

The background of the entire page is a high-contrast, black and white photograph of several coconut husks. The husks are piled together, showing their fibrous texture and the circular indentations where the coconuts were attached. The lighting is dramatic, with deep shadows and bright highlights that emphasize the rough, natural surface of the husks.

# COCONUT OIL SUSTAINABILITY POLICY

LAST UPDATE ON: MARCH, 2023





# 1. INTRODUCTION

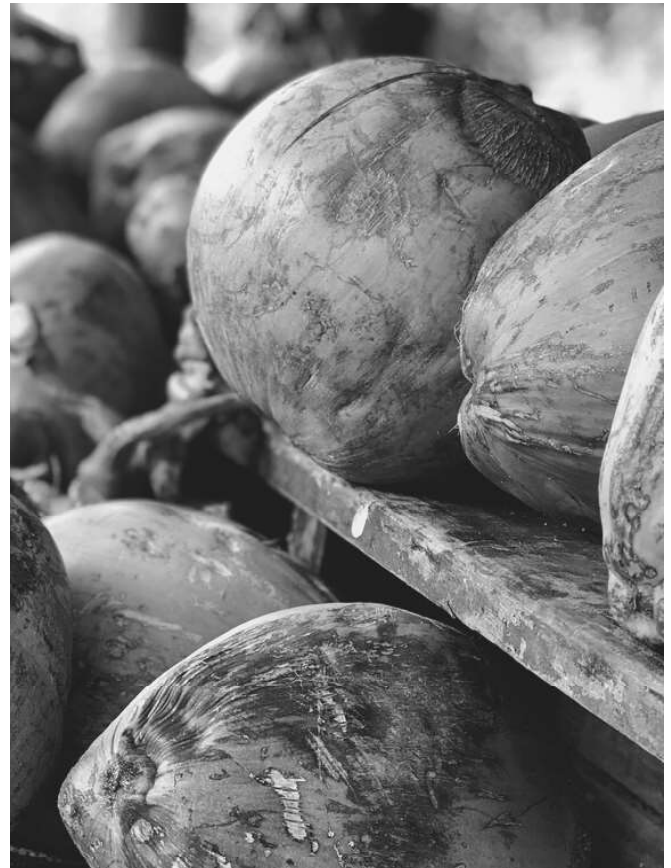
As one of the world's leading suppliers in the market and the largest vegetable oil refinery in southern Europe with more than 45 years of experience in the refining sector and more than 800,000 tonnes processed per year, LIPSA has been driven by strong ethical, responsible and sustainable standards in our business. With these values in mind, we strive to have a dedicated Coconut Sustainability Policy that sets out our principles and ambitions for all coconut-related trade, transactions, and interventions.

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. As we apply global best practices across our business, we recognize that there will be challenges and bottlenecks which require a specific engagement and approach. Nevertheless, we seek to build on our profile guided by these commitments and strive towards this sustainability journey along with our trusted partners, suppliers, and stakeholders.

LIPSA is also a member of the **Sustainable Coconut Platform**. We seek to tailor our approach by working together with multi-stakeholder platforms to implement our commitment to a responsible and resilient coconut sector that drives a positive impact on farmers' livelihoods, the climate, and the environment.

The Philippines is the major origin for LIPSA. The Philippines has over 3,5 million smallholder coconut farmers with small cultivation and fragmented farms with aging plantations.

LIPSA is concerned about the big challenges in the coconut industry in the Philippines and in the rest of the origins. Demand is outpacing supply driven by the increasing and wide usage in the cosmetic, food, and beverages industry and pharmaceutical industries.



As the coconut demand is growing the challenges in terms of social and environmental management are growing too. Most of the Farmers have limited access to finance, training, and markets and use inadequate fertilizer and pest management systems.

Furthermore, coconut cultivation could drive deforestation events, impact the ecosystem, and may have negative, as well as positive impacts on smallholder livelihoods. By understanding our suppliers and their local norms, LIPSA would like to influence and encourage our suppliers to minimize adverse and maximize positive environmental and social impacts within the industry.

In this context, we will outline our overall commitment to coconut sustainability, building on LIPSA's general Responsible Sourcing Policy, which references LIPSA's commitments across the three pillars:

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

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## 2. SCOPE OF THE POLICY

LIPSA is committed to responsible sourcing for all our ingredients. In addition to our **Responsible Sourcing Policy** and **Code of Ethics**, this **Coconut Sustainable Policy** applies to all our suppliers sourcing coconut oil.

LIPSA expect our suppliers (including third-party suppliers and in upstream operations), properties, and joint-venture partners to work collaboratively and transparently in applying the commitments of this Coconut Sustainability Policy and aim to implement the equivalent commitments and standard operating principles in their operations.



## 3. UPHOLDING THE SUSTAINABLE COCONUT CHARTER

LIPSA is applying the principles of the Sustainable Coconut Charter to our supply chain. This is a living reference document that supports continuous improvement on the journey towards sustainable sourcing of coconut products. LIPSA expects to review and update this policy as the Charter evolves and as we drive continuous improvement on our sustainability journey.

Reflecting the ambitions and principles in the current version of the Charter, we expect our suppliers to share supply chain information and to work closely with LIPSA to improve the livelihoods of the farmers, prevent deforestation and mitigate climate change.

The key desired impacts of the charter which LIPSA aligns with and aims to work and implement in collaboration with our suppliers are:

## IMPACT 1: IMPROVING SMALLHOLDER'S LIVELIHOOD.

LIPSA is committed to support sustainability programs with coconut farmers to address the social, economic, and environmental well-being of small producers. Such sustainability programs could target:

- Improvements in productivity through optimization of tree yield and training in agricultural best practices,
- Increased access to technology and resources to improve finance, technical know-how and labour practices,
- Replanting/replacement of over-age coconut trees with high-quality planting materials to ensure productivity and resilience to pests, diseases, and extremes of climate.

LIPSA expects our suppliers to support such initiatives and interventions to deliver these outcomes.

This Impact aligns with Pillar I of LIPSA's general Responsible Sourcing Policy - Human rights and social practices.

## IMPACT 2: ENHANCING SUPPLY CHAIN TRACEABILITY.

LIPSA is committed to enhancing traceability and transparency along our supply chain, so we know the origin of the product we buy, in order to enable the mitigation of risks in our supply chain.

LIPSA aims to build a traceable and transparent supply chain with the collaboration of our suppliers and traders, middlemen, and smallholder farmers further up the supply chain. With support from these different actors in the supply chain to disclose data, we can derive collaborative and actionable insights to identify origins and mitigate risks in our shared supply chain in relation to farmers' livelihoods and long-term supply.

This Impact aligns with the commitment to achieving transparency and obtaining traceability back to the origin, in LIPSA's general Responsible Sourcing Policy.

## IMPACT 3: PREVENTING DEFORESTATION AND MITIGATING CLIMATE CHANGE.

LIPSA is committed to eliminating deforestation from our supply chains, thereby protecting nature and mitigating climate change. LIPSA will work with suppliers through sustainability programs that assess and monitor potential deforestation factors, to prevent the direct conversion of natural forest for coconut or indirectly, through the displacement of other existing cultivation land to forest areas.

LIPSA expects our suppliers to commit to supporting LIPSA and the initiatives and interventions taken to achieve these outcomes.

This Impact aligns with Pillar II of LIPSA's general Responsible Sourcing Policy -Environmental protection.



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## 4. OUR GOAL

*LIPSA is committed to making all reasonable efforts to transform and upgrade the way we do our business and the industry. We are a team of trained professionals that seek to fulfill all our commitments with our employees, clients, suppliers, and shareholders in a safe and effective way to minimize social and environmental impacts for our current and future generations.*

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