



Scottish Leather Group

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# Introduction

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**Environmental performance increasingly influences customer choice. We continue to reduce our environmental footprint and ensure sustainability through strategic investment and ongoing commitment to reduce the costs and impact of manufacture.**

Concerted effort towards reducing our energy use has partly offset the dramatic utility price rises of recent times. Significant achievements in the year to 31st March 2007 can be reported:

- Reached our commitment to a 20% reduction in energy use per hide by 2010
- Received the Carbon Trust award for “Outstanding Achievement In Energy Efficiency 2006”
- Reduced “Carbon Footprint” for the 3rd successive year

Overall environmental costs for the year rose marginally beyond those of the previous year to £3.2 Million. The underlying environmental cost drivers continue to point upwards. New legislation places further pressures on compliance. We have recently obtained full planning permission for a proposed Thermal Energy Plant, to allow sustainable leather production. This plant will avoid waste disposal to landfill and reduce our current exposure to volatile energy markets.

## Strategy

The drive to maintain a sustainable business, both economically and environmentally demands that we continue to require an inherent discipline to reduce costs and impacts alike. The Group environmental strategy was divided into six objectives in our inaugural report, which are presented in conjunction with key performance indicators.

# Management & Corporate Social Responsibility

“ISO 14001:2004 accredited”

Economic or Environmental Driver	SLG strategic Objective	Year to date Achievements	Future action or deviation
Management and Corporate Social Responsibility reporting.	ISO 14001:2004 across all sites.	All sites are now accredited to ISO 14001:2004 with mature management systems. Key performance indicators illustrate improving performance.	Reduce risk to forthcoming environmental liability legislation, improve business continuity. Seek business case for EMAS accreditation.

Internal management systems are mature and robust giving us confidence in our operating conditions, new emergency preparedness and business continuity planning. These systems and performance are audited by our customers and accredited bodies. Our reducing environmental impact continues because of strategic investment and improved operational control. Our reported emissions are published annually within the Scottish Pollutant Reporting Inventory, shown in Figure 1, and our high standards are reflected in operator appraisal assessments shown in Table 1, as compiled by the Scottish Environment Protection Agency.

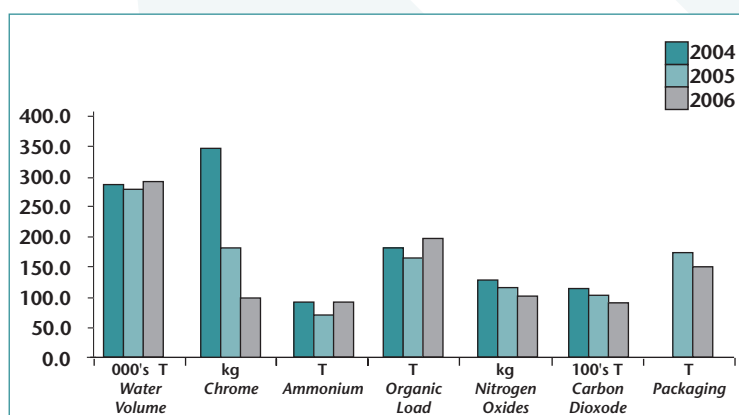


Figure 1: Data reported to the Scottish Pollutant Release Inventory

Company	2005	2006
Bridge of Weir Leather Company Ltd.	26/30	26/30
NCT Leather Ltd.	22/30	22/30
Andrew Muirhead & Son Ltd.	n/a	23/30
W J & W Lang Ltd.	24/30	25/30

Table 1: Operational Appraisal Scores for calendar years 2005 and 2006

# Energy

## “Reduced Carbon Footprint”

Economic or Environmental Driver	SLG strategic Objective	Year to date Achievements	Future action or deviation
Climate Change and utility costs.	Reduce Specific Energy Consumption (SEC) as kilowatt hours per square metre leather (kWh/m <sup>2</sup> ) by 20% over period to 2010.	Increased energy efficiency. Reduction of SEC, across the Group by 20%. Reduced Carbon footprint.	Continued decentralisation and efficiency gains via heat recovery systems, application of variable speed drives and improved machinery control. Establish the carbon footprint of the leather supply chain.

The global costs of energy have spiralled in recent years, reaching a peak in 2006. Clearly, with these costs now more significant, the drive to improve efficiency or to find alternative means to generate our own energy increases. As a first stage, we have achieved a reduction in energy use per hide of 20%, as shown in Figure 2. Additionally, much emphasis is placed on reducing our carbon emissions, which we are pleased to illustrate in Figure 3.

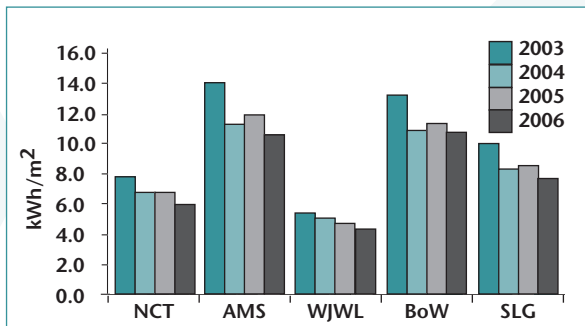


Figure 2: Reduction in specific energy consumption by 20% from 2003 baseline year to date

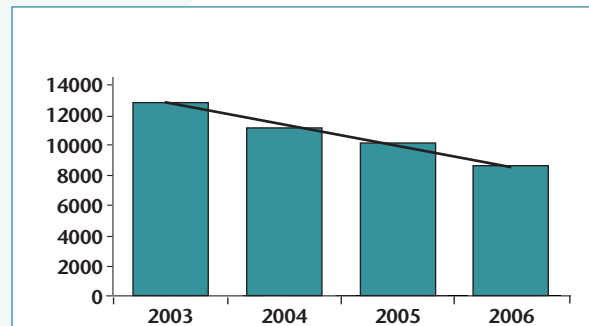


Figure 3: Group reduction in Carbon footprint as shown by tonnes of carbon dioxide emission per calendar year.

We continue to perform compliantly and maintain our tax levy exemptions under the UK leather sector’s Climate Change Agreement.

## Waste

“Towards Zero Waste”

Economic or Environmental Driver	SLG strategic Objective	Year to date Achievements	Future action or deviation
Landfill availability and costs.	Avoid landfill by avoiding waste creation, employing beneficial reuse and recycling.	Recycling of paper, plastic, metal cardboard and wood, with composting of biodegradable waste. The reduction of shavings by precision splitting and sale of trimmings. Registered and compliant to Packaging Obligations.	Minimise landfill. Thermal Energy Plant with direct waste heat recovery. Sale of all recyclables remains a target

Chemicals and hides are the two main sources of packaging and waste. Careful hide and packaging selection has illustrated a potential for reduced waste creation and generation of materials for recycling. Composting continues for biodegradable process waste, with Publicly Acceptable Standard 100 accreditation to be achieved during the next year.

We are registered as a compliant obligated producer of packaging waste. We now recycle the vast majority of all our plastic, wood, metals and paper. In addition, we expect to open further opportunities for recycling and sale of by-products in the next year further increasing our returns. At present we sell most of our leather off-cuts and recyclables.

## Water & Effluent

“Efficient water use and re-use”

Economic or Environmental Driver	SLG strategic Objective	Year to date Achievements	Future action or deviation
Eliminate water wastage and reduced ecological impact.	Avoid use of compounds of concern with improved effluent treatment, potential for closed loop water use	On site effluent treatment currently includes some advanced systems. Trials continue with new effluent technologies, chemical replacements and avoiding use of compounds of concern.	Eco-friendly tanning R&D is underway, with advanced effluent treatment and water recycling under evaluation.

Sustainable development requires that we use environmentally benign compounds, which are economically viable. In addition, the effluent created should also be treatable with affordable technology. We have investigated new chemical products and advanced treatment systems, including electrolysis and membrane technologies for the elimination of target compounds. These could facilitate water re-use or even avoid water discharge, thereby further reducing our footprint. These investigations remain ongoing. We work closely with our water and wastewater providers and maintain compliance to standards set. Regulatory tightening is anticipated in the next few years, requiring further plant upgrades and investment.

# Air Emissions

“Reduced impact beyond our boundaries”

Economic or Environmental Driver	SLG strategic Objective	Year to date Achievements	Future action or deviation
Odour, noise and air emissions.	Reduce impact beyond boundaries.	Reduced complaints by abatement of odour, emissions and noise, with upgraded treatment process. Emissions monitoring has shown full compliance.	Upgraded odour control and wet scrubbing plant with new bio filters.

Odour emissions continue to be kept under control. Further investment in the abatement plant and increased capture of odour will continue with new plant during this next year. Feedback from stakeholders has been positive, and we remain committed to further improvements.

# Renewable energy

“Development of Thermal Energy Plant”

Economic or Environmental Driver	SLG strategic Objective	Year to date Achievements	Future action or deviation
Renewable energy application.	Generate thermal energy from waste. This will reduce gas purchase and avoid waste disposal.	Planning permission granted following successful submission of the Environmental Impact Assessment. Commercial diligence is on going.	Diligence, construction.

Following public consultation and canvassing ministerial support we were granted planning permission for a Thermal Energy Plant at the Bridge of Weir site. This application was accompanied by an Environmental Impact Assessment which studied all aspects of the development (e.g. flood risk, air emissions, aesthetics, noise, archaeological, historical and ecological impact). Though the plant is a significant investment, it will provide strategic advantage, by allowing the internal control of waste disposal and reducing our exposure to volatile energy markets. The plant represents a significant step which demonstrates the commitment to reducing our footprint and facilitating an environmentally sustainable production cycle. The plant is anticipated to further reduce our current carbon emission by 5000 tonnes of carbon dioxide per year.

Other renewable technologies e.g. producing biodiesel from tallow and solar applications are also under consideration.

## Conclusions and the way forward

The Group has shown a further reduction in its carbon emissions and overall environmental impact. The thermal energy plant represents a new direction for the Group, and brings closer the achievement of a zero waste strategy. This will avoid increases in operational costs, odours, off site waste disposal, primary energy consumption, waste and water discharges. This investment is essential to sustain a viable and competitive business, operating within an increasingly onerous regulatory and commercial framework. The primary emphasis over this next year is bringing the thermal plant development to fruition and ongoing efforts to reduce energy use, thereby building upon the achievements already made.

### Stakeholder and partner comments



John Stocks of Carbon Trust presented Jonathan Muirhead with Scottish Leather Group's Energy Efficiency award in August 2006.



The Scottish Leather Group is one of the most important members of the UK Leather Federation, and the company plays a leading role in the development and application of new technologies designed to minimise the environmental impact of the leather production process.



Environmental management systems & ISO14001: 2004 are audited by British Standards Institute.



Our zero waste strategy and the developmental trials to achieve it are supported by Scottish Enterprise Renfrewshire

This statement was written after reference to guidance from the EU Accounts Modernisation Directive and publications such as "Environmental Key Performance Indicators, Reporting Guidelines for UK Business", published by Department for Environment, Food & Rural Affairs .

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