



RESPONSIBLE SOURCING POLICY

LAST UPDATE ON: MARCH, 2023

 **LIPSA**



1. INTRODUCTION

LIPSA is a leading company in vegetable oils and fats for food, animal feed, technical applications, and biofuels. 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.

At LIPSA we are committed to working with our business partners and stakeholders on 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.

This Responsible Sourcing Policy 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

These pillars will be the framework for the development of specific targets, milestones, and further engagement to identify specific areas, scale, and severity of the risks in our supplier's operations.

LIPSA expects our business partners to adhere to, respect, and implement these three pillars in their supply chain. We believe that suppliers are key partners for LIPSA in ensuring that the responsible sourcing commitments we apply across our supply chain are also applied by our suppliers across their supply chain.

Suppliers shall take the appropriate actions to develop and implement management systems for their policies, objectives, and operations. If requested by LIPSA, suppliers should provide documentary evidence to demonstrate the implementation of these pillars.

LIPSA also aims to engage and assess our suppliers to ensure their practices are aligned with our responsible sourcing pillars. This process may include self-assessments, online questionnaires, data collection as well as provision of certifications, accreditations, and or guidance documents demonstrating the needed alignment with the pillars set out in this Responsible Sourcing Policy.



2. SCOPE OF THE POLICY

This Responsible Sourcing Policy applies to all LIPSA's suppliers, traders, and service providers that supply LIPSA with goods and or services, across both, production and non-production areas of business.

LIPSA expects our suppliers to apply this Responsible Sourcing Policy in all its operations, including properties, joint ventures, sourcing from third-party suppliers, and upstream operations.

3. COMPLIANCE

The following paragraphs set out LIPSA's principles and commitments under each of the three specific pillars and the expectations for all LIPSA's suppliers to respect and adhere to these commitments as a mandatory practice in their operations.

PILLAR 1: HUMAN RIGHTS AND SOCIAL PRACTICES

CHILD PROTECTION AND NO CHILD LABOUR

LIPSA prohibits the use of child labour in our operations and supply chain and expects suppliers to protect the rights of the children, such as the rights to education, rights to play, and the rights to basic needs.

Suppliers should follow ILO's definition of the minimum age for employment and not hire individuals under the age of 15 years or the local legal minimum age, whichever is higher.

NO FORCED, BONDED, AND COMPULSORY LABOUR

LIPSA prohibits the use of forced, Bonded, and Compulsory Labour in our operations and supply chains.

Suppliers shall oppose forced labour as defined by the ILO and condemn the use of all forms of forced or compulsory labour, including human trafficking.

Suppliers shall ensure that the terms of employment are freely agreed upon and documented – clearly stating the terms of their employment (hours, pays, benefit, etc.) in a language understood by the workers.

Suppliers shall ensure that all employees enjoy the freedom of movement and are not restricted through physical restriction, abuse, threats, and practices such as retention of identity documents. Employees have the right to work freely.

WORKING HOURS

LIPSA will respect national laws and support ILO Conventions on working hours and weekly rest in our operations and supply chains.

Suppliers should also comply with relevant national laws and ILO Conventions on working hours and weekly rest in their operations. Overtime work is voluntary and should be compensated according to local regulations.

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

LIPSA is committed to freedom of association and collective bargaining in our operations and supply chains.

Suppliers should recognize the right of their employees to form or join the trade union of their choice and the right to collective bargaining without fear of intimidation or reprisal against union members.

Suppliers should follow ILO Conventions on freedom of association, collective bargaining, and workers' representation.

Where the right of freedom of association is restricted by local law, suppliers shall provide an alternative means of engagement.

DECENT LIVING WAGE

LIPSA is committed to providing all employees working within our operations and supply chains with a fair and competitive salary.

Suppliers should also provide all employees with a fair and competitive salary, which should be in line to RSPO's decent living wage guidance or with the relevant ILO Conventions on wages while considering the needs of their employees and families.

Supplier shall aim to exceed the legal minimum wage and overtime work must be compensated at the premium rate stated in local laws.

HEALTH AND SAFETY

LIPSA is committed to protect the health and safety of all workers in our operations and supply chains.

In accordance with the ILO Convention on health and safety, suppliers should work continuously and take appropriate measures to assure a safe and healthy working environment for all employees.

Suppliers should provide a provision of personal protective equipment to all workers where required.

Suppliers should work to develop a sustainable health and safety culture in the organization, identifying risks, carrying out preventive measures, and assessing the effectiveness of those measures.



INCLUSION, NO DISCRIMINATION, OR HARASSMENT

LIPSA promotes inclusion and prohibits discrimination or harassment in our operations and supply chains.

Suppliers should value diversity and inclusion at all levels and condemn any forms of discrimination based on gender, race, ethnicity, religion, country of origin, pregnancy, marital status, or any other protected category under applicable law. All workers are treated equally and with respect and dignity.

Suppliers shall have zero tolerance towards physical and verbal abuse and sexual harassment at the workplace or at any work-related events.

Suppliers should aim to promote equal rights, access, and opportunities for all employees.



RIGHTS OF INDIGENOUS PEOPLE AND LOCAL COMMUNITIES

LIPSA is committed to respect the rights of indigenous people and local communities who might be impacted by our operations and supply chains.

Suppliers should aim to protect the legal and customary rights of local communities and indigenous people, promoting the respect of the land use, resources, and territories that are traditionally owned, occupied, and used or administrated for local communities or indigenous people.

Suppliers should adhere in all negotiations to the principles of free, prior, and informed consent (FPIC) with regard to local or indigenous rights, land, property, or issues.

SUPPORT SMALLHOLDER'S LIVELIHOOD

LIPSA is committed to support sustainability programs to address the social, economic, and environmental well-being of small producers.

LIPSA expects our suppliers to support relevant initiatives and to seek interventions to improve smallholder's livelihoods, as appropriate in each specific commodity supply chain.

PILLAR 2: ENVIRONMENTAL PROTECTION

NO DEFORESTATION, NO PEAT DEVELOPMENT, NO BURNING

LIPSA is committed to excluding deforestation, peat development, and burning for land clearance in our operations and supply chains.

Suppliers shall ensure the protection of forests, peatlands, and other protected territories and eliminate deforestation and conversion of forests for cultivation. Additionally, the supplier shall not expand into High Conservation Value (HCV) areas as defined by the HCV Network, High Carbon Stock (HCS) forests as defined by the HCS Approach, when establishing new operations or expanding existing ones.

Suppliers shall not plant on peatlands regardless of depth. For existing plantations on peatlands, the implementation of the RSPO Best management practices (BMP) should be applied.

Suppliers shall avoid the use of fire as a management tool for establishing any new planting, land preparation, post-harvest, waste disposal, or any other activity, except where there is no practical alternative and permission has been obtained from the relevant authorities.

ENERGY MANAGEMENT AND REDUCTION OF GREENHOUSE GAS (GHG) EMISSIONS

LIPSA has in place an Environmental and Energy Policy and is committed to responsible management of energy and reduction of greenhouse gas (GHG) emissions in our operations and supply chains.

Suppliers should take appropriate measures to minimize the consumption of energy as well as to implement measures to maximize energy efficiency and the end use of renewable energy.

Suppliers should measure GHG emissions and take appropriate actions to reduce their carbon footprint. Furthermore, should setting GHG reduction targets in line with the Paris Agreement.

WASTE MANAGEMENT

LIPSA is committed to responsible waste management in our operations and supply chains.

Suppliers should take appropriate measures to minimize the production of waste and the consumption of natural resources.

Suppliers should put in place waste management measures to separate and correctly classify all waste. All the produced waste will be transported and disposed of in an authorized manner. Waste management practices will promote the circular economy by reusing, reducing, and recycling materials.

GOOD AGRICULTURAL PRACTICES

LIPSA is committed to promoting good agricultural practices in our operations and supply chains.

Suppliers shall not use chemicals considered harmful to the environment or to people. The prohibited substances are defined on World Health Organization (WHO) class 1 a and b, Stockholm POP or Rotterdam PIC lists.

Suppliers shall put in place practices to optimize and document the use of pesticides, herbicides, and other agrochemicals. Furthermore, suppliers shall have an integrated Pest Management System in place.

PILLAR 3: ETHICAL PERFORMANCE

ETHICAL, FAIR, AND TRANSPARENT BUSINESS CONDUCT

LIPSA is committed to ethical, fair, and transparent business conduct.

Suppliers shall have a visible commitment to fight against corruption and commercial bribery in all its forms.

The rights of individuals to maintain control of their personal information and data privacy shall be respected. LIPSA operates in compliance with legal obligations under EU general data protection regulation (GDPR). Suppliers shall operate in compliance with data protection, confidentiality and privacy, intellectual property, and anti-trust competition laws.

LIPSA will promote equitable commercial relationships between small producers (and their communities), buyers, and other actors in the supply chain. LIPSA will work with suppliers to build supply chains that are inclusive of small producers, who may face barriers to accessing markets because they lack resources to invest in;

- sustainable production practices and systems to provide their buyers with assurance on the sustainability of their production practices (e.g., certification)
- access market info/inputs/technology/training/micro-finance and other support services
- self-organization to increase their influence and bargaining power, access to knowledge and business connections

In striving for ethical performance in supply chains, LIPSA will use the **OXFAM FAIR principles** (Freedom of choice, Accountability, Improvement of Benefits, Respect for Rights) as a key point of reference.

LEGAL REQUIREMENTS AND REGULATIONS.

LIPSA complies with all the laws and regulations applicable to the countries where it operates.

Suppliers shall comply with local and national legislation that is applicable to their own operations and those of third-party suppliers; therefore, all processes and transactions must strictly abide by the related policies and standards to ensure due process in operations and compliance with the applicable regulatory framework is always in force.

LIPSA will respect and uphold internationally recognized regulations and standards, especially those related to protecting human rights, ethical trade, and the environment.

LIPSA is committed to honoring and complying with the **Universal Declaration of Human Rights, United Nations Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work**, and ILO conventions and agreements that have been designed to support these core principles.

LIPSA supports and contributes to the **United Nations (UN) Sustainable Development Goals (SDGs)** as a call of action to end poverty, protect the planet, and ensure all people on the planet enjoy peace and prosperity.

Suppliers shall support and commit to complying with internationally recognized regulations and standards, especially those related to protecting human rights, ethical trade, and the environment.

4. TRACEABILITY COMMITMENT

LIPSA is committed to achieving transparency and obtaining traceability back to the origin of harvesting.

Suppliers should actively engage their supply chain to increase transparency and traceability back to the origin.

LIPSA is committed to increasing transparency in our supply chain and publicly disclosing our supply chain.

Suppliers shall trace the origin of their product/commodities, publicly disclose relevant data and provide LIPSA traceability records when requested.

5. GRIEVANCE MECHANISM

LIPSA has in place a public **grievance mechanism**, covering environmental and labour issues, which is:

- Aligned with **Guiding Principle 31** of the UNGPs on Business and Human Rights to ensure effectiveness.
- Accessible and confidential for any third party to raise issues.
- Outlines how grievances are recorded, addressed and resolved, or remediated.
- Sets out consequences of non-compliance.

Lipsa will maintain a public grievance log recording all material grievances cases to which LIPSA may be linked. LIPSA will update this grievance log at least once every 2 months.

Suppliers shall ensure that a robust grievance mechanism and complaints procedures are in place and aligned with the LIPSA grievance mechanism.

Suppliers shall cooperate with LIPSA in providing information and facilitating the engagement and investigation process through the supply chain if any grievance case is raised to which they are linked.

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This Responsible Sourcing Policy will be updated and reviewed on regular basis as we drive continuous improvement on our sustainability journey.

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