



SUSTAINABILITY

REPORT

2024

May 2025

**Towards a sustainable supply
chain**





SUSTAINABILITY REPORT 2024

INTRODUCTION

We welcome you to our **6th Sustainability Report**.

At LIPSA, we are committed to caring for the planet and the people we interact with. Responsible sourcing of our raw materials is a cornerstone of our sustainability efforts.

As a major refinery of vegetable oils and fats, we recognize the environmental and social impact of our operations. We are focused on continuous improvement—enhancing the way we operate and strengthening engagement with our partners across the value chain.

In 2024, we conducted a double materiality assessment in preparation for the Corporate Sustainability Reporting Directive (CSRD), which will become mandatory for LIPSA in 2025.

Our progress is guided by our sustainability framework, which is built on three core pillars:

- 1. Protecting the environment**
- 2. Protecting and investing in our people**
- 3. Sourcing ingredients responsibly**

This Sustainability Report focuses on **Pillar 3: Responsible Sourcing**, with a particular emphasis on **palm oil**, **coconut oil**, and **soybean oil**. It is structured around Earthworm Foundation's **V-T-T-V model**, which outlines our actions across the supply chain in terms of **Values**, **Transparency**, **Transformation**, and **Verification**.



Our sustainability framework:

At LIPSA, our sustainability strategy is structured around three core pillars that guide our actions and commitments:



ENVIRONMENT

We are committed to continuously reducing our environmental impact through responsible operations, efficient resource use, and proactive climate action.

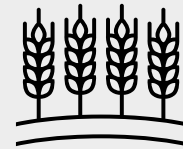
- ✓ Minimizing our GHG emission.
- ✓ Increasing circularity in our manufacturing activities.
- ✓ Reducing water consumption.
- ✓ Waste management.



SOCIAL

We are committed to protecting and investing in our people — the foundation of our operations and long-term success.

- ✓ Employee occupational health, safety and wellbeing.
- ✓ Training and development.
- ✓ Diversity and inclusion.
- ✓ Creating opportunity for all.
- ✓ Investing in our community.



RESPONSIBLE SOURCING

We aim to build supply chains that benefit farmers and their communities while safeguarding people and the environment.

- [Responsible Sourcing Policy.](#)
- [Palm Oil Sustainability Policy.](#)
- [Coconut Sustainability Policy.](#)

Partnerships:

Embracing collaborative partnership to foster a more sustainable future:



Promoting the adoption of sustainability certifications across the supply chain





PALM OIL.



Sustainable palm oil supply chain

Palm oil remains one of LIPSA's most important raw materials, valued not only for its unique functional properties —enhancing taste, texture, and stability—but also for its versatility across the global food industry. In 2024, we sourced approximately **311,930 metric tons of palm oil**.

Our journey toward sustainability in palm oil began in **2005** when we joined the [Roundtable on Sustainable Palm Oil \(RSPO\)](#). By **2009**, we obtained RSPO certification, and we have steadily increased the share of certified palm oil in our supply, reaching **54% in 2024**.

Since **2017**, our collaboration with the [Earthworm Foundation](#) has been instrumental in deepening our approach to responsible sourcing. Through this partnership, we work to drive positive impacts across our value chain—for both people and the nature.

We are firmly committed to sourcing palm oil responsibly, prioritizing the **protection of high conservation value ecosystems** and **the respect of human and social rights** throughout our supply chain.

Looking ahead, we will continue to collaborate with industry peers and multi-stakeholder initiatives to accelerate sustainability practices and foster positive transformation across the palm oil sector.

Memberships:





Sustainable palm oil supply chain

OUR KEY SUCCESSES IN 2024



LIPSA has been actively working on and implementing a **Due Diligence System (DDS)**, aligned with **OECD guidelines**, to responsibly manage its supply chain and fulfil its sustainability goals and commitments.

This DDS specifically addresses **Regulation (EU) 2023/1115** of the European Parliament and of the Council of 31 May 2023 — hereinafter referred to as the **EUDR** (EU Deforestation Regulation).



LIPSA engages directly with **suppliers representing 85%** of our sourcing volume through one-on-one interactions to assess progress on our NDPE policy and define tailored action plans.



LIPSA rolled out **Starling satellite verification** on 85% of our 2024 volumes, prioritizing deforestation alerts and strengthening direct engagement with suppliers.



Promoting Social Excellence in Guatemala.

LIPSA has continued supporting the Guatemalan palm oil industry through a multistakeholder initiative addressing the most significant human rights challenges faced by palm oil operations at the national level.



Committed to transparency

At LIPSA, we are committed to driving transparency across our palm oil supply chain. To support this commitment, **we publish our full mill list of supplying mills every six months** on our website, ensuring public access to sourcing information.

In **2024**, we **sourced 311,930 metric tons** of palm oil. We achieved **100% traceability to the mill** and **78% traceability to the plantation**—a significant step forward in our journey toward full supply chain visibility. Our target is to reach **100% traceability to the plantation by the end of 2025**.

As part of our transparency efforts, we maintain an **open and accessible grievance mechanism**, allowing stakeholders to raise concerns regarding potential non-compliance within our supply chain. Grievances are investigated following our structured grievance procedure and decision tree, with all parties—especially affected stakeholders and customers—kept informed of the outcome.

We also publish a public **grievance list**, detailing cases involving the LIPSA supply chain.

In **2025**, we aim to **review and strengthen our grievance mechanism**, identifying opportunities for improvement that will enable us to respond more efficiently and effectively to grievances and address non-compliant suppliers promptly and responsibly.

OUR PERFORMANCE INDICATORS IN 2024

100% Traceability to mill

78% Traceability to plantation



Publication of our **Palm Oil Sustainability Dashboard** for 2024.



Publication of our **mill lists** for 2024.

The goal for 2025:



100% traceability to the plantation by the end of the year.



Strengthen the LIPSA grievance mechanism.



Suppliers' engagement

At LIPSA, we are committed to responsible sourcing and to building supply chains that protect the environment, support workers' rights, and contribute to the well-being of local communities—preserving natural resources for future generations.

In **2024**, we engaged directly with suppliers representing **85% of our palm oil sourcing volume through one-on-one sessions** to assess progress against our **NDPE** (No Deforestation, No Peat, No Exploitation) policy and develop tailored action plans.

To support this work, we utilized the **EPI (Engagement for Policy Implementation) tool**, developed by our partner **Earthworm Foundation**. This tool allows us to evaluate suppliers on several key indicators, including:

- Policies and Action plans.
- Transformation projects.
- Monitoring systems.
- Grievance mechanism.

In parallel, we monitor supplier progress through the **NDPE Implementation Reporting Framework (IRF)**—an industry-aligned tool that measures how palm oil companies are advancing on NDPE commitments throughout the supply chain.

For all volumes sourced in **2024**, LIPSA completed the IRF profiling process. The results show clear progress:

- **89.9%** of volumes were classified as **"Delivering"** on their **No Deforestation** commitments
- **91.4%** of volumes were **"Delivering"** on their **No Peat** commitments.

We will continue deepening our supplier engagement and strengthening collaboration across the value chain to further improve compliance with our NDPE policy and drive meaningful transformation.

OUR PERFORMANCE INDICATORS IN 2024

100% NDPE IRF profile from our suppliers covering the total 2024 volume sourced.

85% Of our global volumes engaged in EPI in 2024.

KPIs supplier performance under EPI in 2024:

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**.



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 project aims to improve social performance 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 on the Sector level (Palm Oil Producers Association GREPALMA Capacity Building Strategy).

During 2024, the project continued operating under Phase 3, which started in 2023. Please review the KPIs of the project in the next page.



Harvested palm fruits in Indonesia



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KEY ACTIVITIES SUMMARY



Participating mills

11



Metric tons produced by the participating mills

460,000



Percentage of total produced palm oil

48%

Participating companies 2020-2024

(Inside brackets is the number of participants per activity)

Phase 1 & 2

Identification of priority topics, training modules and field visits:

1. Grupo HAME
2. Naturaceites
3. Palmas de Ixcán
4. Las Palmas

Phase 3

Sector level and capacity level activities:

7 suppliers (18 participants): GREPALMA (3), Grupo HAME (3), Palmas de Ixcán (4), NaturAceites (1), Solatam (4), Palmas del Bramadero (1), Industria Chiquibul (1), Las Palmas (1).

Advisory on Effective Grievance Mechanism:

1. Grupo HAME
2. Naturaceites
3. Palmas de Ixcán
4. Palmas de Machaquilá
5. Solatam

Human Rights Policies:

1. Palmas de Machaquilá
2. Solatam

Fields visits

3

Phase 2, 2022:

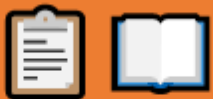
- REPSA
- Naturaceites
- Palmas del Ixcán

3

Phase 3, 2023:

- Naturaceites (2)
- Palmas de Machaquilá
- Palmas del Ixcán
- Grupo
- Grupo HAME

Phase 2 deliverables



4

Training modules of 4 sessions each: FPIC, Community Health & Safety, Freedom of Association & Human Rights Defenders.

4

Guidelines for implementation of priority topics and (4) self-assessment tools.

Phase 3 deliverables

4

Co-designed action plans: Grupo HAME, Naturaceites, Palmas del Machaquilá, Solatam.

2

Updated webinars of UE regulations frameworks.

3

Trainings on the field on Conflict Management & resolution



Achieve independent verification of our No deforestation commitments

As part of our commitment to a sustainable palm oil supply chain, **LIPSA aims to achieve 100% verified deforestation-free sourcing by 2026.**

To support this goal, we continuously monitor our entire palm oil supply chain using **Starling satellite technology**, a tool that enables us to detect deforestation events and assess forest cover changes with precision.

In **2024**, LIPSA monitored **85% of its palm oil volumes** sourced in 2024, through Starling monitoring system, with a cut-off date of Dec 2015. LIPSA engaged strategic suppliers to address the deforestation events within the supply chain.

LIPSA has also performed a pilot to monitor deforestation based on EUDR requirements, covering 85% of the volumes.

We recognize that traceability and verification go hand in hand. That is why our **key goals for 2025** are:

- ✓ Achieving **100% traceability to plantation (TTP)**.
- ✓ Reaching **100% verified deforestation-free sourcing, aligned with the EUDR cut-off date of 31 December 2020 and continuing to progress under the 31 Dec 2015 cut-off date.**

We remain committed to transparent monitoring, collaborative supplier engagement, and continuous improvement to ensure deforestation-free palm oil across our supply chain.



2025 AMBITION

Goals for 2025:



Achieve **100% TTP** across the palm oil supply chain.



Ensure **100% verified deforestation-free** sourcing, fully aligned with the **EUDR cut-off date (December 2020)**.



SUSTAINABILITY REPORT 2024

Our Due Diligence Approach to Responsible Sourcing

Since adopting its [Palm Oil Sustainability Policy in 2017](#) and the [Responsible Sourcing Policy in 2023](#), LIPSA has embedded a **Due Diligence System (DDS)** across its operations to ensure responsible sourcing practices.

This approach is aligned with the [OECD Due Diligence Guidance for Responsible Business Conduct](#) and enables us to meet our environmental and social commitments across our supply chains. Our DDS addresses compliance with [Regulation \(EU\) 2023/1115](#) of the European Parliament and Council—known as the **EU Deforestation Regulation (EUDR)**.

Our DDS is built on a set of interlinked systems and processes:

❖ **NDPE Policy (No Deforestation, No Peat, No Exploitation):**

Adopted in 2017, it outlines LIPSA's core commitments regarding the responsible sourcing of palm oil and its derivatives. The policy is reviewed and updated regularly to reflect evolving industry standards and stakeholder expectations.

❖ **Responsible Sourcing Policy:**

Introduced in 2023, this policy broadens our responsible sourcing framework to cover additional commodities, including **soy** and **coconut**, and all relevant supply chains in which LIPSA operates.

❖ **Traceability:**

A fundamental tool to identify and assess risks. Our traceability efforts continue to evolve in line with industry practices, moving toward greater granularity and plantation-level visibility.

❖ **Annual Action Plans:**

We define and implement specific actions each year to drive continuous improvement across our responsible sourcing commitments.

Through this robust and evolving Due Diligence System, LIPSA remains committed to building traceable, transparent, and deforestation-free supply chains that protect people, nature, and future generations.



SUSTAINABILITY REPORT 2024

Our Due Diligence Approach to Responsible Sourcing

❖ **Supplier Engagement:**

Ongoing collaboration with suppliers is key to aligning on policy requirements and driving progress across the supply chain.

❖ **Risk Analysis:**

Conducted at three levels—**country risk, direct supplier risk, and sourcing area risk**—to identify and prioritize potential issues in our supply chains.

❖ **Risk Mitigation:**

Based on risk assessments, we implement targeted actions to prevent or remediate adverse impacts.

❖ **Grievance Mechanism:**

We maintain a transparent, publicly available grievance mechanism to manage concerns systematically and equitably. All cases involving LIPSA are disclosed through our **public grievance list**.

❖ **Transparency and Reporting:**

We publish regular updates on our due diligence process, including dashboards, KPIs, mill lists, and annual sustainability progress reports to ensure accountability and stakeholder access to information.

Through this robust and evolving Due Diligence System, LIPSA remains committed to building traceable, transparent, and deforestation-free supply chains that protect people, nature, and future generations.

Furthermore, 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.



COCONUT OIL.



Roadmap to a Sustainable coconut oil supply chain

Coconut oil is a critical raw material for LIPSA. We purchase crude coconut oil and refine it to supply manufacturers in the food and cosmetics industries.

Recognizing the significant social and environmental challenges faced by the coconut industry, LIPSA adopted a [Coconut Sustainability Policy](#) in March 2023, supported by an updated, cross-commodity [Responsible Sourcing Policy](#).

In 2024, we expanded the scope of our Sustainability Policy to address additional dimensions of sustainability, ensuring alignment with both our customers' expectations and broader industry standards.

We continue to strengthen our sustainability commitments through collaborative partnerships across the supply chain. Since June 2023, LIPSA has been a member of the [Sustainable Coconut Partnership](#), actively promoting the adoption of sustainable practices throughout the supply chain.

Since July 2022, LIPSA has partnered with [Proforest](#), an independent, mission-driven non-profit organization specializing in sustainable agricultural production and sourcing.



OUR MILESTONES IN 2024

Our milestones in 2024 to build a sustainable coconut oil supply chain:

- ✓ **Expansion of LIPSA's Sustainable Coconut Policy Commitments.**
- ✓ **Supplier Engagement Support & Farmers Risks and Needs Assessment workshop.**
- ✓ **Enhancing Due Diligence Screening.**



Suppliers' engagement

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

In 2023, we conducted an initial mapping and traceability assessment of our supply chain, engaging and evaluating five priority suppliers. Each supplier was assessed on their sustainability performance using the **phased scorecard approach and traceability template developed by Proforest**.

In 2024, **Proforest** continued to support LIPSA by deepening engagement with two key suppliers. This engagement involved obtaining updates on how these suppliers were addressing the gaps identified during the 2023 assessment. By understanding the suppliers' relationships with dealers, growers, and the challenges they face, Proforest facilitated in-person workshops with each supplier. These sessions provided training on how to identify and assess the risks and needs of farmers and farmer cooperatives.

To enhance the **robustness of our due diligence screening for new suppliers**, Proforest supported us in developing a detailed **flow chart**, ensuring a more efficient and seamless onboarding process.



OUR PERFORMANCE INDICATORS IN 2024

- 2 **Workshop** carried out in-person by Proforest of two key suppliers.
- 1 Onboarding procedure to apply when onboarding new suppliers.



SOYBEAN OIL.



Sustainable soybean oil supply chain

Soybean oil is a soft oil that LIPSA refines and markets for food production. The company sources crude sunflower oil from crushers across the European Union and other third countries.

LIPSA acknowledges the deforestation risks linked to the soy supply chain, as well as the challenges related to traceability and transparency.

In alignment with the European Union Deforestation Regulation (EUDR), we have reinforced our commitment to achieving a zero-deforestation supply chain for soybean oil.

The reference cut-off date established by the European Regulation is **December 2020**.

Throughout 2024, **LIPSA has focused on EUDR preparedness** by conducting due diligence and engaging proactively with key suppliers to ensure compliance and drive responsible sourcing.



OUR MILESTONES IN 2024

Our milestones 2024 to build a sustainable soybean oil supply chain:



Engaged with soy suppliers to assess their Due Diligence processes and ensure alignment with the European Union Regulation on imported deforestation.



Initiated efforts to enhance traceability within the soybean oil supply chain.

