traceability to plantation is the last step to reach 100% verified deforestation free palm oil supply chain.

Achieving traceability to plantation (TTP) requires a wide efforts by all the supply chain actors involved. LIPSA is engaging and supporting our direct suppliers to collect their traceability to plantation data and to encourage them to go beyond the mill to achieve a full traceability to plantation.

OUR PERFORMANCE INDICATORS IN 2021



Definition of our methodology for traceability to plantation.

100% Traceability to mill

51% Traceability to plantation



Ambition to 100% TTP by 2025



Publication of our Palm Oil Sustainability KPIs for H1 2021 and H2 2021



Publication of our mill lists for H1 2021 and H2 2021



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Transformation

Engaging with suppliers

For LIPSA is key to understand our supply chain base. Because of our position in the supply chain we are not directly in contact with farmers, and we rely exclusively with our first tier one suppliers.

We monitor progress of our key suppliers and we are committed to **actively engage and collaborate with them** to achieve our Responsible sourcing goals.

Since 2020 we are engaging our suppliers in accordance to **EPI (Engagement for Policy Implementation)**, a supplier engagement tool created by our partner Earthworm Foundation.

The EPI tool is based in accordance with **No-Deforestation No-development on peat and No-Exploitation (NDPE policy implementation) framework**.

Our suppliers' answers are evaluated, allowing us to create KPIs to follow our NDPE implementation progress, and to **track our suppliers' progress** over time.

In 2021, we used EPI with our **key suppliers**, representing **90% of our palm volumes**. We 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 2021

90%

The suppliers we engaged in EPI in 2021 represent 90% of our global volumes.

From our volumes evaluated in EPI in 2021:

100%

Of mills covered by Refinery Roadmaps/ Action Plans.

80%

Of mills covered by NDP Implementation Reporting Framework (IRF).

100%

Of mills monitored spatially for Deforestation.

3000

Smallholders engaged in sustainability programs supported by our suppliers.



Transformation

Driving impact beyond our supply chain

Since 2019 we are supporting impactful projects in Guatemala run by our partner Earthworm Foundation, with a focus on social issues and human rights.

On a first stage LIPSA supported industry level engagement to promote social performance in line with policy commitments in the Guatemalan palm oil sector. We co-founded and participated in 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.

During second phase an implementation plan was developed to advance with palm oil companies in building capacity and operationalize the learnings on four priority issues (*FPIC and consultation processes, Human Rights Defenders, Community Health and Safety and Freedom of Association and Collective Bargaining*). The plan, its budget and fundraising proposal were completed and socialized with GREPALMA.

Beyond that in 2022 we will continue supporting this joint initiative with Earthworm and GREPALMA as Guatemala is a major country of origin for LIPSA, representing 24% of volume sourced in 2021.



Credit: Earthworm Foundation



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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.

In 2021 LIPSA took a big step to achieve verified deforestation-free palm oil supply chain using Starling, a satellite tool created by Airbus and Earthworm Foundation.

The Starling technology is able to receive forest cover change updates in near real time, and to link it with supply chain data.

At the end of 2021, LIPSA monitored 95% of the volume sourced in 2020 and achieve a **62% Verified Deforestation Free score** of the total volume sourced by LIPSA.

With this process we identify deforestation risks in our supply chain and we are working with our suppliers on the most significant deforestation events captured by Starling for each quarter to increase the deforestation free %.



OUR PERFORMANCE INDICATORS IN 2021

62%

Verified deforestation free volumes



Ambition 2025: 100% VDF



Credit: Earthworm Foundation

