



Scottish Leather Group



Group Sustainability Report Year ending 31st March 2014



Innovation,
sustainable manufacturing
and excellence in leather.



Scottish Leather Group

Scottish Leather Group is the largest manufacturer of leather in the United Kingdom. The Group comprises four leather manufacturing subsidiaries and a technology company, all located in the west of Scotland: Andrew Muirhead & Son, Bridge of Weir Leather Company, W J and W Lang, NCT Leather and SLG Technology.

Scottish Leather Group is a wholly privately owned, independent company which was formed in 1965 and employs 570 people.

The member companies of the group are well established with a combined experience in tanning and finishing leather of over 500 years. Their specialist leathers are produced for a wide range of industries: automotive, furniture, marine, aviation, shoe and leather goods. The group export sales represent over 82% of turnover.

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Jonathan A. M. Muirhead
Chairman

Introduction

Welcome to our second annual Group Sustainability Report, which summarises the progress we are making towards developing a sustainable business in relation to the activities in our workplaces, the environment, the marketplace in which we operate and the local communities adjacent to our three manufacturing sites. Our vision of the future cannot be realised unless we can develop a truly sustainable business - one that is sustainable environmentally, economically and socially.

Ours is a business that is steeped in history yet has prospered through the years by continuously looking forward. There is a proud heritage in each of our companies and there is both a familiarity and a dependency upon our local communities. Whilst we provide employment and contribute to the local economy, we are well aware of our responsibilities and the changing social and industrial landscape in which we find ourselves today.

This report demonstrates the results of our efforts to take seriously the impact we make both locally and internationally. Achieving a sustainable business necessitates a process of continuous development and improvement in each of the areas where our business impacts. Sustainability is at the heart of our business ethos as it will bring benefits in risk reduction; cost reduction through elimination of waste and continuous improvements in process efficiency; higher customer retention through product innovation and enhanced reputation; and through attracting and retaining skilled people at all levels within our organisation for many years to come.

Jonathan A. M. Muirhead - Chairman



Vision, Mission & Values

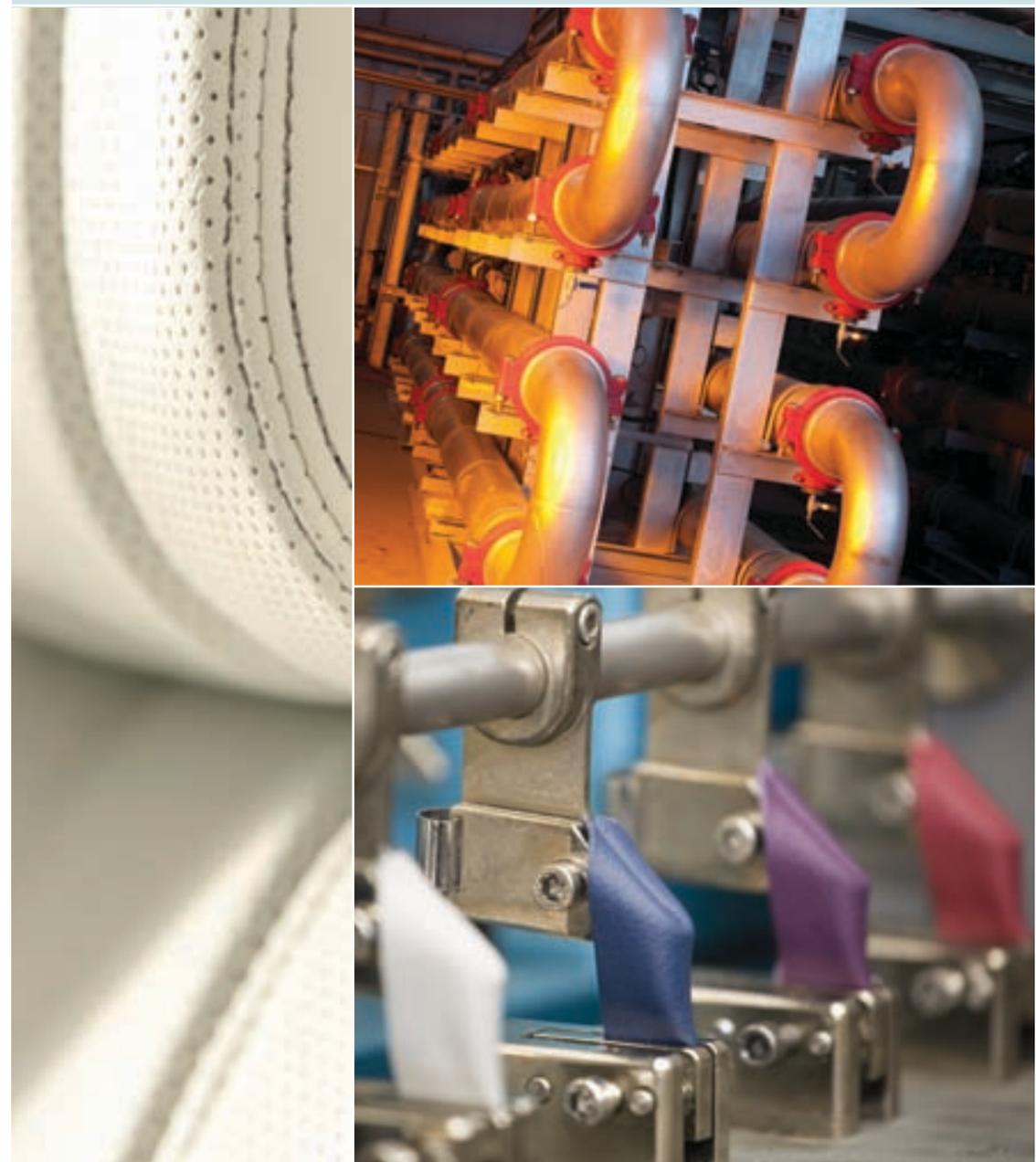
The following vision, mission and values statements are communicated to all employees and are at the core of the company's strategy to achieve prosperity in the future.

"Our vision is to be the most successful and respected group of leather manufacturing companies in the world."

"Our mission is to maximise customer and shareholder value through leading sustainable manufacturing practices, continuous innovation and outstanding service."

"The company practices and expects integrity, honesty, fairness and respect for people in all aspects of its business; it is dedicated to establishing the highest standards for quality, technology, value, customer service and concern for the environment. These standards will be achieved through team work, respect for each other, fast responsiveness, cost-consciousness, creativity, competitiveness and sustainable development. The company complies with all relevant laws, regulations and codes of practice, refrains from any anticompetitive practices and honours obligations and commitments."

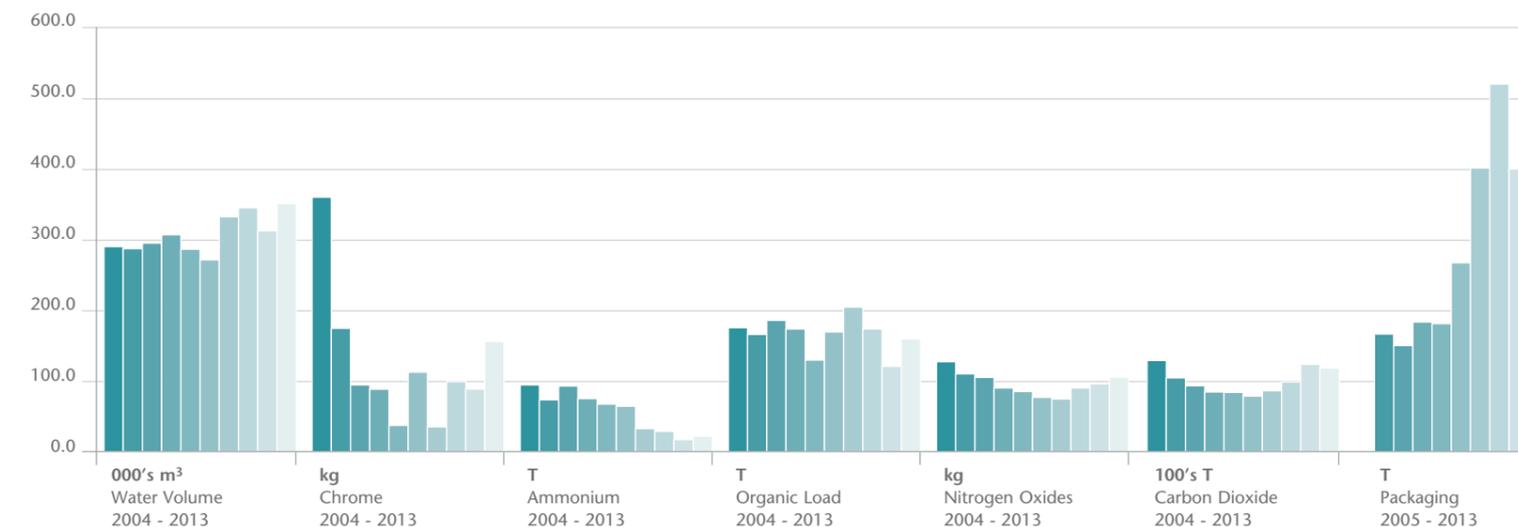
Innovation, sustainable manufacturing and excellence in leather.



Environmental Sustainability

The group continues to demonstrate its good environmental performance, based upon data published within the Scottish Pollutant Release Inventory (Figure 1) and Scottish Environment Protection Agency's (SEPA) appraisal scores. The operating companies maintain adherence to ISO 14001:2004 and ISO 50001:2011. The data reported is independently audited. On-going improvements are reached by strategic investments and by operational improvement. Ammonium reduction has been through replacement of compounds used in the beam-house. The organic load reduction is a reflection of the implementation of the ultrafiltration plant at the Bridge of Weir site. The emissions presented are those from direct on-going operations and are absolute data, reflecting the increased production volumes in recent years. Increasing export business has increased packaging usage.

Figure 1: SLG data reported to the Scottish Polutant Release Inventory.



The group is continuing to set standards for environmental sustainability within the leather manufacturing sector.

In 2003 the group established a "zero waste strategy". Our goal to maintain a sustainable business remains unchanged. The group is setting standards for sustainability within the leather sector as evidenced by our investments, performance and recognition through accreditations gained. Major investments in membrane water treatment technology and the thermal energy plant, which is recovering heat from waste, and exporting energy have reduced the company's impact on the environment. These initiatives are addressing also some of the major threats to our long term future, such as the reduction in available landfill sites and the declining availability of fossil fuel. Benefits will be derived ultimately through mitigation of the effects of rising landfill and energy costs. The commitments made in our inaugural Group Environmental Report and achievements from the past year continue and are presented in conjunction with key performance indicators.

Environmental Policy

It is the policy of Scottish Leather Group Limited that the affairs of all group companies are managed in a manner which ensures that, wherever possible, the improvement in quality of emissions to water, land or air is a constant aim and a significant feature in process and investment decision making towards sustainable manufacture of leather.

Concern for the environment is integral and fundamental to the business strategy of Scottish Leather Group Limited and its subsidiary companies. It will be the responsibility of individual group companies to identify their own environmental criteria and policies to satisfy group policy to attain the necessary standards to which they subscribe.

Energy and Carbon Footprint

Utility price concerns, on-going political uncertainties and commercial risks of fossil fuel supply underline the need to continue our drive to improve energy efficiency and reduce our reliance on primary fuels. We continue to adhere to the energy hierarchy; that is energy efficiency, reusing heat or energy and the application of renewable energy. This issue is very much at the forefront of supply chain sustainability and is significant to our customers. We currently report the direct emission as gas and indirect emission as electricity consumption, supplemented by the recovered heat from our thermal plant, in accordance with the Greenhouse Gas Protocol, as independently audited and accredited. Bridge of Weir Leather Company is accredited to FILK (Forschungsinstitut für Leder- und Kunstledertechnologie) ECO2L standard as an applicable measure of the corporate carbon footprint for automotive leather.

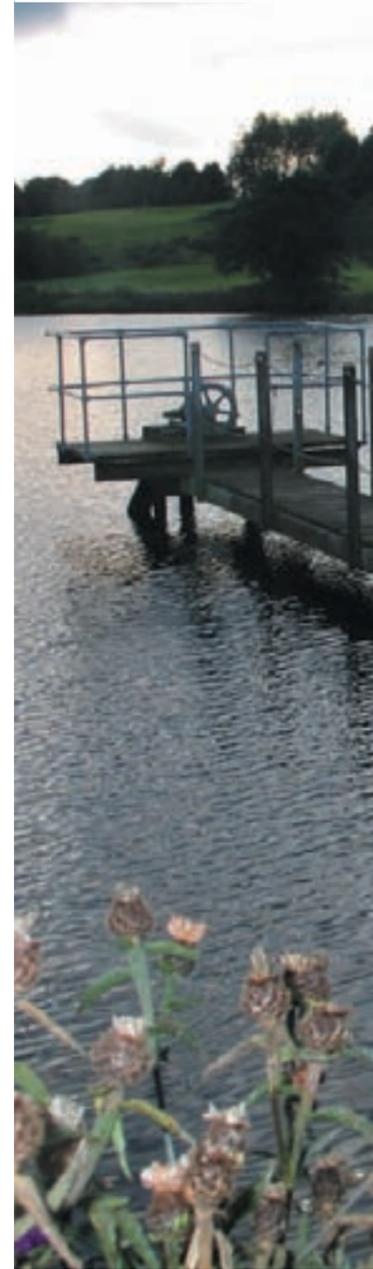


Figure 2: CO₂ emissions Tonnes per hide.

Reductions in CO₂ per hide as measured and reported per the Greenhouse Gas Protocol.

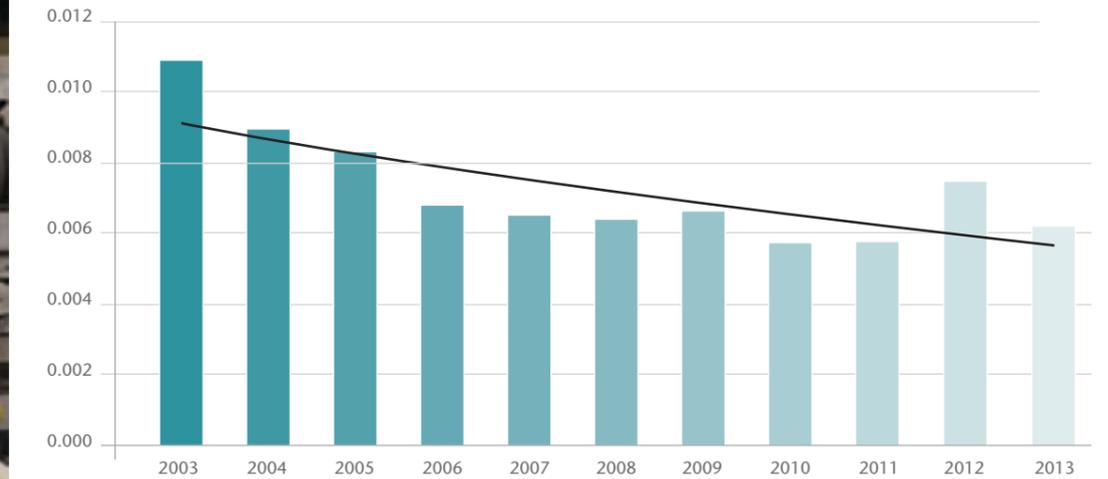
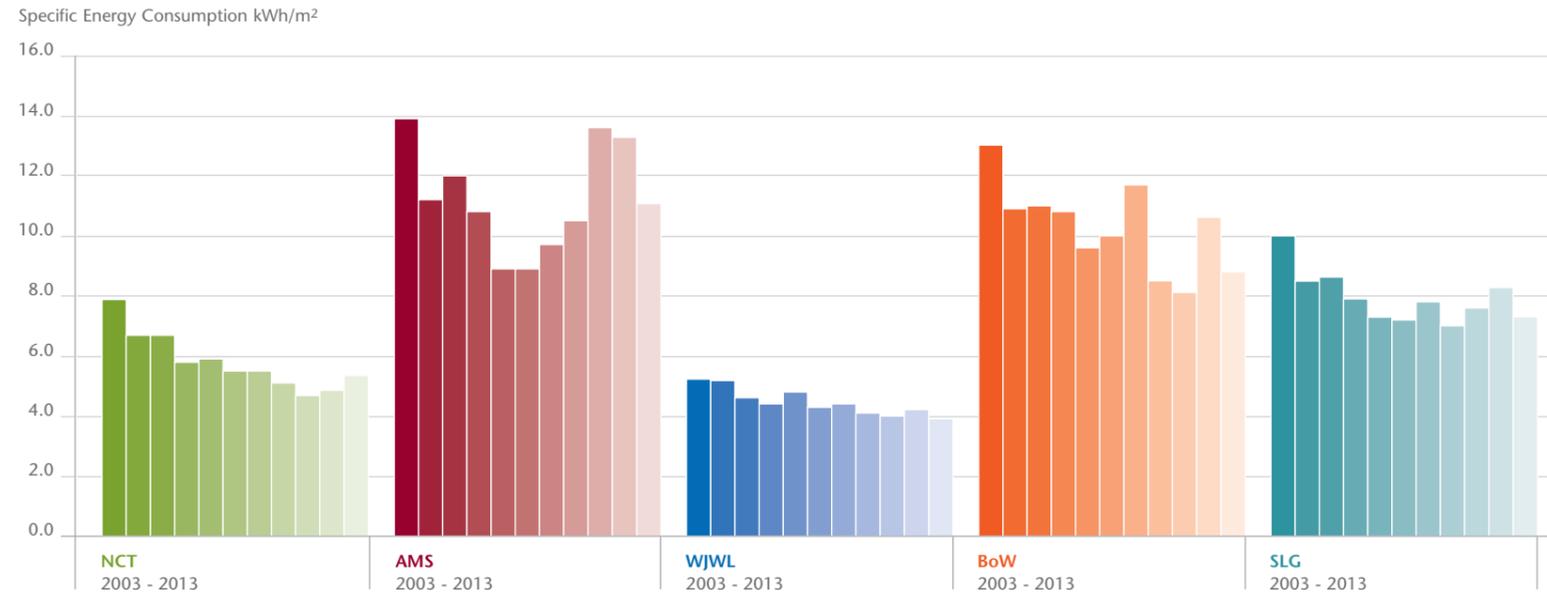


Figure 2 : Reductions in CO₂ per hide to c 6 kg/ hide as measured and reported per the Greenhouse Gas Protocol. This is significantly below the European industry benchmark of 0.024T CO₂/hide (24kg/ hide) Source: Data obtained from the Social and Environmental Report of the European Leather Industry published jointly by the Confederation of National Associations of Tanners and Dressers of the European Community (COTANCE) and the European Trade Union (industriAll-Europe).

Figure 3: Specific Energy consumption, per site, per year.

In accordance with UK Government Climate Change Agreement. SLG consolidated 2013 data was 7.4 kWh / m² production.



Waste

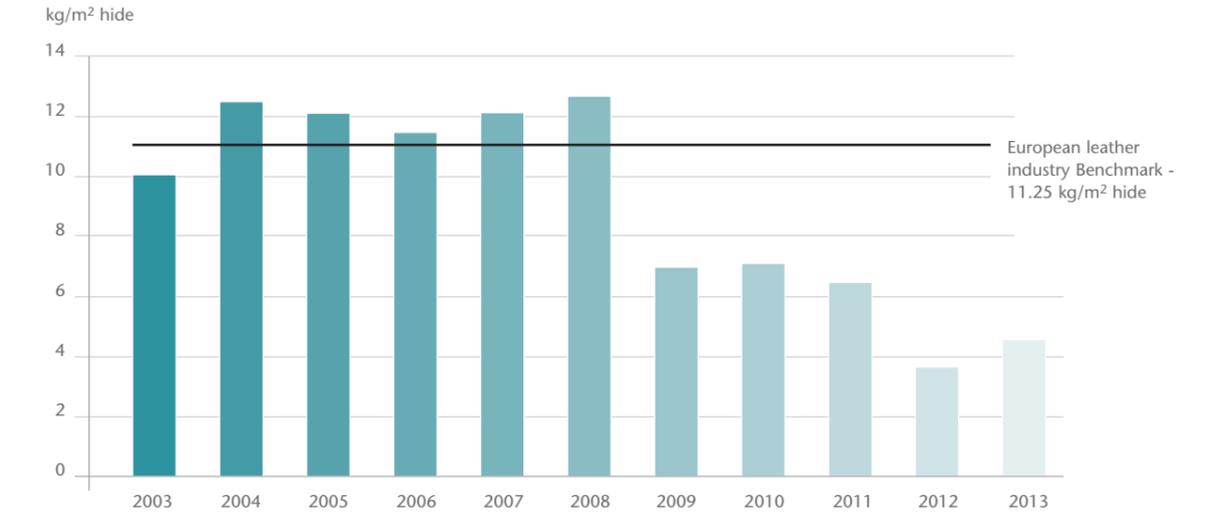
The group is working to eliminate waste through efficient resource use, segregation of waste into recyclable categories and thereafter energy recovery. Reclassifying wastes as a resource for both recycling and the recovery of heat represents a step change in approach to disposal practice. We continue to seek beneficial routes for recovery or reuse of our process wastes, to avoid landfill. Since 2008 this initiative has already reduced our waste disposal tonnage resulting in a reduced carbon footprint. The thermal energy plant operated in excess of 99% compliance to the IPPC emission standards for approximately 4000 hours during last year, processing more than 15000 Tonnes of waste. The plant continues to generate considerable interest from customers worldwide and it has positioned the group as a world leader in sustainable leather manufacturing. The value of the renewable energy recovery from both the thermal energy and fat plants is facilitating a significant carbon reduction in the leather manufacturing process by the replacement of fossil fuels. Improvement of operational efficiency of the plant is high on the environmental agenda.

Customers continue to respond favourably to this significant investment, as they seek to reduce their own carbon footprint. Thus it is acknowledged that the thermal energy plant is providing us with a significant advantage over our competitors.



Figure 4: Specific waste disposal as kg/m².*

Our external waste disposal is significantly reduced since the commissioning of the Thermal Energy Plant and assisted by our recycling programmes to be only one third of the EU Benchmark.



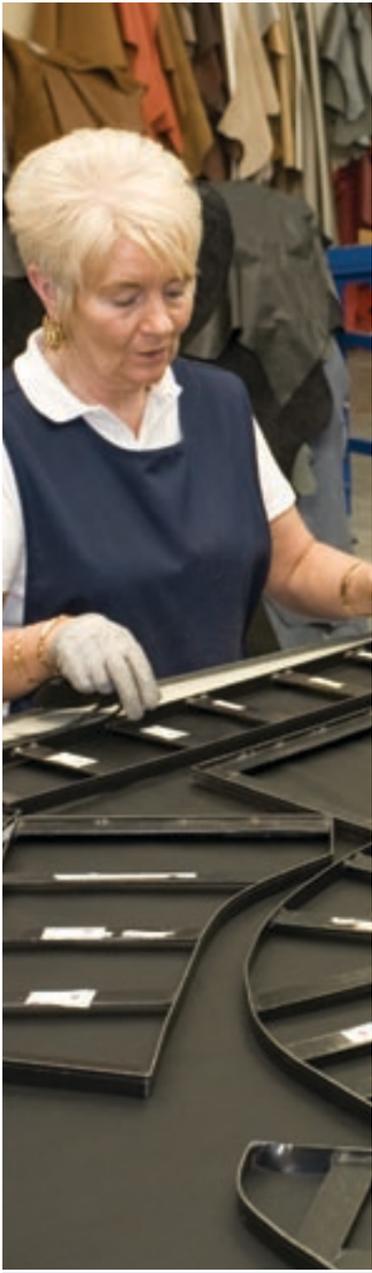
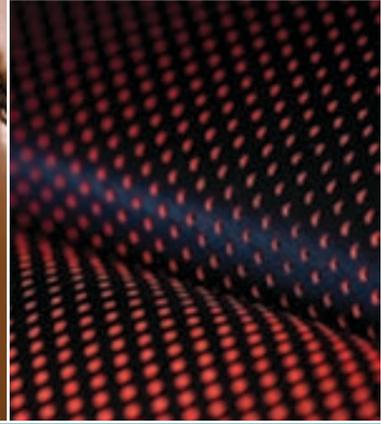
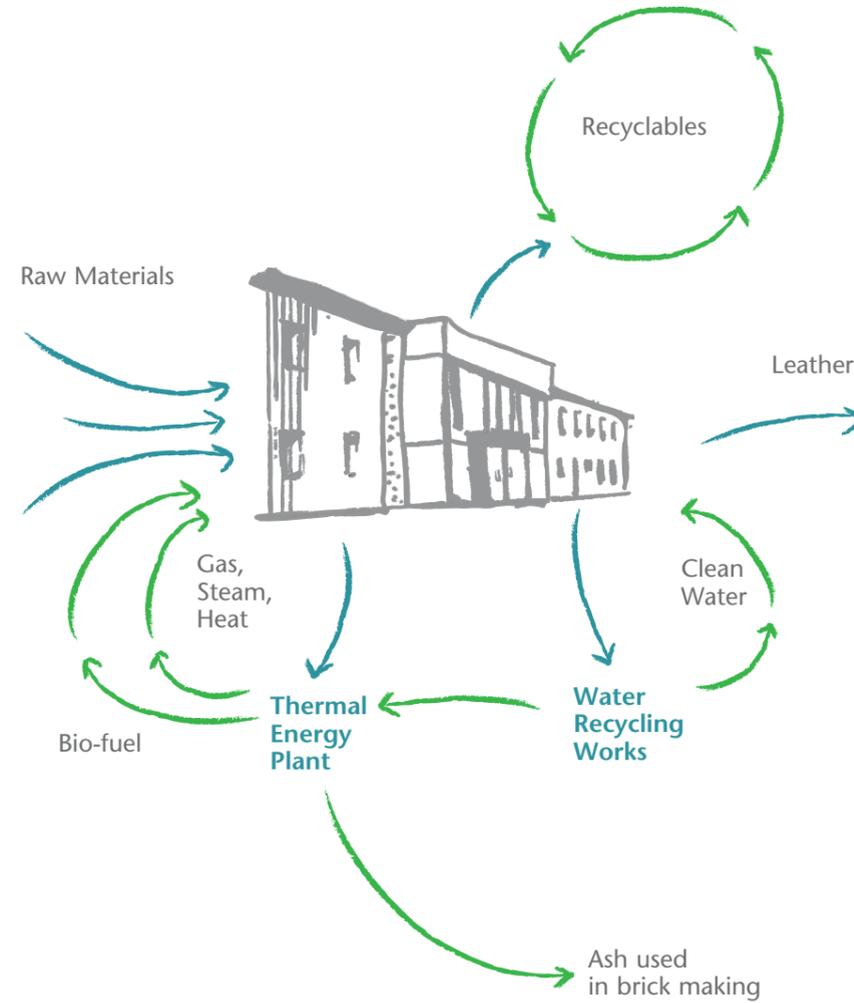
Water

We source water from both our privately managed and public supplies and use this efficiently to produce leather, consuming on average 42 litres per m² of hide. This compares with the European leather industry average consumption of 85 litres per m²*. The liquid effluent is currently discharged to licensed treatment plants, following extensive treatment at our own modern on site facilities. As part of our commitment to sustainable leather manufacturing, an ultrafiltration plant has been installed at our Bridge of Weir site. Additionally we have upgraded the existing treatment works at Bridge of Weir with enhanced biological treatment plant utilising oxygen diffusion with enhanced odour control, settlement and solids removal capability. A strategic review of group effluent treatment and water recycling is also underway with external stakeholders to meet the needs of increased production.

*Source: Data obtained from the Social and Environmental Report of the European Leather Industry published jointly by the Confederation of National Associations of Tanners and Dressers of the European Community (COTANCE) and the European Trade Union (industriAll-Europe).



Sustainable Leather Manufacturing and the Zero Waste Plan



Environmental Impact

The group recognised wasteful production processes of the industry as a whole and established a new way of thinking, i.e. to consider our process waste (cake, fleshings, hair, trimmings) as a raw material or resource.

We can become self-sufficient through this cyclical manufacturing approach and embrace the concept of sustainable manufacturing. We are already able to be entirely self-sufficient for heat from our own waste.



Economic Sustainability

Businesses cannot be sustainable unless they prosper. Prosperity can be achieved if all the available resources are used to best advantage. Economic sustainability can then be measured on the ability to support a defined level of production indefinitely. The group must use its resources in a way that is both efficient and responsible, so that it can continue to operate over many years to come whilst consistently returning a profit.

In the workplace

- A business cannot be sustainable unless it is competitive. Cost reduction, lower inventories, waste elimination and optimising productivity are all objectives within our ongoing manufacturing excellence programme.
- Building, plant and infrastructure maintenance and replacement are all functions that are essential for supporting a sustainable business. A preventative maintenance programme is in place throughout the group to ensure that our assets are always capable of delivering the necessary levels of production safely, efficiently and responsibly.

In the marketplace

- To customers we promote and encourage the highest standards of ethical business practice when developing, selling and marketing products; customer satisfaction is assessed regularly; and education of our customer supply chain in our products and their performance is provided as an integral part of our business service.



Customer Satisfaction

Emirates Engineering

Emirates Group are committed to ensuring that environmental responsibility underpins our Core Values as an organisation. Our Vision is to make the Group an environmental leader in the aviation and travel industries. Our Goals are to make sustainability and eco-efficiency the cornerstones of all Group Operations - both in the Air and on the Ground.

Emirates Engineering are delighted that in partnering with Andrew Muirhead & Son we are able to contribute to reducing our Carbon Footprint. In purchasing from a tannery that sources its leather solely from the UK, that disposes of waste efficiently at its own Thermal Energy Plant, and ensuring direct delivery to our stitch and sew vendors we are jointly playing our part towards the Emirates Group commitment. Further Tri-Party development of pre-cut leather supply has offset the unnecessary shipment of waste and delivered even greater eco-efficiencies.

Stuart Rich
Cabin Provisioning Manager - Emirates Engineering

Volvo Cars Group

We have worked with Bridge of Weir in several concept car projects and have always been impressed by the quick delivery, craftsmanship and attention to detail in the company's leather products.

The company and its people are honored from Volvo side due that it is a pleasure to work with them and we are also happy that we could announce that they were a part of the great success in our latest concept car program with the Concept Coupe, XC Concept and Estate Concept.

In Volvo we are happy to celebrate this with their international success.

Ebba Maria Thunberg and Robin Page
Design Directors - Volvo Car Corporation



Sustainable Procurement

Our sustainability procurement policy, which was implemented last year, has done much to achieve our sustainability objective by ensuring that our raw materials, goods and services are environmentally appropriate and ethically produced, whilst cost competitive. This procurement policy underpins our commitment to a lower carbon footprint, low road miles and fair trade.

The majority of our raw hides are purchased within the British Isles, direct from abattoirs for quality assurance, traceability and animal welfare assurance. Local sourcing supports British farming and beef industries. It also retains the revenue within our local economy, mitigates climate change and reduces "hide miles". We can trace the chain of hide custody from raw hide to finished product.

For certain products, hides may be sourced from outside Europe, as directed by our customers. Most of these hides are semi processed in their country of origin to comply with national legislation. Our sustainable procurement and animal welfare policies have been communicated to our overseas suppliers and an auditing process is in place to ensure compliance.

Within the British Isles raw hides are purchased from suppliers who have adopted the Five Freedoms set of principles, drawn up by the Farm Animal Welfare Council, to encourage farmers to maintain practices that provide lifestyles which take into account the animals' needs and natural behaviours. The selection of overseas hide suppliers will be based on the same criteria.

The environmental integrity of all our supply chains is being developed to strengthen our sustainability credentials and generate further reductions in our carbon footprint. Local sourcing is preferred where appropriate and sustainability requirements are considered as part of our criteria for supplier selection.



Social Sustainability

The obvious social role of business is job creation. We embrace social responsibility in conducting our daily business.

Corporate social responsibility is embedded within our wealth creation process and enhances the competitiveness of our business, benefiting our employees, their families, the local community and our stakeholders.

In the workplace

Health and Safety

Scottish Leather Group is committed to ensuring the health, safety and welfare of all employees. A policy is in place and an annual report is published internally. The prevention of injury and illness to workers and others affected by work activities is fundamental to a fair and decent society. Accordingly our aim is to have an extremely safe working environment with zero accidents.

Human Resources

A sustainable business requires robust succession planning which recognises and develops talent at all levels. Our human resources strategy is fully aligned to our corporate vision, mission and values. The continuous improvement of skills, expertise, performance and leadership has been implemented at all levels within each of our companies. Our objective is to have well trained, motivated and engaged employees. The business recognises this is key to identifying and developing the next generation of talent and leadership to ensure the group's future prosperity.

Figure 5: Age Demographic.

This table highlights a number of benefits which include recognition of the value of the diversity of our employee age demographic. The data gathered also helps mitigate risk in relation to age discrimination.

Age Range	Males	Females	Total
16 - 25	55	13	68
26 - 35	132	49	181
36 - 45	87	25	112
46 - 55	93	43	136
55+	61	12	73
Grand Total	428	142	570

Figure 6: Age and Gender Distribution.

The average age within Scottish Leather Group is 41.8. The highest concentration of employees (group wide), falls within the 26-35 category.



Figure 7: Length of Service.

Employee retention is essential to maintain a healthy balance of youth and experience. The adjacent table shows that despite considerable recruitment to meet customer demand over the past five years, over 30% of our employees have over ten years experience with the company.

Recent recruitment presented us with the opportunity to add fresh talent to the business. This injection of fresh talent in conjunction with the wealth of experience retained within the business has been the catalyst for innovation and continuous improvement of our product offering.

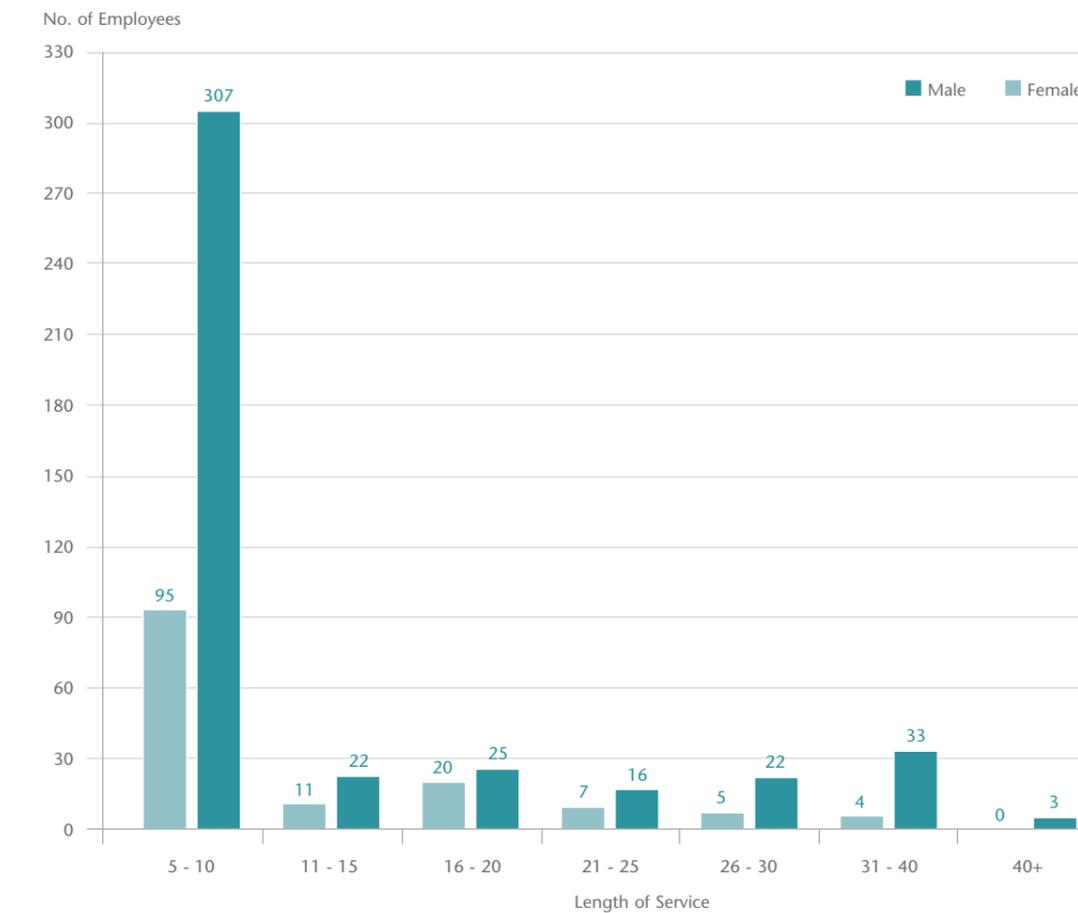
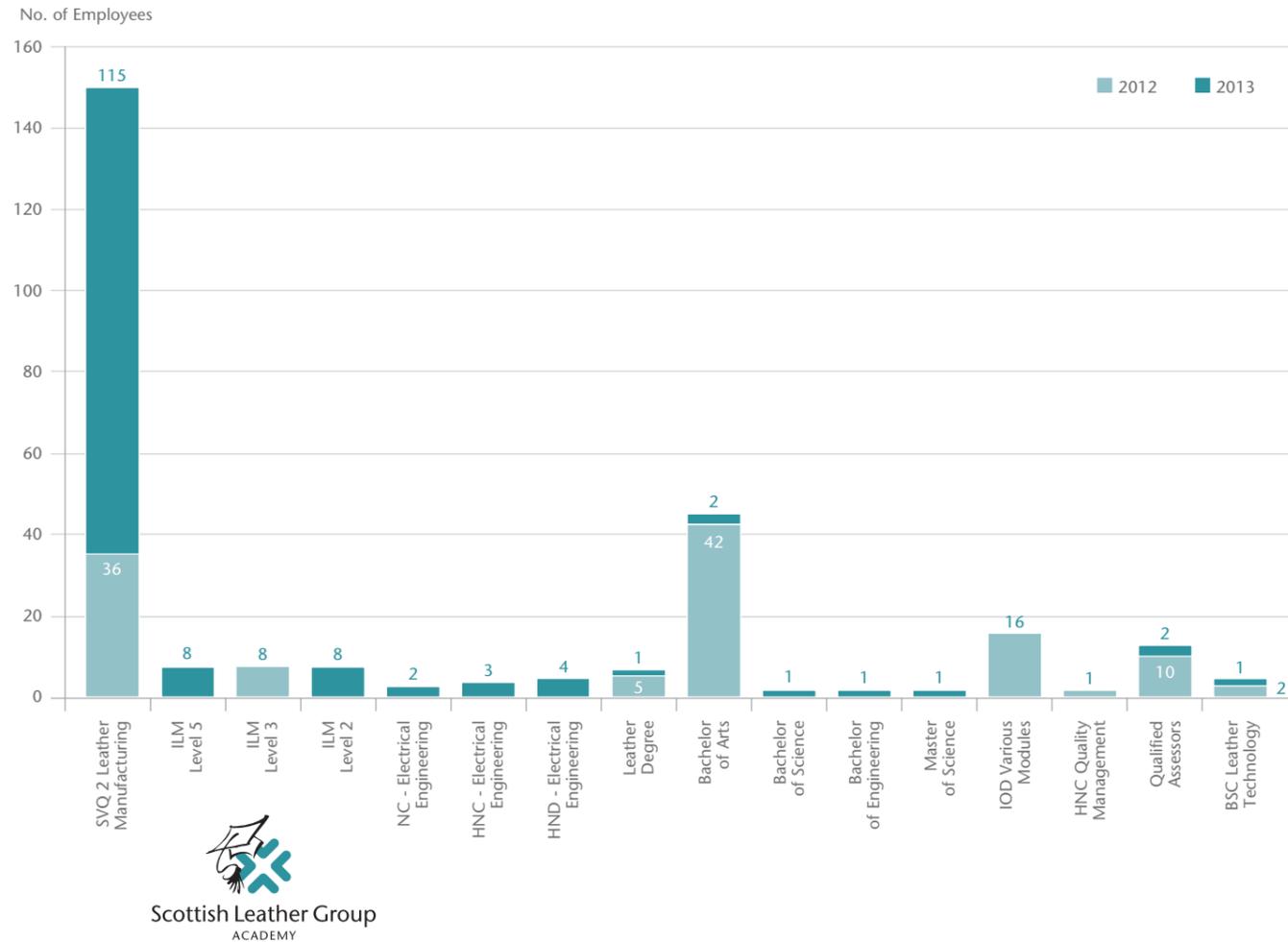


Figure 8: Learning and Development

Scottish Leather Group is committed to investing in its most valuable resource, its people. Over the past two years the company has focused on improving the skills of the workforce through learning and development interventions. The group is dedicated to ensuring that its employees have advanced technical knowledge of the leather industry to gain competitive advantage in a highly specialised industry. The Company extended its learning and development partnership with West College Scotland to include engineering.

The table below shows cumulative figures of qualifications attained within the business since early 2012, as well as highlighting the number of degrees that our workforce has achieved throughout their careers. These qualifications complement the wide range of internal workshops that form part of our employees' continuous professional development.



Enterprise Excellence

Scottish Leather Group is committed to improving every day in all it does, as individuals and as teams, and as a business as a whole.

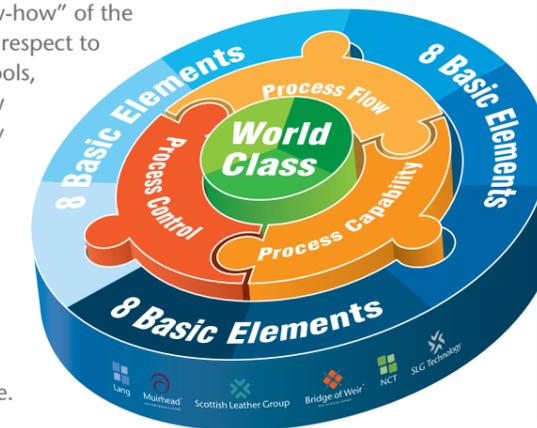
By better understanding consumers' and customers' expectations and continuously improving Scottish Leather Group will achieve excellence. We believe that to be considered truly excellent, you must be considered as such by employees, investors as well as customers and suppliers, that is our objective. The group has appointed a group Continuous Improvement Manager to manage the delivery and integration of continuous improvement into all we do.

The group has been using many of the continuous improvement tools for many years, Lean, Six Sigma, Kaizen, the new development is to build these tools into a common approach that can be used in all areas of the business to build and utilise a common vision of excellence across the group.

With a common approach the improvement will be used to develop the correct systems that meet the needs of the business better, banish wasteful activity, enhancing customer value. This will be delivered by combining the elements and principles of the continuous improvement vision with the knowledge and experience of the individuals and teams in the business to drive improvement.

Success will be measured over the coming year by the increasing the "know-how" of the people in the business with respect to continuous improvement tools, along side increasing "know why" when it comes to why specific tools should be used in specific situations.

Achieving this will ultimately result in a agile business more capable to sustain business performance in a challenging business climate.



Health and Safety

Benchmarking Reportable Accidents - Major and Over Seven Day

- In the UK Manufacturing Sector in 2012/13 there were 3229 reported major injuries to employees. This equates to a rate of 123.6 per 100,000 employees.
- In the UK Manufacturing Sector in 2012/13 there were 10484 reported over seven day injuries to employees. This equates to a rate of 401.2 per 100,000 employees.
- In 2013 in the Scottish Leather Group Limited there were 0 reported major injuries to employees. This equates to a rate of 0 per 100,000 employees
- In 2013 in the Scottish Leather Group Limited there were 3 reported over seven day injuries to employees. This equates to a rate of 400 per 100,000 employees

Figure 9: RIDDOR Reportable Accident Trend

12-monthly Rolling Average No. Reportable Accidents per Employee 2010-2013



Social Sustainability

In the Community

The group recognises the need to engage with the local community and the wider business community. We engage with a wide variety of organisations, including Bridge of Weir Community Council with whom we consult on a range of local issues.

Gryffe Valley Rotary Club

In 2013 we assisted Gryffe Valley Rotary Club to raise funds for a boat equipped for use by the disabled on Castle Semple Loch, Lochwinnoch. In September of that year Her Royal Highness, The Princess Royal, Patron of RYA Sailability, formally launched 'Tranquility'. The specially adapted boat was sponsored by Bridge of Weir Leather Company through a project managed by The Rotary Club and who raised funds for other associated equipment. The Bridge of Weir logo is prominent on the hull and sail.

Salon Privé London 2014

Bridge of Weir Leather Company joined forces with the UK's premiere boutique luxury automotive event Salon Privé London 2013, which played host to unique design competition - the Royal College of Art 'Concours of the Future'.

A new and exciting addition to Salon Privé for 2013, the 'Concours of the Future' exhibition sees a group of talented undergraduates from the RCA's Vehicle Design programme tasked to revisit some historic Concours-winning cars and re-design these icons for the modern world and beyond. Eleven students were selected to showcase their work at Salon Privé, from nearly 40 original entries.

Joining Peter Horbury, Vice-President, Design for Geely, in the prize-giving, Bridge of Weir sales director, Jamie Davidson, said: "This is a great opportunity for the students of the Royal College of Art's Automotive Design programme, and also an opportunity for Bridge of Weir to meet with the world's best designers - both present and future. We are very proud to be involved with this brilliant initiative and congratulate all of the entrants on their exceptional designs. From where I'm standing, the future looks very bright indeed, and I look forward to being back with Salon Privé and the RCA next year."

Glasgow School of Art Leather Competition

Bridge of Weir has supported The Glasgow School of Art's (GSA) Fashion & Textiles Project, Leather Project 2013: Rework, Reinvent, Regenerate, by providing materials, mentoring and the opportunity for the winning student to attend 100% Design, London. Prize money was donated by The Incorporation of Skinners and Glovers of Glasgow.

The Fashion & Textiles students at the GSA were asked to revive, rework, revitalise, reinvent and regenerate leather for a range of applications to create economically efficient and innovative new products. Bridge of Weir supplied leather for the project in the form of scraps for experimentation purposes and ten full cowhides for the final pieces of work.

Susan Ross, design manager at Bridge of Weir, and a former GSA graduate, spoke to the year group at the beginning of the project to provide information about the leather industry. Susan also supported the students at the award judging by providing in-depth tailored feedback on each of the students work.

The winning student, Kelly McEwan, joined Bridge of Weir at the 100% Design exhibition in September 2013 at Earls Court, London to display her winning design on the stand providing a special opportunity for her to network with key designers throughout the exhibition

Brightest Star Charity

From over 7000 runners at the Bupa Great Run, almost 400 people, including 25 Bridge of Weir staff all took part on behalf of local charity Brightest Star.

To date Bridge of Weir staff have raised £3000 for Brightest Star which was set up in memory of 5 year old Jack Kennedy who passed away in December 2012.

Brightest Star aims to provide a support network for those who have lost a child suddenly. It also aims to provide first aid training and to raise funds for a new family sized ambulance allowing parents to travel to hospital with their sick child.



Emirates Road Cycling Club

In May 2013 Andrew Muirhead and Son sponsored new cycling jersey for the Emirates Road Cycling Club (ERCC).

ERCC has been running for just over 6 months and already has more than 70 members who represent Emirates in a number of challenges all over the world, including the Spinneys Dubai 92 Cycle Challenge, the Yas Criterium, the Coast to Coast Challenge, the Cape Argus and the Tour of Cyprus.

Muirhead sales director, Archie Browning, said: "The unique Muirhead brand of high performance low carbon leather features across the Emirates international network, on the aircraft, in airport lounges, chauffeur cars and even on the airside buses. We are very pleased to now also be a part of the Emirates community on two wheels through ERCC around the world, and look forward to welcoming some of the members to Scotland for the Commonwealth Games in 2014."

Glasgow's With Kids Charity

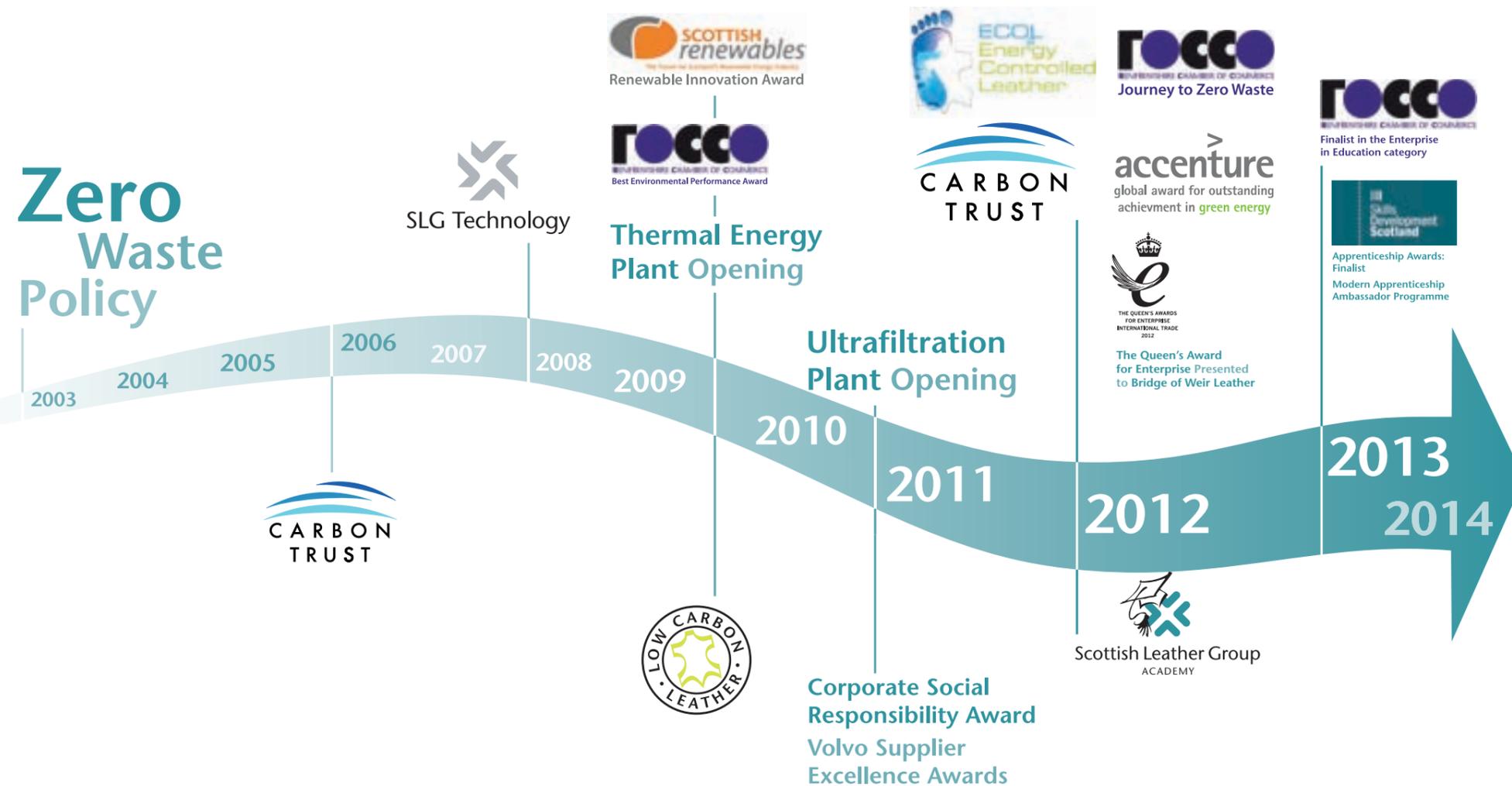
Andrew Muirhead and Son managing director Colin Wade completed a grueling 95-mile charity walk, throughout the West Highland Way in Scotland, in aid of Glasgow based charity, 'With Kids.'

With Kids is a charity that is close to Muirhead's heart, as an organisation working tirelessly to improve lives and opportunities for a number of needy youngsters in the communities local to Muirhead's Dalmarnock Leather Works. A small charity based in the East-End of Glasgow, With Kids focuses on working with children and their families to provide a range of individual, social and practical support.

Their predominant aim is to re-build resilience and self-esteem in the often troubled children that they work with. Last year, award-winning Glaswegian actor, Robert Carlyle, became an Ambassador for the charity.

Thanks to support from Andrew Muirhead and Son and its sister companies within the Scottish Leather Group, more than £6,500 was raised in sponsorship for this very worthy cause.

Our Sustainability Journey



A Sustainable Future

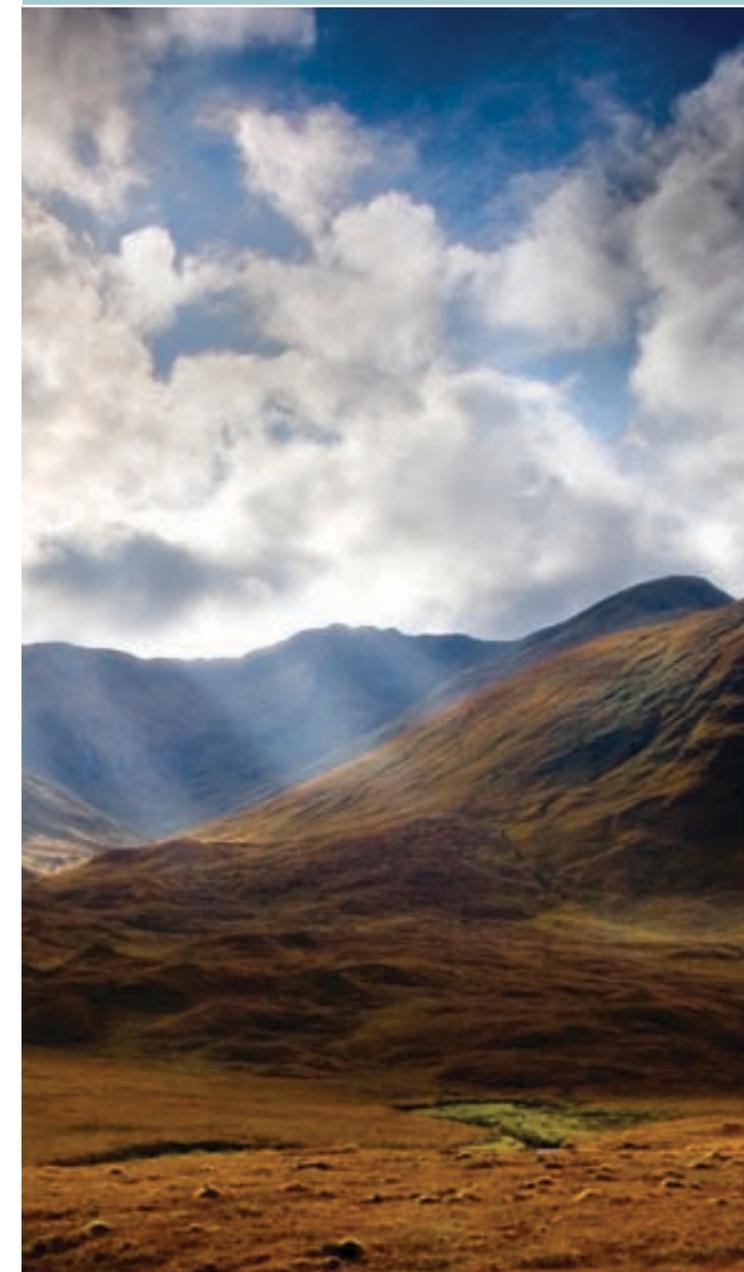
The group is making good progress towards its goal of sustainable manufacturing in its efforts to achieve zero waste and energy self sufficiency. We are motivated by the increasing cost of energy and carbon taxes, legislative requirements and the benefits of having an improved brand image as a result of achieving lower carbon emissions. Sustainability has been incorporated into our business strategy and decision making.

Whilst we have been able to demonstrate reductions in our footprint of 40% to date, the group will take the opportunity over the coming months to re-base the throughput of the thermal plant to bring this into line with increasing production. This growth will bring more waste and more energy demand. The new higher capacity plant will not be forthcoming until the latter part of the next year. However, our intention to recycle treated effluent from our ultrafiltration plant into full scale production to meet the increased water demand are anticipated before the promised target of 2015.

These decisions and investments will further provide greater robustness for our main manufacturing site going forward and insulate us from increasing infrastructure constraints as well as reducing our product carbon footprint. The conclusion to the life cycle assessment and carbon footnoting exercise, in which we are a key partner, will establish an industry wide standard and allow further demonstration of our performance against our peers.

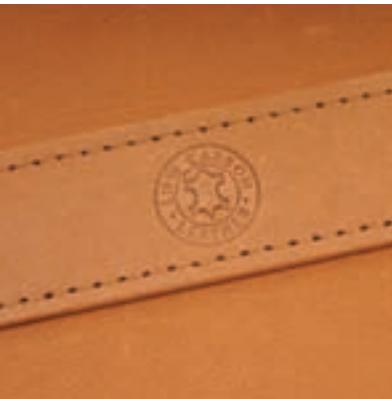
There is pressure on manufacturing industry to improve its processes and other activities from an environmental and cost perspective. Therefore we must continue to look at new technologies and systems. However whilst such improvements must be financially feasible, they must also promote an even greener image, be compliant with increasingly tough legislation and meet the expectations of the local community.

Sustainability is not just about reducing the impact of our operations and being "green"; it is also a tool to drive innovation and improve business thus sustaining local employment for future generations and maintaining our proud heritage.





Scottish Leather Group



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