

Connect Through Life
SARAYA

Progress Report Saraya

2013/2014

**On the Leadership Declaration of
the 'Biodiversity in Good Company' Initiative**

It is generally understood that when a company is founded, there are hopes and ambitions for continued growth decades into the future. In this sense, Saraya believes a company should be responsible for the natural habitats it derives its resources from and pursue the conservation of biodiversity through its corporate activities, both for ecological reasons and for preservation of the company's business model.

Sustainable raw materials are essential in finding coexistence between consumers, modern economy and the ecosystem. Supporting the development of sustainable goods while directly pursuing preservation of biodiversity where our raw materials originate is at the center of Saraya's corporate DNA. As a member of the 'Biodiversity in Good Company' Initiative, Saraya has adopted the Leadership Declaration and is committed, in its entirety, to the seven points. Saraya's activities from 2013 to 2014 in support of the Declaration is outlined below.

Leadership Declaration

All signatory companies acknowledge and support the three objectives of the international "Convention on Biological Diversity":

1. Conservation of biological diversity
2. Sustainable use of its components
3. Fair and equitable sharing of the benefits that arise out of the utilization of genetic resources.

and commit themselves to:

1. Analyzing corporate activities with regard to their impacts on biological diversity;
2. Including the protection of biological diversity within their environmental management system;
3. Appointing a responsible individual within the company to steer all activities in the biodiversity sector and report to the Management Board;
4. Defining realistic, measurable objectives that are monitored and adjusted every two to three years;
5. Publishing activities and achievements in the biodiversity sector in the company's annual, environmental, and/or corporate social responsibility report;
6. Informing suppliers about the company's biodiversity objectives and integrating suppliers accordingly and step by step;
7. Exploring the potential for cooperation with scientific institutions, non-governmental organizations (NGOs) and/or governmental institutions with the aim of deepening dialogue and continuously improving the corporate management system vis-à-vis the biodiversity domain.

To demonstrate ongoing commitment, member companies will provide the Initiative with a progress report every two years.

1. Analyzing corporate activities with regard to their impact on biological diversity;

Saraya makes hand soap and detergents with high-grade alcohol derived from palm kernel oil produced in Sabah, Malaysia. Palm kernel oil is extracted from the seeds that remain after pressing the palm fruit to extract palm oil. Palm oil is the most widely consumed vegetable oil with about 500 million tons being produced in 2014. Because large plantations are necessary for palm oil and palm kernel oil production, clearing of rain forest affects the biodiversity where palm oil is produced. Based on analyzing its corporate activities, many years ago Saraya came to the conclusion to address the use of

palm kernel oil as one key aspect. In 2013/14 Saraya has continued its activities:

Activities in 2013

All of our oil palm related raw material has been covered by either the RSPO or the Green Palm certificate sustainable palm oil.

After several years of planning and preparation, followed by 6 months of construction, the first phase of the Borneo Elephant Sanctuary (hereinafter referred to as BES) project was finally completed in September, 2013. This project was spearheaded by the SWD (Sabah Wildlife Department), the BCT (Borneo Conservation Trust, a Malaysian NGO) and the BCT Japan (a Japanese NPO). The first phase of the BES consists of an elephant handling paddock, staff quarters, and other facilities for rescuing the females and young elephants. The BES is the first and only elephant rescue and rehabilitation center in Borneo and it provides the bare essential facilities required.

BES is located at Lot 8 of Lower Kinabatangan Wildlife Sanctuary in Sabah Borneo. Injured elephants are treated in the paddock and released when they have recovered. The Sabah local government will be in charge of constructing roads near the BES.

The opening ceremony was held on the 19th of September, 2013. Saraya is also a sponsor and supporter of the BES project and Saraya proactively gives back to the wildlife and rainforests in Sabah, Borneo by supporting efforts of the BCT and the BCTJ.

Activities in 2014

After the first phase of BES as rescue center completion, SARAYA and the BCT Japan learned that an elephant needs more water than expected and the paddock should be covered by a roof. So in 2014, SARAYA supported improvements to the BES by adding a water supply and roof covering for the paddock. This is just the first stage and SARAYA will continue to support efforts towards the second stage. In the future the BES could become a catalyst for tourism to the area, communicating the need for sustainable palm oil and biodiversity conservation in Borneo.



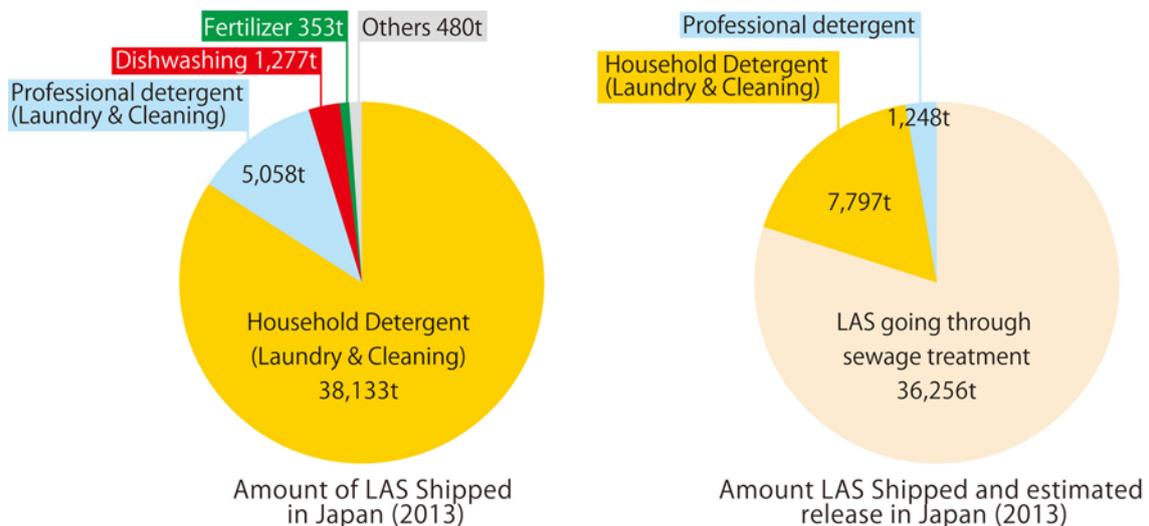
First rescued elephant in BES

Saraya household products are LAS free

Zinc and nonylphenol are known to have endocrine disrupting actions. In addition to these chemicals, in 2013 the Japanese Ministry of the Environment added environmental standards relating to water pollution due to Linear Alkylbenzene Sulfonate (LAS) pollution in order to protect aquatic life. The Ministry of the Environment reported that aquatic organisms such as salmon and trout, which inhabit relatively lower temperature fresh water in Japan, can be impacted by LAS levels greater than 0.03 mg/liter, and the environment for spawning should have LAS levels lower than 0.02 mg/liter. The ministry also reported that saltwater aquatic organisms can be impacted by LAS levels higher than 0.01 mg/liter, and LAS levels higher than 0.006 mg/liter could affect spawning waters.

It was reported that about 2.8 million tons of LAS was used worldwide in 2008. Based on The Japanese Ministry of the Environment’s report showing 45,310 tons of LAS was shipped throughout Japan in 2013, it is estimated that 36,256 tons of the surfactant went through sewage treatment, and 9,045 tons were released to the environment without going through sewage treatment. 86.2% of this amount was from household laundry and cleaning detergents. The Japanese Ministry of Economy, Trade and Industry also reported on the country’s LAS use in detail. The data is shown in the pie charts below. SARAYA has never used LAS in its household products and has started using sophorolipids in flagship products such as the Happy Elephant series.

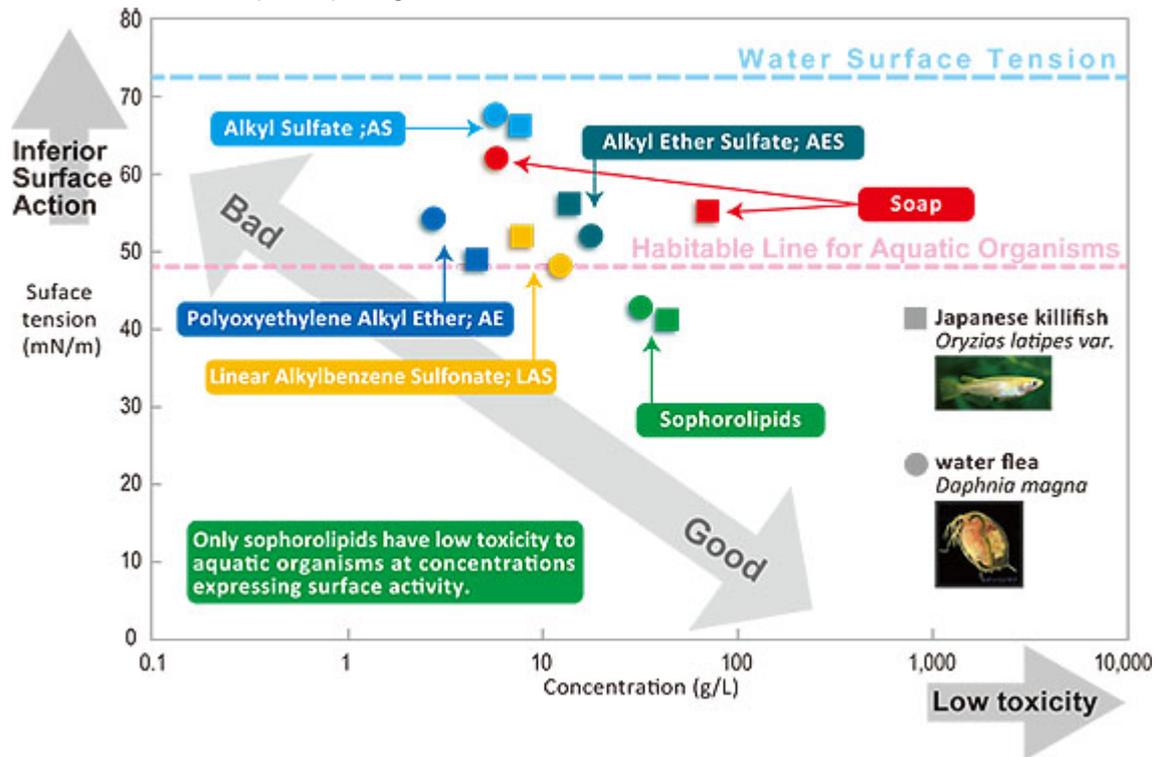
* source: Japan Soap and Detergent Association and Japan Surfactant Industry Association



* Sophorolipids

A new line of sustainable products made with a unique type of biosurfactant developed by

Saraya. Sophorolipids are a biosurfactant (naturally-based cleaning agents) made by fermenting vegetable oil with yeast. In Saraya's case, this is palm oil. Detergents made with this cleaning agent rinse away with less water while maintaining stronger cleaning efficacy (detergency) than other products on the market. In addition, Saraya has developed a way to produce sophorolipids with crude palm oil, removing the need for extensive purification to reach its currently traded state. Saraya's sophorolipids potentially allow palm oil to be bought directly from small plantation owners, supporting the local economy and rewarding these small owners for participating in the RSPO.



Biodiversity is interrelated with many pressures. Analyzing the environmental impacts of its business, which also affect biological diversity, is an ongoing and comprehensive responsibility for Saraya. It is the basis for further developing the environmental management system and for defining clear objectives. Additional information regarding the analysis of corporate activities can be found below under point 2 and 4.

2. Including the protection of biological diversity within their environmental management system;

The environmental management system of Saraya acknowledges that environmental issues should be approached through good cooperation between businesses and NPOs. Saraya works closely with the BCT in Malaysia and the BCT Japan, allowing employees to both learn about and participate in biodiversity conservation programs.

The message of biodiversity is part of Saraya's identity and how the customers identify the company. 1% of the total sales of palm oil based products is donated by SARAYA to

the BCT and conservation of biological diversity is the company's most visible cause-related marketing and consumer education campaign.

Saraya's products are designed and engineered to inspire sustainability while aspiring to be sustainable themselves. Products promoted under the Happy Elephant brand contain sophorolipids, Saraya's highly biodegradable surfactants made using RSPO oil, and reduce the negative environmental impact of detergents used every day.

Since 2007, Saraya has been continuing to support the BCT's activities to protect the rainforest and extend the Sabah Mega Ecological Corridor where more than 85 % of Sabah's orangutans, elephants and rhinoceros population are living.

3. Appointing a responsible individual within the company to steer all activities in the biodiversity sector and report to the Management Board;

Saraya's CSR objectives are managed and implemented by Mr. Hirotsugu Daishima, the chief officer of the Social Relations department and board member of the BCT Japan. He is responsible for planning and initiating activities in the biodiversity sector with the assistance of Mr. Nobuo Nakanishi, a key correspondent for relations with Saraya's NPO partners around the world.

The CSR department at Saraya maintains relations with participating initiatives such as the 'Biodiversity in Good Company' Initiative, the Global Compact, and the Japan Business Initiative for Biodiversity. Ms. Atsuko Takahashi works exclusively to provide regular updates to the annual sustainability report. All official reporting and record keeping is maintained through her and the CSR department.

Saraya takes an active role in the NPOs it supports. The president, Yusuke Saraya, is vice chairman of the BCT and an active participant of the company's CSR initiatives. Mr. Daishima himself is a board director of Saraya. Mr. Saraya, Mr. Daishima and Mr. Nakanishi are visible to the public in most related activities and are board members of the Borneo Conservation Trust Japan, allowing Saraya to work directly and efficiently with related NPOs.

To learn about the relationship between biodiversity and palm oil, total of 18 management board members have gone on study excursions in Sabah, Borneo in 2009 and 2010.

The purchasing department also promotes biodiversity promotion and organized a supplier mission tour to Borneo in 2008. They also promote the use RSPO certified oil to

suppliers.

4. Defining realistic, measurable objectives that are monitored and adjusted every two to three years;

GHG (Green House Gas) emission reduction

Since 2001, Saraya set Scope 1 and 2 GHG (Green House Gas) emission reduction targets and started to account Scope 3 GHG emission in 2014. In 2015, Saraya will report Scope 3 GHG emission in its sustainability report.

Changing PRTRs (Pollutant Release and Transfer Register) reductions to a new environmental barometer

Our mission is to be a truly sustainable company with high aspirations. We aim to provide our customers with quality products, which meet the OECD requirements for biodegradability* and reduce reliance on fossil carbon sources.

* According to the OECD, a chemical is considered "readily biodegradable" if the biodegradation percentage is greater than 60% after 28 days

Replacement PRTRs

Up until 2009, as part of our environmental management system (EMS), we made concerted efforts to avoid the use of chemicals listed on PRTRs which is an emission inventory that collects and disseminates data on specific chemical releases.

During the last couple of years, however, there has been a series of amendments to the Law on Confirmation of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management (PRTR Law). As a result, the PRTR Law contradicts our mission to provide customers with quality products with high biodegradability.

To give an example, polyoxyalkylene alkyl ether, one of the major substitutes for PRTR-designated polyoxyethylene alkyl ether (AE), is less biodegradable than AE, meaning that products containing polyoxyalkylene alkyl ether instead of AE have more impact on the environment (see later sections for more details). With respect to polyoxyethylene alkyl ether sulphate (AES), which has recently been classified as a PRTR substance, there is no one substitute available as of now.

What Is Carbon Balance?

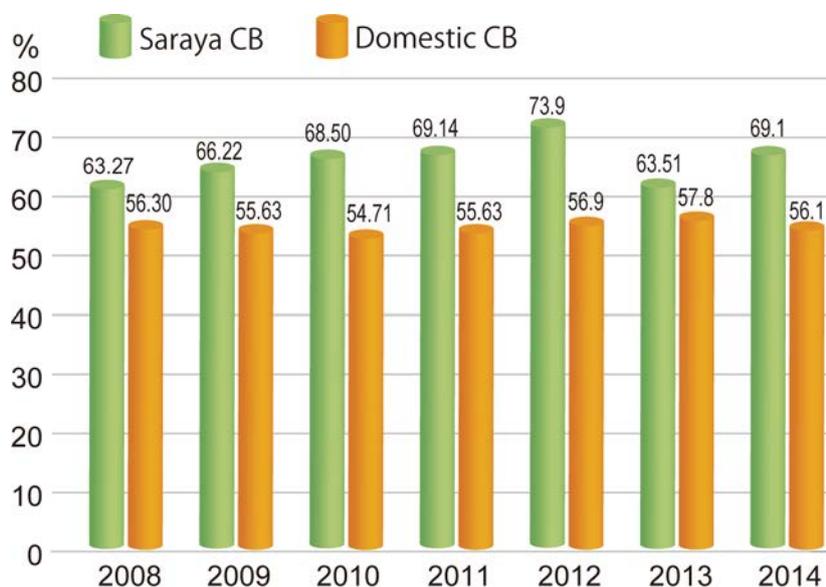
Against this backdrop, Saraya has developed a new environmental barometer called the Carbon Balance (CB) which is designed to indicate the fossil and non-fossil carbon content of surfactants. The carbon balance (%) of a surfactant is calculated using the number of fossil and non-fossil carbons as the denominator and that of non-fossil carbons as the numerator. We calculate the total CB of surfactants used in our products for each year and try to maintain it above 60% as part of our EMS. In 2013, 11 surfactants made up most of those produced in Japan. The total CB of the 11 most frequently traded surfactants was approximately 57.80%.

The CB of Surfactant A (PRTR-designated AE) is approximately 40%, while those of Surfactant B and C, two major substitutes for AE, are about 20% and 12%, respectively. Generally, the higher the CB or non-fossil carbon content of a surfactant, the higher the biodegradability. For these reasons, instead of avoiding PRTR chemicals which could end up with less biodegradability, we have decided to use chemicals with higher CB values.

The following is the carbon balance of AES as an example:



$$CB : 12 \div (2 \times 3 + 12) \times 100 = 66.7\%$$



The domestic CB was calculated from the 11 most frequently traded surfactants listed in the 2008 - 2014 Yearbook of Chemical Industry Statistics published by the Japanese Ministry of Economy, Trade and Industry.

Soap or Soap-free?

The CB of soap is 100%. This, however, does not necessarily mean that soaps have less of a burden on the environment than soap-free detergent products. Generally, the

detergency of soap is not as great as that of soap-free products, which results in a greater amount of soap being consumed. Moreover, the biodegradability of, for example, AES is greater than 60 % by the OECD criteria, indicating that fossil-based polyoxyethylene too can be decomposed into water and carbon dioxide. Furthermore, production of both soaps and soap-free products requires a variety of outside inputs, which in one way or another require fossil fuels. Hence, soaps are not necessarily more environmentally-friendly than soap-free products. They can be used differently depending on individual circumstances and preferences.

Saraya is now considering carbon footprints and a biodegradability index in order to evaluate our environmental activities more objectively and comprehensively.

5. Publishing activities and achievements in the biodiversity sector in the company's annual environmental and/or corporate social responsibility report;

Saraya makes transparency and education through publications and communication a vital part of spreading its message and committing to set goals. Since 2002, Saraya has made public all achievements in the biodiversity sector as well as environmental performance by releasing a yearly corporate sustainability report, which is available online.

Saraya's CSR report has won awards a total of eight times. Recently Saraya's Sustainability Report 2014 won the 18th Environmental Communication Award for excellence in biodiversity reporting following Sustainability Report 2010. The award has been co-organized by the Japanese Ministry of Environment and NPO since 1997.

6. Informing suppliers about the company's biodiversity objectives and integrating suppliers accordingly, step by step;

Three outsourcing companies and 13 suppliers are the RSPO members. Saraya conducted workshops for its main suppliers in Sabah, Malaysia where raw materials for detergents originate and is a key for biodiversity conservation in Borneo. One supplier received high marks from the WWF in its Palm Oil Buyers scorecard. Incidentally, Saraya received 9/9 points in 2011 and 11/12 points in 2013 from the WWF Palm Oil Buyers scorecard.

7. Exploring the potential for cooperation with scientific institutions, non-governmental organizations (NGOs) and/or governmental institutions with the aim of deepening dialogue and continuously improving the corporate management system vis-a-vis the biodiversity domain.

As with every year, marketing campaigns continued using Saraya's products as an educational platform to teach consumers in Japan about the risks that non-sustainable palm oil has towards biodiversity. Saraya's identity is solidified in its frequent public campaigns to bring attention to the Borneo Conservation Trust (BCT). President Yusuke Saraya is a board member in several NPOs, such as the BCT and BCT Japan, Zero Emission Research and Initiative Japan, ECO Design Network, among others.