

Environmental, Social & Governance Report 2024



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Welcome to our 21st Annual Report. Our Environmental, Social & Governance (ESG) Report is in reference to the Global Reporting Initiative (GRI) and details our approach, commitments, and progress as we strive towards a more sustainable future.

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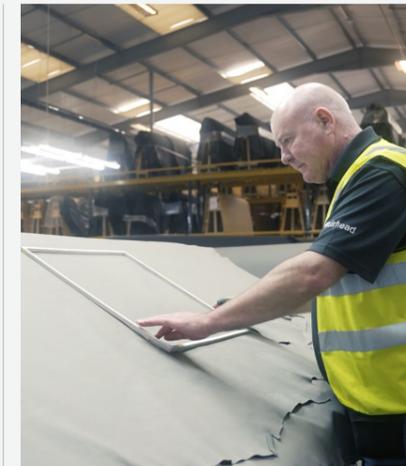
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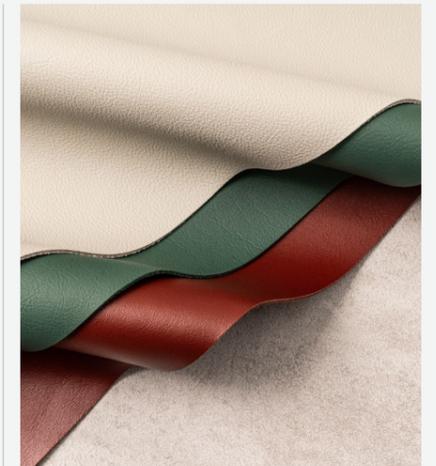
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Section

01

1.1 About this report

Welcome to Scottish Leather Group's 21st Annual Report.

Introduction

This report details our approach, commitments, and progress and introduces our new 5-Year Plan. Within this plan is an ongoing commitment to the principles we have delivered over the past two decades, complemented with a desire to diversify our portfolio of sustainable solutions to our customers, increase the performance of our exceptional people and continue elevating our industry-leading position. The foundation we've built over two decades gives cause for optimism and confidence in our direction and future.

We welcome the introduction of the Green Claims code to eradicate **greenwashing**, and the forthcoming European Union Deforestation Regulations (**EUDR**) and are pleased to illustrate our world-leading approach to this forthcoming regulation. This reflects the confidence in our position; with an absence of deforestation in our supply chains and providing our customers with the reassurance of the quality, custody, and credentials of our products based on our industry-leading traceability systems, as transparently presented in this and previous reports.

Continuing our commitment to the United Nations Global Compact (**UNGC**), we offer the world's lowest carbon leather. We are committed to exceeding customer expectations and driven by our exceptional people. Our mission is to ensure no one does more to deliver innovative, sustainable and integrated leather solutions to diverse markets, fostering long term relationships and setting new industry standards for quality and environmental responsibility.

We invite you to learn more about our progress, achievements, plans and aspirations in this report, which is in reference to the Global Reporting Initiative (**GRI**) and aligned with Corporate Sustainability Reporting Directive (**CSRD**), **Double Materiality Assessment** and other statutory and voluntary reporting requirements and obligations.



Stella Morse, Chair

Stella Morse
Chair
Scottish Leather Group

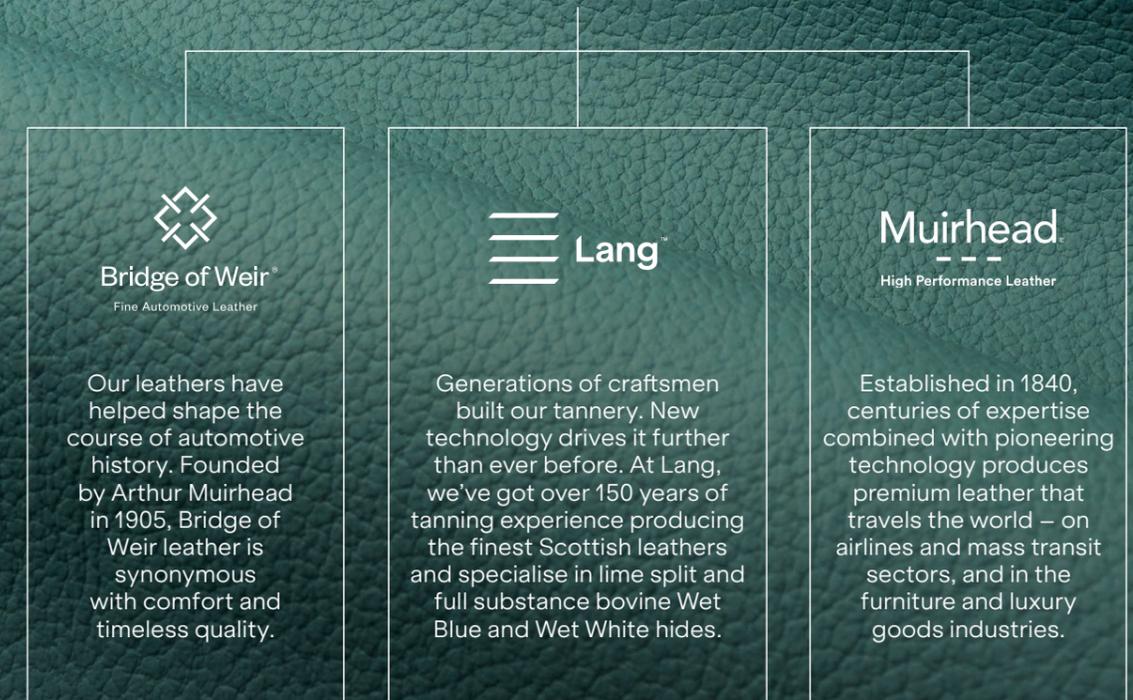


Nicholas Muirhead, CEO

Nicholas Muirhead
CEO
Scottish Leather Group

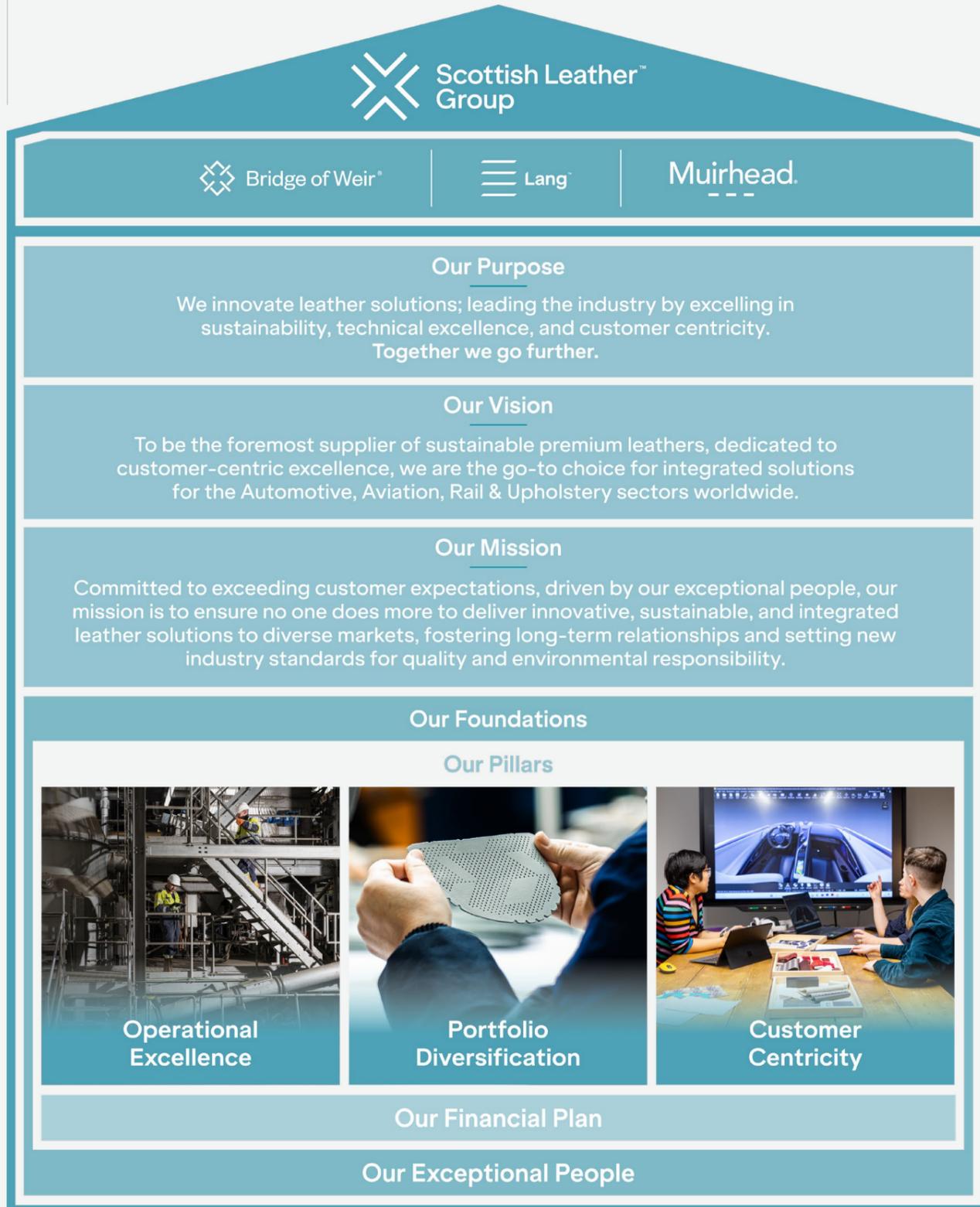
Together we go further

Group Structure



1.2 Our approach for a more sustainable future
Integration of ESG & business strategy

This framework encapsulates our mindset, ambition and strategy.



1.3 2023/24 performance highlights

100%

100% traceability of our raw material

100%

of our suppliers are signatory to our code of conduct

90%

We have reduced the Greenhouse Gas Scope 1 & 2 of our leather by 90%

Life Cycle Analysis (LCA) measures impact of production as CO₂e/m², our LCA of

8kg

being the lowest in the world published for leather

89%

of our waste was recycled or recovered in 2023

1.4 Sustainability strategy & organisation

Overview

We are determined to build a company that continually raises standards in quality, sustainability, ethics, and traceability – developing lowest carbon products without compromise and without costing the earth.

Our strategy over the past 20 years, as reported, has been one of reducing risk and improving opportunities. Our response to the climate crisis and that of rapidly changing markets has been to internalise and de-risk, by increasing our own ability to vertically integrate thereby reducing supply chain risk, and internalise risk by self-treatment and self-generation. We have reduced both our carbon intensity and volume of materials sent to landfill by c.90% since these targets were set. Ongoing risks prevail, including the impact of flood and drought. To combat these risks, we have invested in flood alleviation and reinforced our own private water supply. We have set near-term carbon reduction targets via the Science Based Targets initiative (SBTi), without offsetting. Our commitments and actions stemming from our ongoing commitment to the UNGC have helped to increase our actions toward staff wellbeing, the incorporation of the Ethical Trading Initiative (ETI) base code and supply chain extension of our commitments. A new supplier verification platform is being rolled out this year, along with several other initiatives from the ESG



We have reduced the GHG Scope 1 & 2 of our leather by

90%



committee. This was supplemented by endorsement of our working practices on the Supplier Ethical Data Exchange (SEDEX) platform via an independent Sedex Members Ethical Trade Audit (SMETA) accreditation verifying our implementation of the ETI base code and verification of operation to the International Labour Organisation (ILO) standards. These were further supported by the completion of the UNGC broad Communication on Progress (UNGC CoP) and will be repeated over the forthcoming year.

The continuing expansion of our product offering, through innovative tannages and improvement of our operational performance across the ESG agenda in line with all the United Nations Sustainable Development Goals (UN SDGs), reflects the passion we have for our products and the responsibility we hold as a sustainable manufacturer.

During the year we also revisited our Life Cycle Analysis (LCA) dataset and will continue to revise this as we see further improvements or reductions in our direct product impact. The Super Tannery which opened in September 2023 has delivered further operational and environmental improvements.



Our commitments

Categories

People

We have sought internal feedback from staff through engagement surveys. We have been independently assessed through our membership of the SEDEX platform via a SMETA audit. We have revised our employee guide in accordance with the ILO and ETI and other standards to which we subscribe.

Planet

Through circular manufacturing, we will have zero process waste to landfill by 31st December 2025.

We will reduce our direct (Greenhouse Gas Scope 1 & 2) impact to Net Zero by 31st December 2025.

How we do business

All our suppliers are signatories to our extensive Code of Conduct.

We have verified the integrity of our supply chain via an auditing protocol to meet internationally accepted standards by our vendor platform.

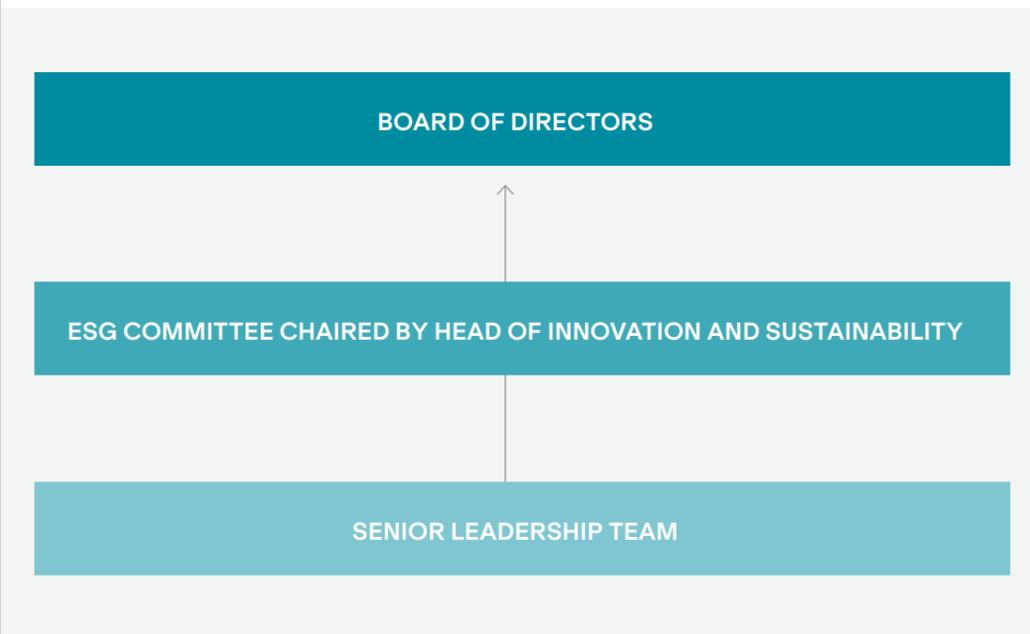
Last year we established a Director-led ESG committee steering our ESG agenda.

We are accredited to the UN Global Compact



1.4 Sustainability strategy & organisation

Governance



Good governance is fundamental to responsible business. The data provided within this report, and previously, is independently audited and verified to the standards which we openly subscribe. In addition to our ISO accreditations, benchmarking and other independent evaluations, such as the Leather Working Group (LWG) certification, have concluded reaffirming our performance and the statements made in this report.

The Task Force on Climate-Related Financial Disclosure (TCFD) and other recent relevant legislation, bring new reporting and oversight requirements, in particular relating to climate risk, with inclusion of the Double Materiality Assessment.

Overview of governance matters is provided at Board level. Scottish Leather Group's Senior Leadership Team oversees the strategic delivery of the business.

The ESG Committee, reporting to the Board, was created in 2023 and is chaired by the Head of Innovation and Sustainability, Dr Warren Bowden and includes executive level and senior leadership team members across the ESG agenda. The committee collates the impact and gap analysis from a variety of independent sources to establish future strategy and actions. These are captured in the risk register, formally recognising actions to mitigate impact and highlighting priorities. Senior staff, across all departments conduct an annual 'risk' review, including that of climate change (direct, indirect, physical and financial). These climate change risks include flood, drought, raw material sourcing, energy security and resilience to the changing climate, and includes our commitment to responsible sourcing and avoiding deforestation within our supply chain.



We are committed to strict ethical standards, fairness, transparency, and equality practices across the Group and within our supply chain. This begins with gender equality and equal pay for equivalent roles, and extends across all our, and our suppliers', behaviours via our Code of Conduct – it is enshrined in our commitments and measured against the obligations within UNGC.

With the increasing importance of climate risks and supply chain obligations to our customers, the

ESG committee steers our strategy and delivers implementation of both short and long-term activities to support our target commitments. This includes the frequency and gravitas of ongoing external verifications and assessments to maintain and extend our industry-leading position and de-risk the business in relation to forthcoming legislation.

“Good governance is fundamental to responsible business.”

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Section

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2.1 Double Materiality

The CSRD demands increased transparency and accountability from businesses and aims to drive sustainable change across the EU. The introduction of the Double Materiality Assessment is set to become a mandatory exercise for companies, requiring them to identify which sustainability matters are most material to the organisation and its stakeholders by evaluating their impact on environmental and social factors, while also considering how these factors influence the organisation. In essence, the Double Materiality Assessment combines impact with financial materiality.

Double Materiality

In 2024, we have pioneered a [Double Materiality matrix](#) (refer to appendix). We now have a more holistic view of the technical and financial risks and opportunities we face. Our sustainability approach, guided by stakeholder input over two decades, prioritises material topics with the greatest impact and financial significance. This was achieved through stakeholder engagement and guidance from the Sustainability Accounting Standards Boards (SASB), the GRI and the UNGC and UN SDGs.

Stakeholder engagement

In 2023, we conducted independent qualitative research with customers and stakeholders to understand their priorities. Our research partners held in-depth interviews with representatives from key sectors. We also partnered with a trends intelligence agency to grasp end-consumer expectations. Analysing these findings, alongside topics from our ongoing communications, provided a comprehensive understanding of material issues. These issues are enshrined within our brand pillars & foundations of our 5-Year Plan as shown opposite.

Our 5-Year Plan

Our 5-Year Plan is a testament to our unwavering commitment to ensuring no one does more to deliver innovative, sustainable and integrated leather solutions to diverse markets and de-risk our business. We foster long term relationships and set new industry standards for quality and environmental responsibility. This commitment is not just a promise but a roadmap to a more sustainable future, one that we are confident in delivering.

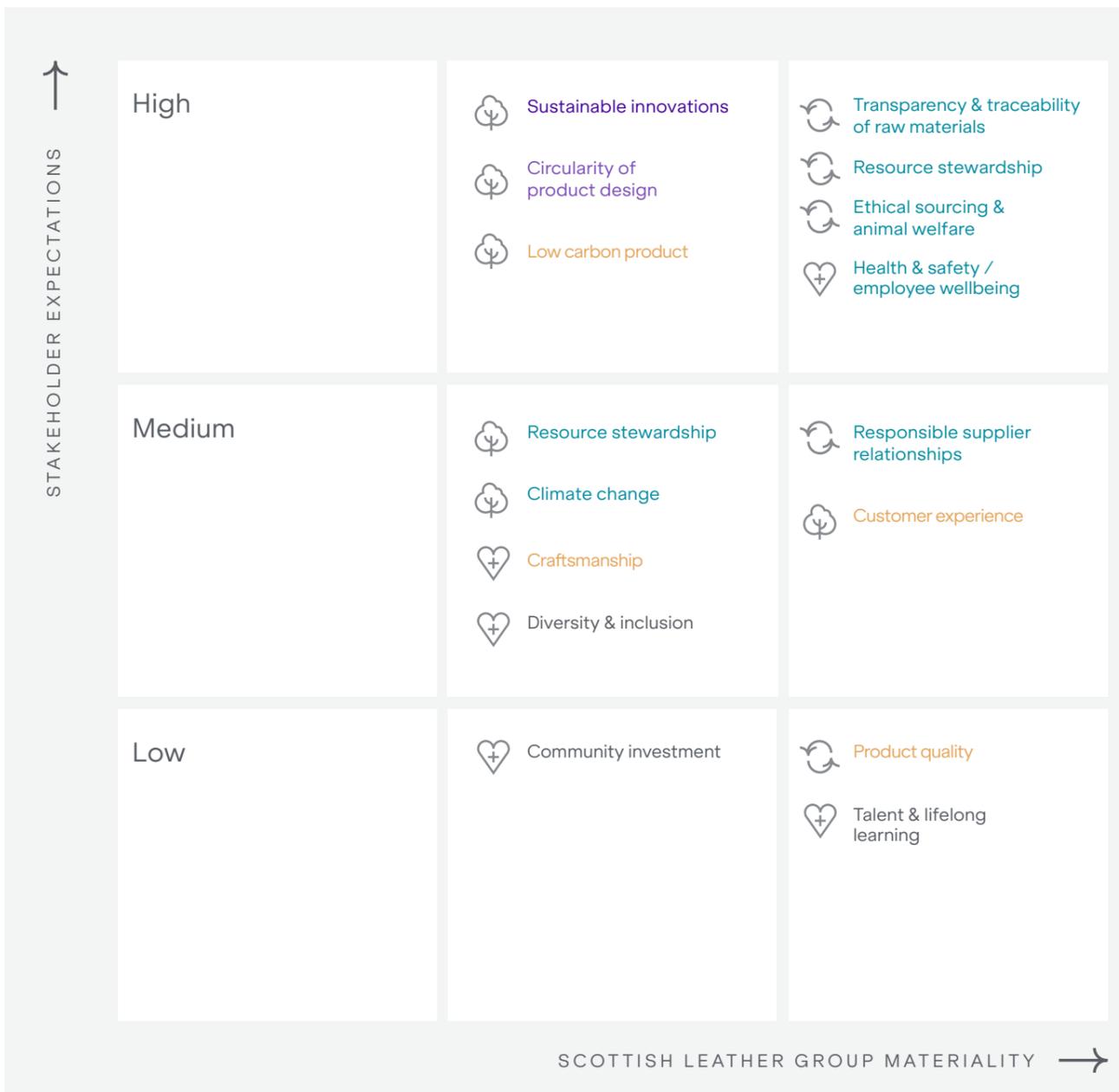
Material topics

- | | | |
|---|---|--|
| <p>1 Transparency & traceability of raw materials
Ability to track and trace from farm to finished product and prove the absence of deforestation.</p> <p>2 Ethical sourcing & animal welfare
All raw materials are by-products of the food industry and animals are raised to a high standard of animal welfare, as measured by the Animal Protection Index (API).</p> <p>3 Health & safety / employee wellbeing
Providing a secure and safe environment for employees to thrive.</p> <p>4 Responsible supplier relationships
Ensuring suppliers meet the same criteria our customers expect from ourselves.</p> | <p>5 Customer experience
Excellence at every touchpoint throughout our delivery.</p> <p>6 Product quality
Aspiring for brilliance in performance, longevity, design, and innovation.</p> <p>7 Talent & lifelong learning
Actively encouraging employee progression and promoting continual learning.</p> <p>8 Sustainable innovations
Developing new technologies, designs and finishes that improve longevity and minimise impact.</p> <p>9 Circularity of product design
Delivering high performance material that can be repurposed at end-of-life.</p> <p>10 Low carbon product
Lowering the carbon footprint of our operations and products.</p> | <p>11 Resource stewardship
Ensuring and optimising use of natural resources.</p> <p>12 Climate change
Contributing to the overarching aim to reduce impact.</p> <p>13 Craftsmanship
Continually developing the care and skill required to produce our lowest carbon leather.</p> <p>14 Diversity & inclusion
Recognising, respecting and celebrating each other's differences and creating an environment where everyone feels welcome and valued.</p> <p>15 Community investment
Supporting the local community financially and practically.</p> |
|---|---|--|

Materiality Matrix

The original Materiality Matrix, excluding the financial impact, is shown below.

Key	Brand pillars & foundation	Category
	Striving for Operational Excellence	Environmental
	Diversifying our Portfolio	Social
	Committed to Customer Centricity	Governance
	Our Exceptional People	



2.2 Progress against our goals

Commitments & progress

1

Year 2023

Commitment

We have verified the integrity of our supply chain via an auditing protocol to meet internationally accepted standards.

Materiality topic

- Transparency & traceability of raw material
- Ethical sourcing & animal welfare
- Responsible supplier relationships

Progress

We are actively engaged with our supply chain – suppliers and contractors alike – and seeking assurance regarding the provenance of materials, supply chain footprint, behaviours, practices and risk management.



2

Year 2025

Commitment

Through circular manufacturing, we will have zero process waste to landfill.

Materiality topic

- Sustainable innovations
- Circularity of product Design
- Resource stewardship
- Low carbon product
- Climate change

Progress

Progress has seen our metrics achieve 89% of our 2025 target.



3

Year 2025

Commitment

We will reduce our direct (Scope 1 & 2) impact to Net Zero as reported under **SECR**.

Materiality topic

- Sustainable innovations
- Circularity of product design
- Resource stewardship
- Low carbon product
- Climate change

Progress

Our GHG Scope 1 & 2 emissions have already reduced by 90% from baseline towards our 2025 target.

This has been independently verified.



4

Long-term targets

Commitment

- Continue our biennial Gold certification to Leather Working Group.
- Regular independent benchmarking of our ESG performance.
- Continuation of **SEDEX** membership and **SMETA** 4 pillar audit.
- Continuation of **RoSPA** President's award.
- Innovation to support further reductions in product footprint and extending our product offering.
- Vendor verification platform.
- SBTi:
 - To reduce absolute **Scope 1, 2 and 3 GHG** emissions 67.2% by FY2034 from a FY2018 base year. Scottish Leather Group also commits to continue active annual sourcing of 100% renewable electricity through FY2030. Scottish Leather Group further commits that 5% of its suppliers by emissions covering purchased goods and services, will have science-based targets by FY2028.
 - To reduce **Scope 3 FLAG GHG** emissions 48.5% by FY2034 from a FY2018 base year*.
 - To maintain no deforestation across its primary deforestation linked commodities.



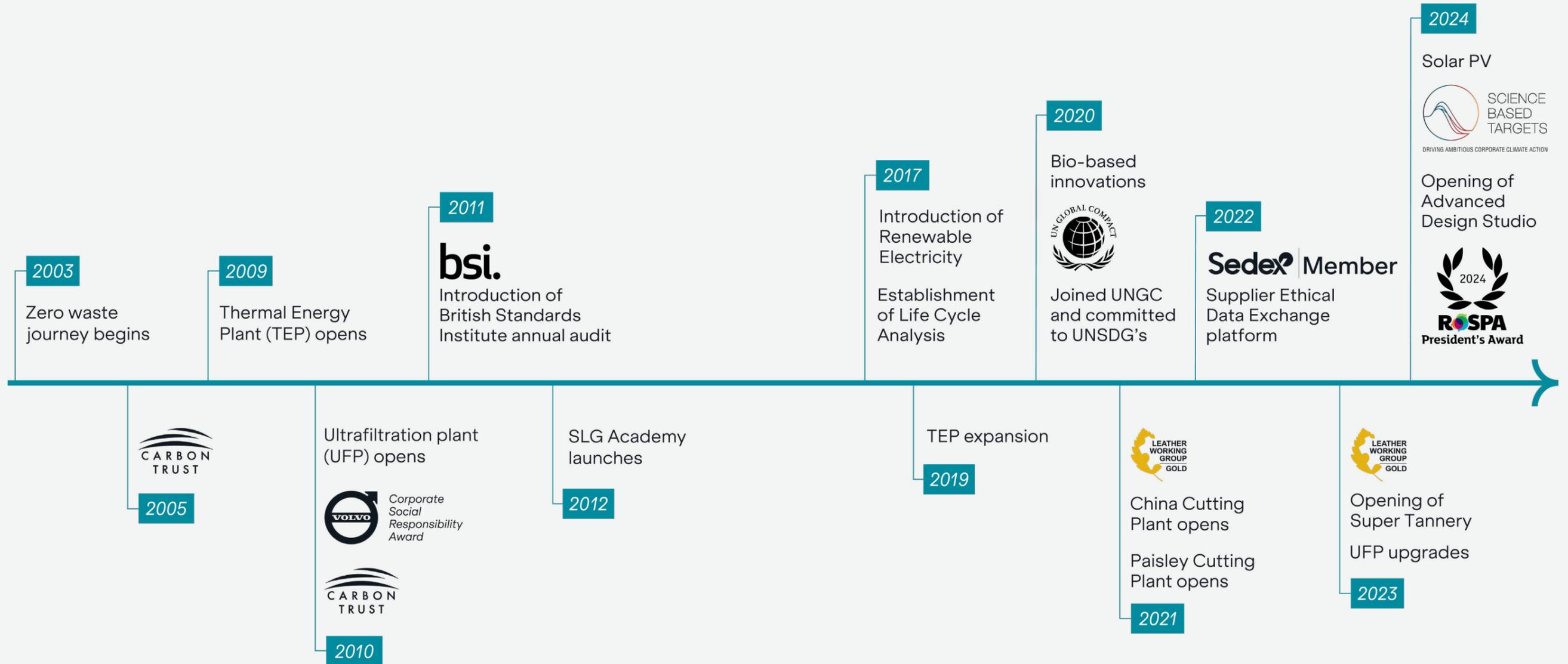
*The target includes FLAG emissions and removals.

Key

- Environmental
- Social
- Governance

2.3 Our milestones, awards and accreditations

Investing, measuring and improving since 2003



£32M invested since 2009

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Section

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3.1 Management approach

“Our exceptional people, coupled with our financial plan, form the foundations of our 5-Year Plan.”



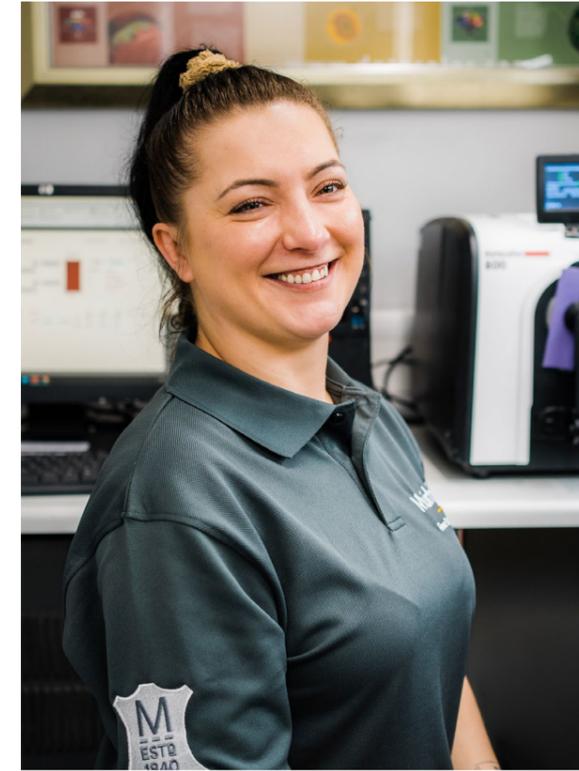
One of the two foundations that underpin our 5-Year Plan is Our Exceptional People. This reflects the importance that we put on ensuring that people are at the heart of everything we do. Without them we would not fulfil our purpose of leading the industry by excelling in sustainability, technical excellence and customer centricity.

Our priority is the safety and wellbeing of our employees, contractors and the communities that surround our manufacturing sites; on which we will never compromise. This is evidenced by The Royal Society for the Prevention of Accidents (RoSPA) Gold award, presented to us in March 2024. We maintained our President's award status (13 consecutive Gold awards) for our Health and Safety performance.

The RoSPA award is the ultimate symbol of achievement in safety and recognises our dedication to high safety standards, the wellbeing of individuals, and our commitment to excellence.

We continue to focus on the importance of our pillars - operational excellence, portfolio diversification and customer centricity; building them into our performance management and recognition frameworks and celebrating when a colleague excels.

We are also very proud of our robust succession planning framework, evidenced by a SMETA audit in 2024. This, coupled with our Leather Working Group (LWG) Gold status is testament to our commitment for high standards of labour, health and safety, environmental performance, and ethics across all of our business and operations.



Our Double Materiality Assessment cemented our existing understanding of key priorities:

People

Improve lives

Material Topics

- Health & safety / employee wellbeing
- Inclusion & diversity
- Talent & lifelong learning
- Craftsmanship
- Community investment

1 NO POVERTY

2 ZERO HUNGER

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

5 GENDER EQUALITY

10 REDUCED INEQUALITIES

11 SUSTAINABLE CITIES AND COMMUNITIES

3.2 Health & safety / employee wellbeing

Our 13th consecutive RoSPA Gold award, with the last 4 being President's Awards, highlights our commitment to employee safety and wellbeing, essential for fostering high-performing and engaged teams. This is achieved by focusing on behavioural changes at all levels of the organisation. We are particularly proud that our focus on near-miss reporting has realised an increase of over 21% comparing FY23 to FY24, recognising our commitment to creating a culture of continuous safety. We are also very proud that health and safety continues to score highest in all categories within our annual employee engagement survey - Pulse, and has now done so for the third consecutive year.

In early 2024 we reinvigorated our Wellbeing Committee, whose purpose is to promote and influence positive actions to create an engaged and inclusive workplace culture that cares for the health and wellbeing of our people. The Committee comprises of members from across Scottish Leather Group, from administrative to operational roles, to ensure we meet the needs of all members of our teams. The initial actions involved creating an outside activity group, to build a sense of community, investigating health screening initiatives and the introduction of a healthy eating club.

In 2024, we also launched our new Employee Assistance Programme (EAP), We Care. This programme enhances employee support by promoting positive lifestyle choices.

In 2023, we committed to refreshing our mental health first aid network, and we have now fulfilled this commitment. We have trained 17 employees to the SVQ Level 2 standard, making this valuable resource accessible to all employees through our SLG & Me engagement hub. This network has proven to be invaluable for many during times of need.

Our dedication to employee wellbeing, particularly during challenging external circumstances, is steadfast.



13  Consecutive
RoSPA
Gold awards



Employee engagement

Scottish Leather Group's cultural success is the value we place on high levels of employee engagement, as it provides the platform for customer centricity and operational excellence.

We are pleased that our third employee engagement survey (Pulse) received a response rate of 90% in 2023, an increase on prior years. We have some further work to do however in improving our relatively static engagement score. We are confident that with the cascade of our 5-Year Plan to all employees through face-to-face employee meetings and our interactive SLG & Me online platform, there will be a sense of collective purpose in the months and years to come.

We are also encouraged that our peer-to-peer eCard recognition platform continues to grow. This should help to improve our engagement score by recognising key behaviours such as teamwork, customer focus, and continuous improvement, and support the delivery of our 5-Year Plan ambitions. We also launched 'Employee of the Quarter' in 2024, which ensures that our exceptional people are recognised and celebrated across the Group.

“High employee engagement provides the platform for a truly customer centric experience.”



3.3 Inclusion & diversity

We continue to increase our efforts in retaining and attracting diverse talent to Scottish Leather Group at all levels – and to raise awareness of the many career opportunities that exist.

As a result of our Equality, Diversity, and Inclusion (EDI) audit in 2023, a number of key actions have been undertaken including EDI training for all employees, launching stay interviews and hosting webinars on subjects that have affected employees personally such as the menopause and transgender awareness.

In 2023, we hosted and showcased our manufacturing facilities, rather than attend external networking events, to break the perception that Scottish Leather Group is solely an industrial setting and does offer a diversity of roles. This has led to site visits by Skills Development Scotland, The University of Strathclyde, Caledonian University and Kibble, a local charity that supports young people who have experienced significant trauma.

To get better gender balance we actively encourage a diverse applicant base and progression within the Company. In 2023 we saw the recruitment of a female non-executive chair and the promotion of two females, one to the Senior Leadership Team and the other the Executive Board.

We are also delighted that four females have embarked on Graduate Apprenticeships; one within Data Science, two within Engineering and one within Business Management. We are very proud that our Engineering Graduate was recognised as Apprentice of the Year by Glasgow's Trade House in June 2024.

Our commitment to EDI translates to the products we produce, with one of our creative designers championing sensory-friendly products for our aircraft customers. Products made from our leather can be used to support neurodivergent passengers during their flight.



Percentage of females on
our Board of Directors

50%



Apprentice of the Year 2024, Ruth Iruquibelar



“With our Sensation collection we are championing sensory-friendly products for our aircraft customers to support personal challenges during their flight.”



3.4 Talent & lifelong learning and craftsmanship

We are supporting the development of

Future leaders.



“The Scottish Leather Group Academy supports both apprentices and current employees with lifelong learning.”

We continue to be very proud of our Scottish Leather Group Academy. The main principle behind the academy when it was launched in 2012 was to support apprentices and current employees in lifelong learning.

We continue to develop apprentices across Manufacturing & Production and Maintenance Engineering, reaching 81 in November 2023. Further recognition of the importance of our Apprenticeship programmes is demonstrated by an award presented to two of our graduate apprentices in 2024 by The Trades House of Glasgow Cordiners, for an innovation project which will see a further reduction in our waste streams.

On top of these incredible achievements, we have supported a further 200 of our colleagues to achieve SVQ levels 2 or 3 in leather manufacturing and IT.

We have encouraged a number of our existing employees to take up Graduate Apprenticeships, and to date we have over 10 colleagues who have either graduated or are undertaking a graduate apprenticeship in Engineering, Data Analytics, Cyber Security or Business Management. It is this fresh approach that will also support us to develop the future leaders of our business.

200[🏆]

of our colleagues achieved SVQ levels 2 or 3 in leather manufacturing and IT.

As part of our annual Performance & Development Review process in 2023, over 180 of our employees identified specific individual training requirements. The training was delivered through both our external training partners and internally by our network of highly skilled Leather Experts.

Since the launch of our Coaching Academy in the summer of 2023, we have supported a number of our colleagues with personal coaching which will help to unlock the potential of those embarking on a learning journey.

3.5 Community investment

The Group's charitable and community efforts aim to make a lasting impact near our manufacturing sites. Our local presence shows the positive difference we can make beyond the workplace.

Community engagement is central to our Corporate social responsibility (CSR) programme and company ethos. We believe in giving back and creating a positive impact where we live and work. Our strategy supports initiatives that address critical needs, including educational programmes.

We empower our people to drive positive change through volunteer programmes and employee-led initiatives. Our team contributes by volunteering, fundraising and sharing expertise. These efforts enhance our community and demonstrate our commitment to fostering supportive and responsible long-term relationships.

Throughout this year, we have continued to deepen our long-standing partnerships with St Vincent's Hospice, CHAS (Children's Hospices Across Scotland) and the Bridge of Weir senior citizen group.

Our dedication to children's welfare is evident in our donations to the Renfrewshire Christmas Toy Bank and Renfrewshire Helping Those in Need, bringing joy to local children during the festive season. We also supported the Trades House of Glasgow Spirit of Christmas Appeal, providing gift bags for teens through Barnardo's Easterhouse.

In our ongoing commitment to local community engagement and support, we were delighted to partner with St Machar's Warm Street Café. This initiative provided a welcoming space for members of our local community near our Bridge of Weir manufacturing site.

Our commitment to community support transcends traditional financial and charitable donations. We understand the profound impact our employees can have by dedicating their time, skills and expertise to local causes. This year, we strengthened our engagement with local schools through our long-standing



STEM (Science, Technology, Engineering, and Mathematics) initiatives. Through our multi-year **STEM** program, local pupils excelled once again in the Greenpower Electric Car Competition, achieving first place overall.

Our Muirhead manufacturing site has always cherished its close-knit relationship with the local community. This year, we proudly extended our support by sponsoring the football teams at Dalmarnock Primary School. Lesley Chalk, who leads our Community Engagement Committee, alongside Steven

Connor, a former pupil of Dalmarnock Primary School, had the honour of presenting the new football kits to both the boys' and the girls' teams. We were overjoyed to learn that both teams celebrated their first matches in the new kits with victories.

We were delighted to support Kilbarchan Primary School's P7 pupils in their creative business venture as part of their fundraising campaign, by helping them to design leather keyrings. Our Committee chose the top three designs – a shark, a cat and a dinosaur – which were then crafted into keyrings during a workshop led by our design team, Debra Choong and Jamie O'Donnell (He/Him). The keyrings were sold by the pupils to raise funds for their P7 Leavers' hoodies, blending entrepreneurship with hands-on learning. We were proud to support this initiative, enhancing both fundraising and creative skills.

We are dedicated to nurturing a culture of giving and sharing within our organisation. Whether through financial contributions, volunteering our time, or sharing our professional expertise, we strive to make a meaningful impact in the



communities we serve. We are deeply grateful for the unwavering support and enthusiasm demonstrated by our employees. Their dedication to our community initiatives is a source of immense pride and a testament to our collective commitment to social responsibility.

As we look ahead to 2025, our Committee is excited to continue expanding its efforts to support local communities. We are eager to build on our successes and further our contributions to fostering positive, lasting change.



Children's Hospices Across Scotland

Thanks to our employees' generosity during the Festive Fun Day, we were delighted to present CHAS with an additional contribution.

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4.1 Management approach

Building resilience

Building on our core beliefs and experience, the prominence of our ESG agenda demonstrates commitment to our business and customers, as well as the wider industry and greater society. Our on-the-ground operations and management approaches, supported by continual and rigorous review of data, contribute to our drive towards self-sufficiency, provide a robust approach to meeting the needs of our customers, and set the standard of expectations for our supply chain. Our methods undergo regular third-party verification and accreditation, and are widely referenced in this and previous years' reports.

The assessment of climate risk and direct local impacts continue to be material factors in our ESG and decarbonisation strategy. Climate change, while an inconvenient truth, is forcing organisations and industries alike to review their activities and not only recognise opportunities but implement approaches for resilience and improvement; water (sourcing from our own loch; water security), energy (renewable; energy security) and the multitude of impacts from deforestation. As demonstrated within the [Everrati case study](#), Scottish Leather Group's hide supply chain is free from deforestation and in line with EUDR traceability requirements. Identification of opportunities within our control have empowered us to implement innovative projects such as installing our Super Tannery (September 2023), self-generation of power and flood and drought mitigation.

The Super Tannery has resulted in further improvements to our already industry-leading water, chemical and energy use efficiencies. Our ability to generate oxygen on-site has increased our self-sufficiency. Since 2003 we have been working towards zero and have dramatically reduced (by 90%) the average carbon intensity (GHG Scopes 1 & 2, measured as CO₂ equivalent) per hide of our leather, switching to 100% renewable electricity and converting materials generated by our own processes into energy.

Our Double Materiality Assessment cemented our existing understanding of key priorities:

Planet 		
Reduce Impact		
Material topics		
Sustainable innovations		
Circularity of product design		
Low carbon product		
Resource stewardship		
Climate change		
 6 CLEAN WATER AND SANITATION	 7 AFFORDABLE AND CLEAN ENERGY	 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
 13 CLIMATE ACTION	 14 LIFE BELOW WATER	 15 LIFE ON LAND

“Our drive towards self-sufficiency provides a robust approach to meeting the needs of our customers, and sets the standard of expectations for our supply chain.”

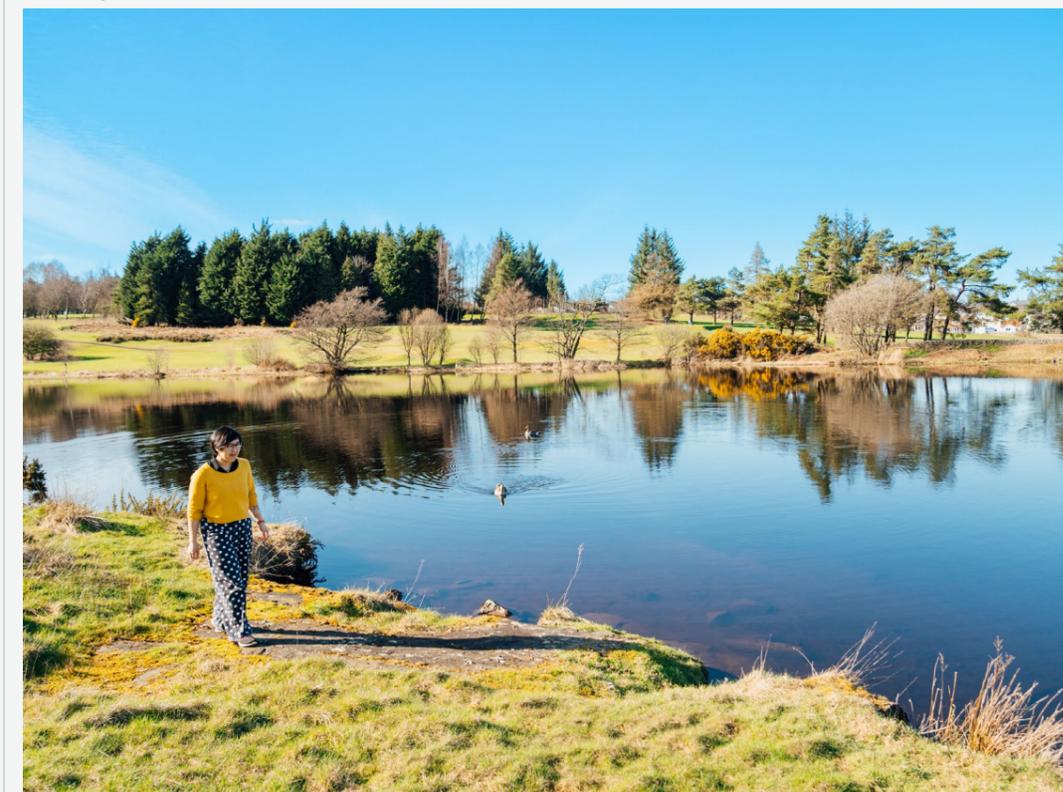
Our commitments

Our formal commitments to carbon reduction and sustainable manufacturing are outlined in this document, including the final stage of our goals to reach net zero for Scopes 1 & 2 carbon and zero process waste to landfill by 2025.

We are proud to have concluded our submission to SBTi, as well as providing advice on the application process and inclusive tools, resulting in near-term targets of:

- To reduce absolute Scope 1, 2 and 3 GHG emissions 67.2% by FY2034 from a FY2018 base year. Scottish Leather Group also commits to continue active annual sourcing of 100% renewable electricity through FY2030. Scottish Leather Group further commits that 5% of its suppliers by emissions covering purchased goods and services, will have science-based targets by FY2028.
- To reduce Scope 3 FLAG GHG emissions 48.5% by FY2034 from a FY2018 base year*.
- To maintain no deforestation across its primary deforestation linked commodities.

*The target includes FLAG emissions and removals.



We have reduced the GHG Scope 1 & 2 of our leather by

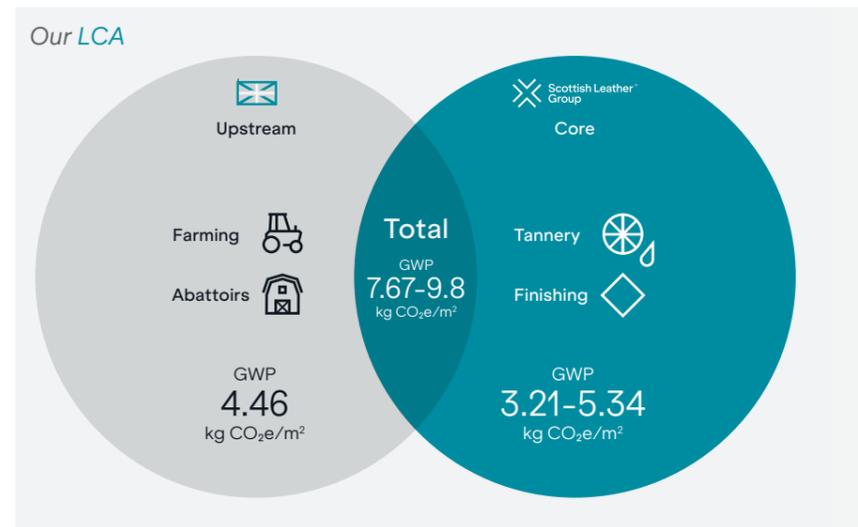
90%

4.2 Measuring our products' environmental impact

Leather in numbers

We produce the world's lowest carbon leather as measured using Life Cycle Analysis (LCA). LCA measures the true long-term impact of a service or product by examining all of the steps in a product's life from extraction of raw materials, through all the working processes, to distribution, maintenance and what happens to it at end-of-life. The LCA for our leather is based on primary data, independently created by specialist consultants according to ISO 14040 and ISO 14044 using Sector Guidance – EDP, PEFCR, and PCR standards, calculated using proprietary SimaPro software and in reference to the ecoinvent 3.6 database.

“Our Life Cycle Analysis of 8kg CO₂e/m² on average offers our customers an independently verified and quantifiable contribution to their Scope 3 reduction targets.”



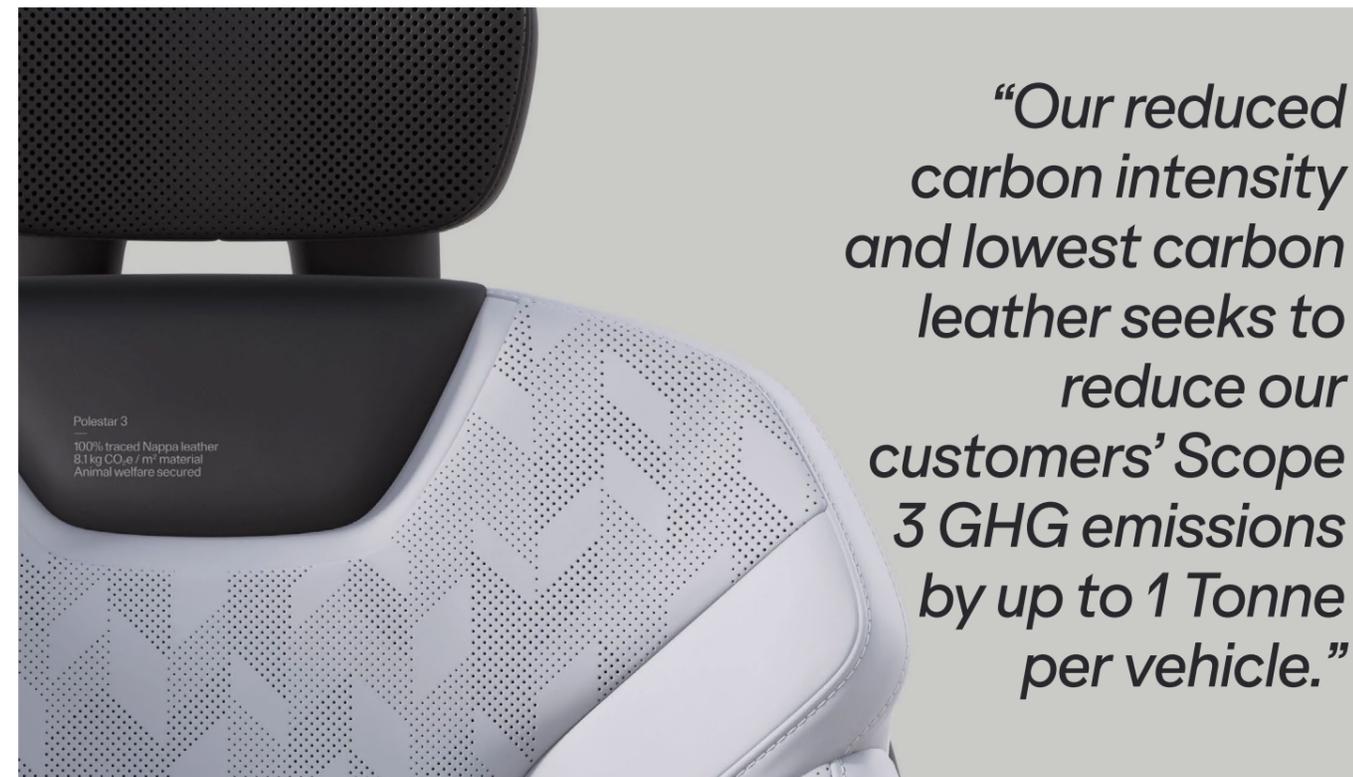
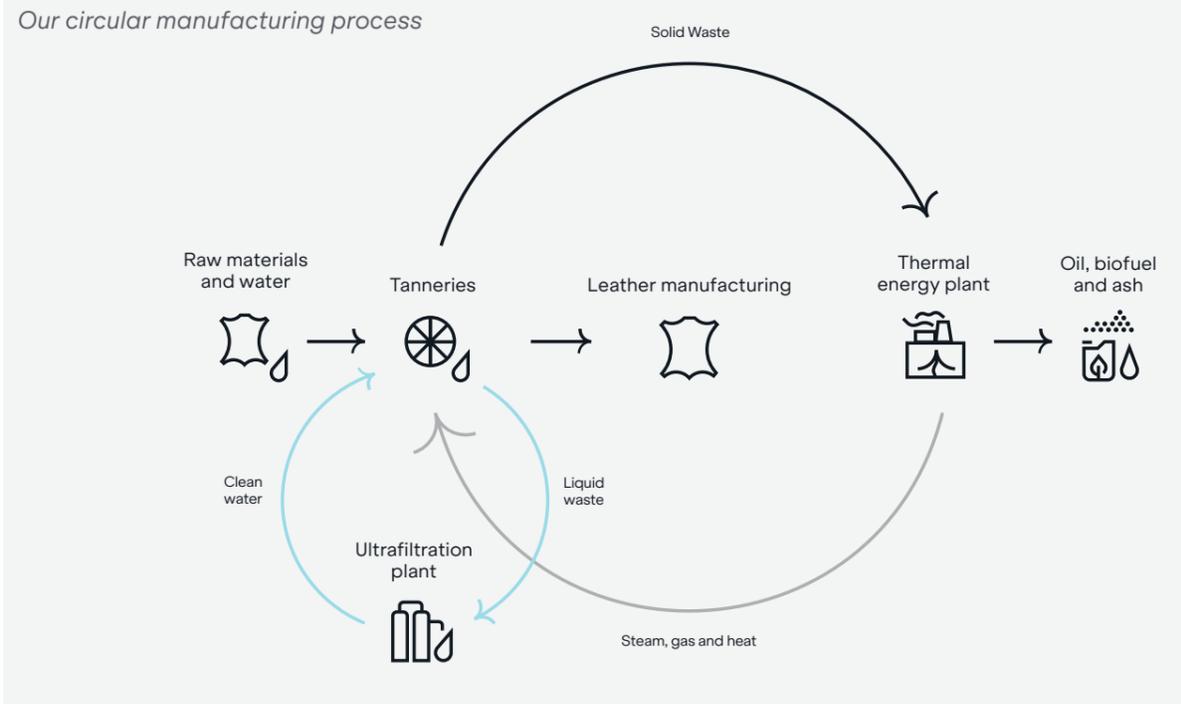
During 2024 the primary data used in the LCA will be revisited, along with updated information from our audited supply chain, which has been verified and externally audited. Additionally, individual LCAs will be compiled for our BioTAN® and FreeTAN® products. Our LCA is conducted by an independent third party, according to international standards (ISO) and has undergone further rigorous review by both customers and regulators.

Ongoing review of our LCA enables us to identify opportunities to continuously reduce our impact. This analysis however does not incorporate the “use” phase of leather and has triggered a need to develop alternative uses for end-of-life leather, reducing our customers' Scope 3 emissions in secondary biomaterials.

Circularity of product design

Circular manufacturing

In building our self-sufficiency, Scottish Leather Group subscribes to a circular manufacturing model. Materials generated from our on-site processes are fuel in our patented thermal energy plant (TEP). Our TEP reclaims energy as both steam, which can be used to directly power our tannery, or as a biofuel co-product which minimises the volume of materials to landfill and profoundly reduces our LCA.



“Our reduced carbon intensity and lowest carbon leather seeks to reduce our customers’ Scope 3 GHG emissions by up to 1 Tonne per vehicle.”

4.3 Resource stewardship

Maximising resource value to lower our carbon intensity

In making the world's lowest carbon leather we are demonstrating with our colleagues, customers and supply chain how we value the resources that we use. Our journey to become a self-sufficient and fully circular organisation is all encompassing.

- From sourcing materials responsibly, avoiding deforestation and ensuring our supply chain aligns with our values by signing our Code of Conduct and being formally audited via our vendor assessment platform;
- Managing and maintaining our loch which is our main source of water, conducting water scarcity assessments, as well as reducing our water consumption across our offices and operations;
- Utilising solar PV for c.25% of our electricity consumption, continuing to use certified wind renewable electricity (since 2017), reducing consumption across our offices and operations, and generating renewable

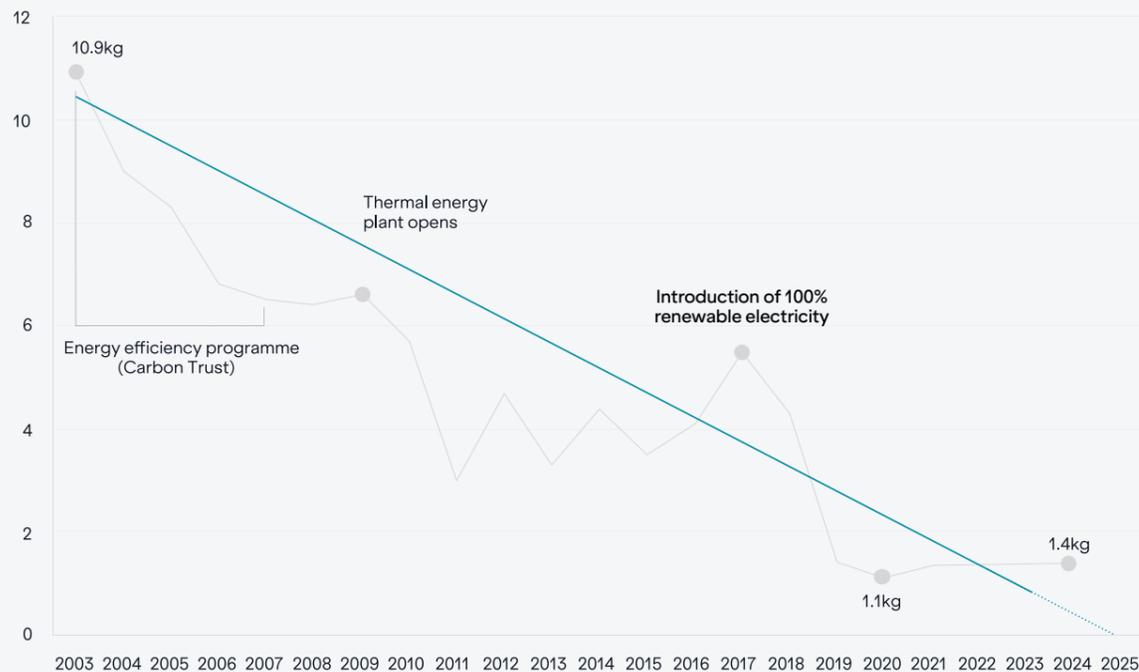
heat and steam from our on-site TEP to drive the improvement of our production carbon intensity;

- Regularly review and (re)measure our LCA to include the most up-to-date products and processes, accurately reflecting their impact;
- Maximise the reuse value of resources used within our manufacturing processes as well as those materials generated in both the upstream and downstream supply chain.
- To reduce absolute **Scope 1, 2 and 3 GHG** emissions 67.2% by FY2034 from a FY2018 base year. Scottish Leather Group also commits to continue active annual sourcing of 100% renewable electricity through FY2030. Scottish Leather Group further commits that 5% of its suppliers by emissions covering purchased goods and services, will have science-based targets by FY2028.
- To reduce **Scope 3 FLAG GHG** emissions 48.5% by FY2034 from a FY2018 base year*.
- To maintain no deforestation across its primary deforestation linked commodities.

*The target includes FLAG emissions and removals.

Carbon intensity

This graph represents the energy intensity of our leather, shown as kg CO₂e per hide, reducing by calendar year.



Carbon Intensity
0.25kg CO₂e/m²
finished leather

100% certified renewable electricity.



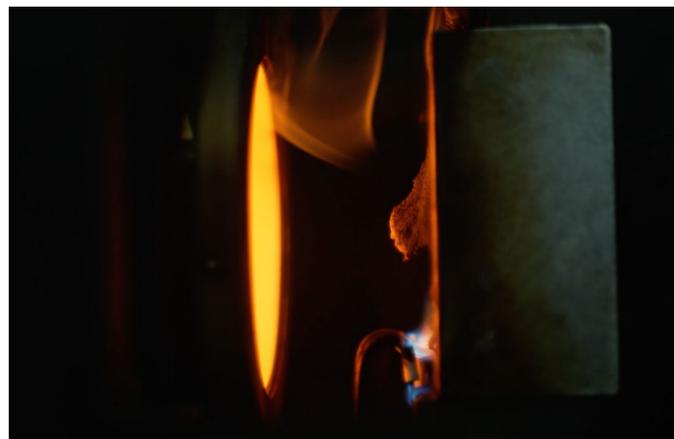
4.4 Sustainable innovations

Our portfolio of products has evolved further towards provision of complete “solutions”. Vertical integration, from producing leather from deforestation-free traceable raw hide material, to cut leather parts and now to cut and sewn covers is being further expanded. Our agenda has concentrated on the use and production of benign components, including our trademarked FreeTAN® and BioTAN® leathers and forthcoming BioPro™ foams. Key to this in forthcoming years is the added value of co-products (collagen) and end-of-life leather applications. We have set a direction toward developing the “sustainable seat”, using collagen and end-of-life leather in novel ways. All of these activities are underpinned by provenance of co-products and LCA to compare with materials currently in use. We see this decoupling of resource utilisation and increased bio-content as crucial to underpinning our products’ place within the landscape of truly “sustainable” manufacturing.

Our rigorous, iterative approach to research and development through prototyping, established over recent years, ensures that new process or product ideas are robust, trademarked and patented and fully formed before reaching a commercial evaluation. We are working closely with both new and existing customers on novel applications of our collagen-derived products. Some of these, including antiviral leather and non-flammable leather for seating are already in the commercial world, with SLG being first to market.

The development of performance leathers, particularly in the aviation and rail sectors has led to the development of our own in-house burn laboratory to underpin side by side flame retardant (FR) development across the supply chain for innovative seating requirements. Our Free FR process provides for class leading flame retardancy. It is our ambition to become a centre of excellence in FR technology. We have over 50 years of expertise and IP to build on.

“We have embarked on a program to rewrite leather making by challenging historical chemistry, machinery and processes to create an even lower carbon intensity product.”



The year ahead will see us focus on introducing a new biobased leather and seating components, including the presentation of a bisphenol-free product (years ahead of regulatory deadlines) and novel protein applications in replacing plastic and polyurethane (PU) within interior seating and cabins. Commercially, this will enable us to present customers with next generation, sustainable and lightweight seating.

In addition to creating novel products we have embarked on a program to rewrite leather making by challenging historical chemistry, machinery and processes to create an even lower carbon intensity product.



BioTAN®
A hybrid technology that incrementally increases the plant/bio content within the chrome free leather process, resulting in finished products without compromise on performance.



FreeTAN®
A full replacement of existing tanning chemistry with compostable technology which is free from chrome and glutaraldehyde yet still delivers finished products which meet our customers’ exacting standards.



05 How we do business

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Section

05

5.1 Management approach

SLG continues to pursue a strategy to Net zero (Scopes 1 and 2) by de-risking the direct and indirect activities that affect our business. Since then and including last year's opening of the Super Tannery, we have focused on key climate impacts affecting our supply chain and the direct impacts for which we are responsible. These are captured in our Double Materiality Assessment. Environmental and societal risks have inspired opportunities to innovate and de-risk. To date in excess of £32M has been invested. The wider impacts of climate change have increased the likelihood of flood and indeed drought. We have bolstered our flood defences since 2020 and increased the robustness and engineering status of the water supply from our own private source, as well as our unique water recycling facility, to further mitigate impacts of water scarcity. Our factories, particularly the Super Tannery, were built on the premise of production with the lowest impact.

As an ongoing commitment to energy security, which has been identified as a potential risk, we are investing in a Solar PV plant to supply the main production site. We anticipate this will become the first of several similar plants, enabling us to decouple our manufacturing from the grid. This follows our original commitments to internalisation.



The Group operates a robust zero tolerance approach toward non-compliance. The overview by our ESG Committee, Executive Board and real time monitoring by regulatory and other third parties ensure compliance is consistent to, or exceeds requirements of the highest standards. We continue our commitment to The UNGC and its requirement to meet and report on the Sustainable Development Goal (SDG) principles and supply chain governance.

Our Double Materiality Assessment cemented our existing understanding of key priorities:

How we do business

Sustain growth

Material topics

- Transparency & traceability of raw materials
- Ethical sourcing & animal welfare
- Responsible supplier relationships
- Product quality
- Customer experience

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

17 PARTNERSHIPS FOR THE GOALS

Furthermore, we have been independently assessed on our performance in relation to Social governance through our membership of the SEDEX platform, conducting SMETA audits, revised our employee guide in accordance with the ILO and ETI to which we subscribe and can demonstrate compliance. This was further enhanced in our LWG audit, once again achieving Gold status.

Our registration on independent platforms such as Carbon Disclosure Project (CDP), our presentation of independently audited data (BSI) and our transparent and traceable supply chains, including that of a no-deforestation commitment, are all exemplars within the sector.

The setting of near-term climate targets through SBTi has been completed. We remain committed to conducting our business in a transparent, robust, de-risked and compliant manner, and with suppliers who are themselves signatories and verified to our own commitments.



“The setting of near-term climate targets through the SBTi has been completed.”

5.2 Transparency & traceability of raw materials

We source from, and contribute back to, the food chain. All our raw hides are a by-product of the beef and dairy industries, from which we have 100% traceability.

Our raw hides are sourced locally within the UK & Ireland from responsible suppliers, without risk of deforestation, transparently and with full traceability.

The new EU Deforestation Regulation (EUDR), effective 1st January 2025, aims to prevent global supply chain deforestation. Our robust supply chain ensures compliance and provides our customers with reassurance and evidence of their compliance.

The legislation requires suppliers to report the animal's geo-locations throughout its lifetime without needing details on

duration, farm, breed, or age. Our future plans will provide this additional information, exceeding legal requirements and ensuring greater transparency, including farmer code.

Many of our co-products are returned as raw material into the food chain, as collagen – used widely in confectionery, other meat-based products and increasingly in the beauty industry. Ensuring no part of our raw material is wasted helps to reduce our overall impact.

From an LCA perspective, the hides represent 1% of the economic value of the livestock. We include emissions from cattle into our LCA; however, this is currently based on 1% of a global average figure and we are working towards obtaining a verified figure for UK sourced hides that would meaningfully reduce our impact.

“We can demonstrate a supply chain with no risk of deforestation.”

5.3 Responsible supplier relationships

Ethical sourcing & animal welfare

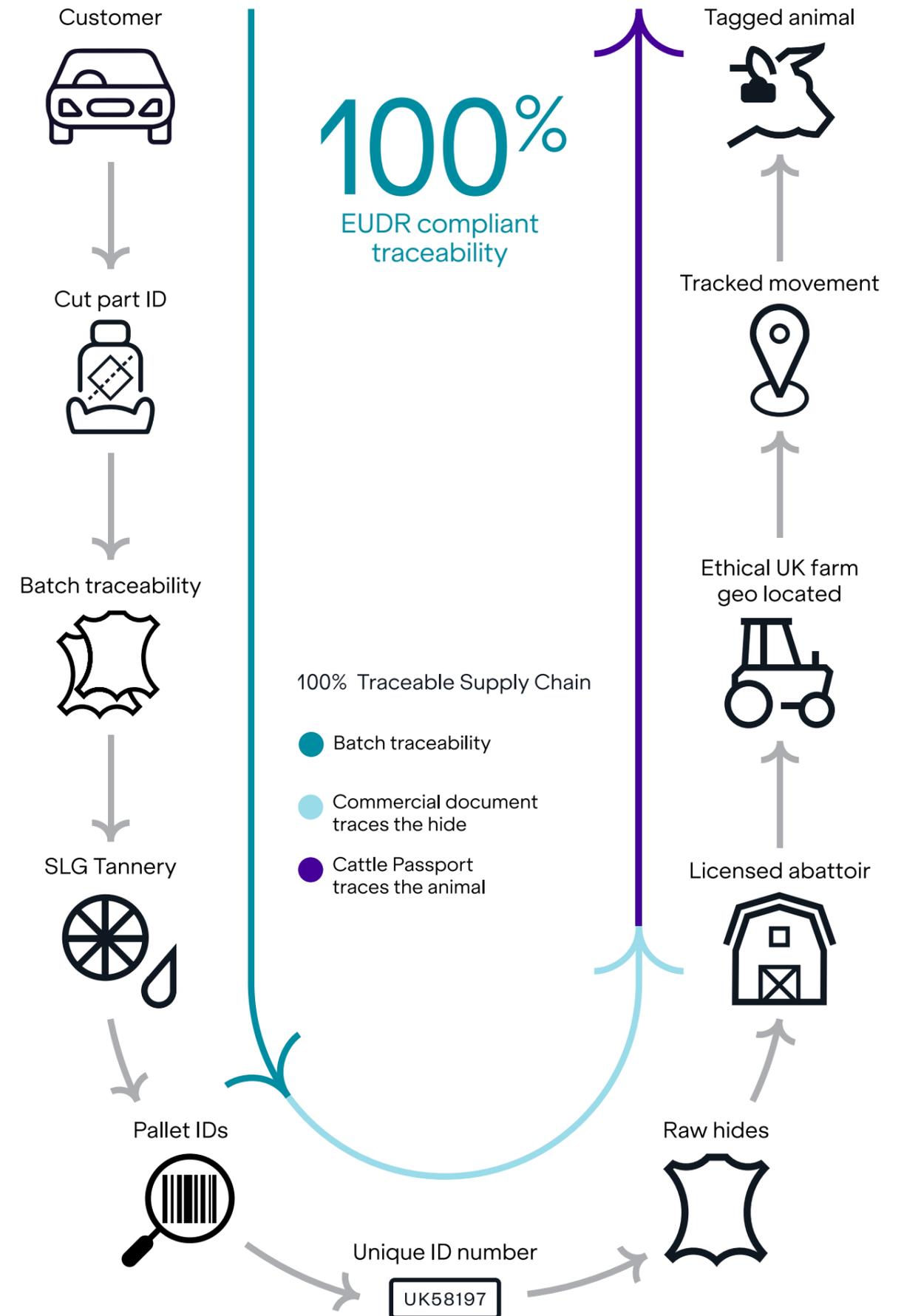
All suppliers sign up to and are audited against our Supplier Code of Conduct.

All our raw hides are sourced directly from meat processors that are subject to daily inspections by Government veterinarians and licensed under UK and EU regulations.

All our raw materials require British Retail Consortium (BRC) accreditation, Food Standards Scotland or Food Standards Agency (FSS/FSA) approval. These are globally recognised as accreditations of the highest standards.

The Animal Protection Index (API) ranks 50 countries according to their animal

welfare legislation and policies. Each of the 50 countries is assessed according to 10 indicators, grouped into 4 goals, which address key animal welfare issues found around the world. The UK is one of the highest rated territories within the API and enjoys the assurance of the UK Cattle Tracing Scheme (CTS) managed by the British Cattle Movement Service and ScotEID (Livestock Traceability). The UK's dedication to animal welfare and agroforestry, along with its geographical advantages and strong regulatory framework, means that every hide we process meets the highest benchmarks for quality and traceability. This UK-centric approach means we are uniquely positioned to drive sustainable innovation and produce exceptional leather products.



5.4 Product quality & customer experience

Our mission is to ensure no one does more to deliver innovative, sustainable and integrated leather solutions to diverse markets. We foster long term relationships, and set new industry standards for quality and environmental responsibility.

All our leather processes, from raw hide to finished material, take place at our fully integrated facility in Bridge of Weir, Scotland. As leather manufacturers, we are best placed to understand the unique properties of this versatile natural product, and how the various processes can affect the quality and longevity of the finished product.

Our cut and sew service and full seat cover design and production takes our commitment to innovation and improved environmental sustainability one important stage further. We can provide fully inclusive packages from concept to installation, working with our design team to provide covers that meet our customers' corporate image and are manufactured to the highest standards. Our state-of-the-art technology offers innovative cutting solutions and, as leather experts, allows us to maximise the yield of the leather whilst keeping costs down.

In addition, Muirhead operates a dedicated high-quality leather seat cover manufacturing facility in Guangzhou, China. The cutting-edge 50,000 sq. ft factory is built using the same state-of-the-art equipment we work with in the UK and an exceptionally skilled sewing team. Hongxing Auto Leather is Bridge of Weir's manufacturing and finishing partner in China. Our experienced Bridge of Weir Leather Technicians and Quality Engineers ensure consistent product quality across the supply chain.

We push the boundaries of traditional leather design by using innovative techniques like digital printing and Computer Numerical Control (CNC) perforation for unique textures, patterns, and embellishments. Our goal is to enhance our design capabilities and offer distinctive options. We collaborate with internal teams and suppliers to explore possibilities and ensure our finishes meet aesthetic and technical standards. Additionally, we work closely with customers to understand their design needs, showcasing products and co-creating customised designs that align with their brand identity and vision.



Performance Testing

Textile testing is often applied to new materials which do not reflect real-world use. We 'pre-stress' test samples by exposing them to extreme ranges of temperature and humidity to simulate years of real-world service and to gather more realistic, useful data. Only then do we begin evaluating our leather's performance. Every batch of leather is assessed in-house at our state-of-the-art material testing laboratory. We test to meet both customer's exacting specifications and ensuring legislative compliance.

Our rigorous testing includes strength, stretch, flexibility, rub and abrasion testing, colour consistency, fastness and soil resistance.

In addition, we are approved to conduct FAA 25.853 vertical burn and ABD0031 smoke density and toxicity testing. Our state-of-the-art burn lab is equipped to test full-seat constructions to EN45545-2 and EN16989.

We also hold Marine Equipment Directive (MED) Approval and Vehicle Certification Authority (VCA) Type Approval.

Our cut and sew service and full seat cover design and production takes our commitment to innovation and improved environmental sustainability one important stage further.

We hold the following accreditations:

- ISO 9001, Quality Management System Standard
- ISO 14001, Environmental Management System Standard
- ISO 50001, Energy Management System Standard
- ISO 17025, General Requirements for competence of testing & calibration laboratories
- IATF 16949, Automotive Quality Management System Standard
- ISO 45001, Occupational Health & Safety Management System Standard
- ISO 9100 EN / AS 9100, Aerospace Quality Management System

5.5 Collaborating for greater impact
– Reimagining Icons

Everrati

Launched in 2019 with the vision of restoring iconic, classic cars from an earlier era and redefining them with electric propulsion, Everrati has rapidly become one of the world's fastest-growing automotive sustainable luxury brands.

Its global customer base consists of established car collectors who seek a stylish, guilt-free, plug-in vehicle for both daily and leisurely drives, as well as a new generation of tech-focused buyers—including billionaire entrepreneurs—who prioritise environmental sustainability without compromising on quality. Everrati exclusively partners with suppliers who share its values of a commitment to innovation, sustainability, and luxury.

Supplying Everrati since 2022, Bridge of Weir is proud that its unparalleled advances in lowest carbon, fully traceable and ethically sourced leather align perfectly with the company's vision. There are many synergies between the two brands when it comes to upcycling too – just as Bridge of Weir turns a by-product into a beautiful, durable and long-lasting luxury material, Everrati redefines classic cars with electric powertrains, enabling them to be enjoyed today and by tomorrow's generation.

By ensuring that our leather production starts with responsible sourcing from the UK and Ireland, with 100% traceability and zero risk of deforestation in the supply chain (our raw hides are a by-product of the beef and dairy industries) combined with 'circular' low-impact manufacturing processes, Bridge of Weir is a partner Everrati is proud to work with to drive forward its sustainability goals.

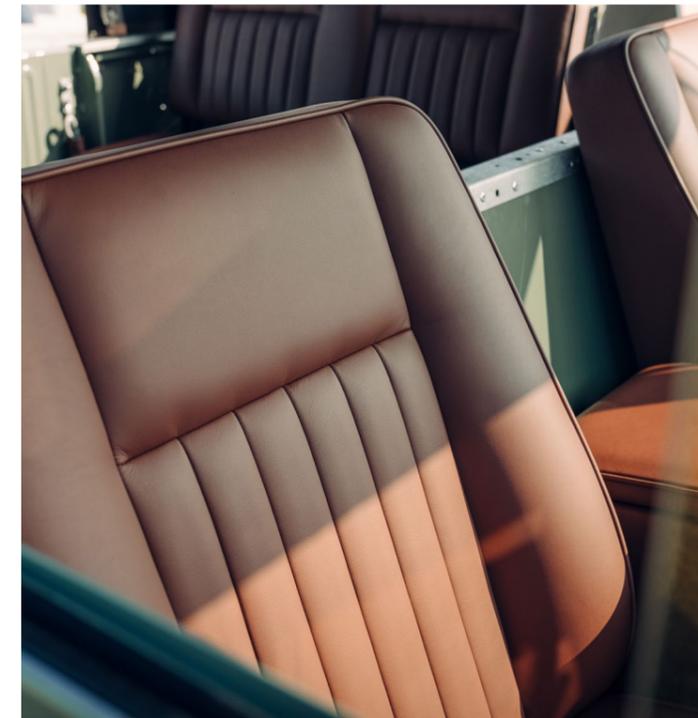
“Bridge of Weir is not just synonymous with the finest quality, it sets the benchmark for innovation and shares our vision that sustainability is a continuous, evolving process. And, like our products, leather is the ultimate example of upcycling.”

Justin Lunny
CEO and Founder
Everrati



“Suppliers who source locally and have full traceability in their supply chain are rare – Bridge of Weir ticks all the boxes, not just for our corporate goals but because it is a brand trusted and desired by our global customers.”

Rhodri Darch
Managing Director
Everrati



5.5

Showcasing the best
of British design

British Airways

British Airways is introducing over 600 modernisation initiatives designed to deliver a world-class customer experience. The new short-haul seats and cabin interiors will be showcased in the next generation of Airbus A320neo and A321neo aircraft.

Chairman and CEO Sean Doyle's modernisation plan commits to delivering a world-class customer experience, growing pride among colleagues, focusing on sustainability, and driving on-time performance.

Working with suppliers across England, Scotland, and Northern Ireland, the G-TNED aircraft is the first of eight A320 and A321 neo airplanes to be delivered with a new interior showcasing the best British design.

“We’re on a journey to a better BA for our people and for our customers, underpinned by a transformation programme that will see us invest £7bn over the next two years to revolutionise our business.”

Sean Doyle
Chairman and CEO
British Airways



Muirhead was honoured to be part of this project, which featured our exquisite aviation leather in a stunning seat design that offers the optimum combination of premium aesthetics, technical performance, and environmental sustainability.

Aviation brands worldwide place their trust in Muirhead due to its exemplary technical performance, remarkable durability, inherent natural beauty, and easy maintenance.

Our family-owned business's unwavering commitment drives our expertise, care, and innovation. We are delighted to support British Airways with our cutting-edge, world-class technology, ensuring flame retardancy, optimum passenger comfort, durability, colour fastness, and more.

“Our long-lasting premium leather is not only sustainable but also the world's lowest carbon impact aviation leather. We're constantly innovating to bring that carbon level even lower.”

Myles Hobbs
Sales Director
Muirhead



Muirhead.
High Performance Leather

5.5

In pursuit of excellence
and innovation

The Macallan

The Macallan has built a reputation as one of the world's leading single malt whiskies with deep respect for tradition and craftsmanship. As part of their strategy to source Scottish based suppliers, Bridge of Weir were chosen to provide our fine automotive leather for their current packaging projects, including The Macallan Red Collection and The Macallan Horizon.

The Macallan Red Collection

The Red Collection is an exquisite range of distinguished and rare single malt whiskies. Each expression within the collection reflects the pursuit of uncompromised excellence which has driven The Macallan since 1824. The distinctive red colour is inspired by the significance of red throughout the history of The Macallan.

These peerless single malt whiskies have slowly matured over many extraordinary decades under the watchful eye of generations of whisky makers, until they have reached the perfect moment of maturation.



“The oak presentation box has been beautifully upholstered with sustainably sourced, soft Scottish leather from our renowned partners, Bridge of Weir.”

The Macallan
Red Collection Journal



Bridge of Weir®
Fine Automotive Leather

The Macallan Horizon

The Macallan Horizon is presented in a visionary horizontal vessel designed with a fusion of traditional craftsmanship and cutting-edge engineering technology. The whisky reflects the extraordinary meeting of these two worlds, a testament to the unwavering pursuit of excellence and innovation.

Inspired by the horizontal trajectory of the automotive world, this vessel pays homage to the rich heritage of both The Macallan and Bentley Motors while embracing a forward-looking vision for the future.

The Macallan's renowned rich and indulgent dried fruit and spice flavour notes are beautifully balanced with oak and leather, aromas abundant in Bentley's world. The whisky's rich and long-lasting finish mirrors their timeless quality and design.

“Our Scottish provenance, dedication to innovation and unwavering commitment to excellence and environmental sustainability means we can achieve the optimal standards required to align with the ambitions of a world leading brand such as The Macallan.”

James Muirhead
Sales Director
Bridge of Weir



06 Appendix

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Section

06

Streamlined Energy & Carbon Reporting (SECR)

Energy use and carbon emissions

The Streamlined Carbon and Energy Reporting (SECR) data is presented in accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. The data collected includes the emissions for the UK operations of Scottish Leather Group Limited. UK Government (greenhouse gas) conversion factors were used to calculate carbon emissions and offsets, from primary data (meter readings and invoices).

Several of these conversion factors (e.g. waste, Scope 3) have increased during the year. All purchased electricity is from 100% renewable (REGO) and carbon neutral sources. The 2018-2019 financial year continues to be used as the base year. The chosen intensity measurement is kg CO₂e/m² of finished product which replaces the kWh/m² metric used previously within Climate Change Agreement reporting. Annual targets for absolute and relative energy use and carbon intensity KPIs for product mix are set within the Energy Management System. The energy and carbon data presented is audited annually by BSI. Additionally, the data presented is audited to ISO 14016. The Group's products (marketed as Lowest Carbon Leather) are subject to published (PCR, PEFCR) Life Cycle Analysis measurement which includes upstream carbon assessment.

Scope 1	Units	2023-2024	2022-2023	2021-2022	2018-2019
Gas consumption	kWh	31,608,883	39,728,940	34,045,810	40,858,498
Electricity consumption	kWh	14,556,322	17,546,442	16,074,709	17,596,923
Gas consumption	T CO ₂ e	5,782	7,268	6,228	7,474
Owned transport	T CO ₂ e	85	199	156	176
Process emissions	T CO ₂ e	75	104	94	119
Total Scope 1		5,942	7,571	6,478	7,769

Scope 2					
Emissions from purchased electricity	T CO ₂ e	3,014	3,855	3,329	4,991
Total Scope 2		3,014	3,855	3,329	4,991

Chosen intensity measurement: S1 & S2 gross emissions	kg CO ₂ e/m ²	1.13	0.95	1.13	1.15
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Scope 3					
Fuel- and energy-related activities not included in Scopes 1 & 2	T CO ₂ e	1,884	2,320	1,980	1,343
Business travel	T CO ₂ e	494	578	61	N/A
Waste generated in operations – disposal emissions	T CO ₂ e	4,368	6,279	4,806	10,742
Total Scope 3		6,746	9,177	6,847	12,085

Offsets					
Gross emissions S1, S2 and S3	T CO ₂ e	15,702	20,602	16,653	24,845
Offset – Steam and oil exported	T CO ₂ e	(1,548)	(2,434)	(2,260)	(3,262)
Offset – REGO electricity supply	T CO ₂ e	(3,014)	(3,633)	(3,086)	(3,644)
Net emissions	T CO₂e	11,140	14,535	11,307	17,939

Chosen intensity measurement: S1, S2 and offsets	kg CO ₂ e/m ²	0.50	0.39	0.45	0.45
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Kg CO₂e/m² carbon intensity – Kg carbon dioxide equivalent per square metre product; T CO₂e – Tonnes carbon dioxide equivalent emissions; equivalent emissions are all emissions converted and reported on carbon dioxide; kWh – Kilowatt hours – Standard unit of gas & electricity measurement.

Journey to Zero – 2023		
Disposal Route	Total Tonnage	Percentage
Total Waste	38,832.72	
Landfill	6,390.41	16%
Recycled/Recovered	32,442.31	84%

Journey to Zero – 2022		
Disposal Route	Total Tonnage	Percentage
Total Waste	44,838.64	
Landfill	10,337.99	23%
Recycled/Recovered	34,500.65	77%

Production Energy - 2023		
	kWh	%
Group Gas	33,458,391.02	
Purchased Gas	24,650,116.82	74%
Group Electricity	14,812,535.80	
Renewable Electricity	14,151,053.60	96%

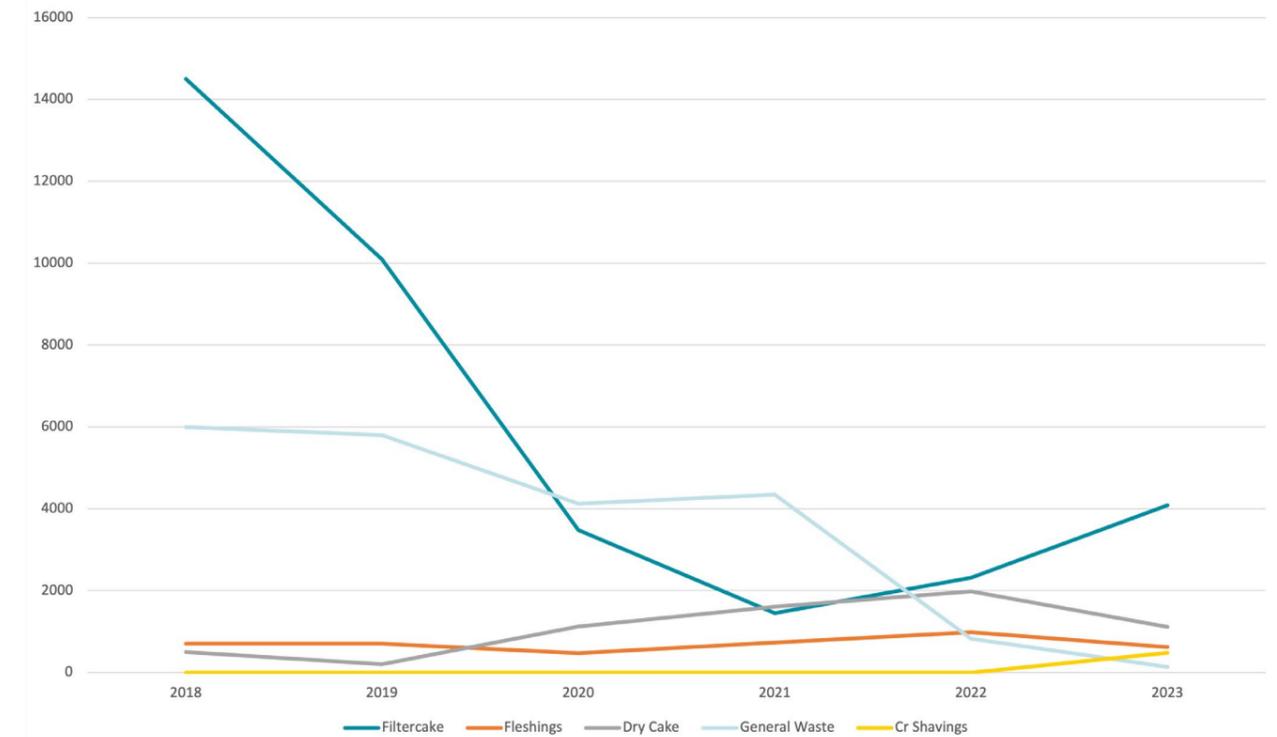
Production Energy - 2022		
	kWh	%
Group Gas	40,223,399.10	
Purchased Gas	31,132,437.70	77%
Group Electricity	17,885,019.15	
Renewable Electricity	16,563,039.85	93%

Wastewater - 2023		
	kWh	%
Total Treated m ³	320,241.00	
Recycled m ³	3,893.00	1%
Discharged m ³	320,241.00	100%

Wastewater - 2022		
	m ³	%
Total Treated m ³	392,185.00	
Recycled m ³	18,248.00	5%
Discharged m ³	334,115.00	85%

Non-compliance - 2023	
Effluent > threshold	0
Air Emission > threshold	0
Waste > threshold	0
LWG Rating (P7.2.2)	Gold

Waste to Landfill 2018-2023 YTD



External auditor verification statement provided by British Standards Institute (BSI) Assurance UK Ltd.

The activities reported by Scottish Leather Group have been independently verified by BSI over the course of an 8-day audit.

The scope of this audit was:

- Verification of environmental data (carbon, water, waste, energy, and greenhouse gas) for our UK operations in line with the guidance set out in ISO 14016:2020, to a reasonable level of assurance and a materiality level of 5%.
- Verification of corporate social responsibility presence and claims via review of the SMETA, adoption of the ILO convention, (ETI)code, UNGC CoP, a robust, neutral, and universally recognised framework.

Verification has been achieved through mechanisms which included; (a) evaluation of the monitoring and control systems through interviewing employees, observation, and inquiry and (b) verification of data through sampling recalculation, retracing, cross checking, and reconciliation.

NOTE: BSI Assurance UK Ltd is independent to and has no financial interest in Scottish Leather Group. This verification opinion has been prepared for Scottish Leather Group only for the purposes of verifying its environmental and social data described in the scope above. It was not prepared for any other purpose. In making this Statement, BSI Assurance UK Ltd has assumed that all information provided to it by Scottish Leather Group is true, accurate and complete. BSI Assurance UK Ltd accepts no liability to any third party who places reliance on this Opinion Statement.



E, S or G	Material Risks	Company Risks	What we are doing about it / Opportunity		Strategic Initiatives (5-Year Plan)	Financial	Material Topics
E	Energy and carbon	Corporate drive to reduce consumption and carbon emissions, potential for decreased availability and increasing costs.	We have been using renewable electricity since 2017, have a 2025 target of being Net Zero for Scopes 1 and 2, are building our resilience to supply challenges (i.e., solar PV installation at Bridge of Weir site), on-site thermal treatment self-sufficiency and circularity, and investment in industry-leading energy-efficient equipment.		100% renewable energy, solar PV, introduction of green gas where required, energy efficiency projects to decrease consumption in accordance with ESOS. Achieving near-term carbon targets via SBTi. Working with suppliers to reduce our Scope 3 emissions.	Company investment of c.£25M between 2021-2023 in buildings/ plant to drive our self sufficiency and build resilience. Investment in green energy.	<ul style="list-style-type: none"> Low carbon product Climate change Circularity of product design
E	Waste / resources management	Increasing costs of disposal (Landfill Tax), regulatory implications (compliance, landfill bans), underutilisation of resources.	2025 target of Zero Tonnes process waste to landfill (Journey to Zero), smarter resource utilisation, materials mapping and management to support circularity of materials streams. Development of cutting facilities and technology to maximise utilisation of leather.		Explore opportunities for new products from current material streams, de-chroming and using benign chemistry, increased supplier engagement (platform) as part of wider cascade of SBTi targets. Vertical integration of our supply offering, increased automation, digitalisation of cut and sew operations.	Investment in our Thermal Energy Plant (£7m in 2009-2010), ongoing segregation, and innovation agenda to create benign products.	<ul style="list-style-type: none"> Resource stewardship Sustainable innovations Responsible supplier relationships Customer experience
E	Water and effluent	Security and management of our private water source and on-site WTRP.	Increased resilience of on-site WTRP including ultrafiltration and water recycling/recovery ability, recently installed super-efficient liming and tanning drums, regular water auditing and evaluation exercises.		Improved efficiency and performance within the facilities (i.e. less drums required) and water efficiency.	WTRP initial investment and running costs, and new drum installation.	<ul style="list-style-type: none"> Resource stewardship Transparency & traceability of raw materials
E	Climate change and biodiversity	Extreme changes in weather patterns and events may affect not only SLG but wider supply chain.	Building resilience to supply chain and infrastructure challenges, installation of site wide flood defences, and de-carbonisation of operations.		Deforestation-free hide supply chain, encourage improved biodiversity throughout supply chain, continuing to source locally from farms practicing agroforestry, vendor verification platform.	Investment in LCA data and reduced impact sourcing.	<ul style="list-style-type: none"> Resource stewardship Transparency & traceability of raw materials Climate change Ethical sourcing and animal welfare
S	Working conditions and rights, health & safety of workforce	Talent acquisition, global employment standards.	Enhanced standards of employee conditions and welfare, per ETI; external auditing via SEDEX (SMETA Audit); siting of local cut and sew facility deliberately chosen to maintain legacy within community.		Building on our skills development program - investment in our people by offering degree-level training (SLG Academy), enhanced wellbeing offering.	Continuing to invest in our on-site welfare facilities.	<ul style="list-style-type: none"> Talent & lifelong learning Community investment Health & safety / employee wellbeing Craftsmanship
S	Inclusion & diversity	Limited diversity of thought, reputational risk.	Equality, Diversity, and Inclusion (EDI) audit.		Signing up to the Governments Disability Confident employer scheme.	Investing in educating and promoting EDI initiatives, through the Wellbeing Committee.	<ul style="list-style-type: none"> Diversity & inclusion
G	Supplier risk management	Supply chain integrity.	Sourcing hides locally (as by-product of meat industry) via Cattle Tracing Scheme (CTS) with 100% traceability which is independently verified; diversity of chemical suppliers. Approved suppliers sign up to SLG's Code of Conduct - which is included in both internal and external auditing.		Digital traceability platform, vendor platform (auditing of accredited supply chain).	Reduce financial exposure.	<ul style="list-style-type: none"> Transparency & traceability of raw materials Ethical sourcing and animal welfare
G	Customer and product quality	Market change, legislation, consumer demand and response.	Innovation agenda and delivery of new products, vertical integration of service offering (i.e. covers), alternative products, building and maintaining strong customer relationships, digitalisation, Customer Relationship Management (CRM).		Thought leading communications, agile operations, alternative markets (fireproof products), leather goods, vertical integration (covers).	Investment in cut and sew facilities and technology, innovation, and marketing communications.	<ul style="list-style-type: none"> Product quality Customer experience
G	Reputational and financial loss	Corruption and bribery, greenwashing.	Risk and sensitivity analysis, transparent reporting, company risk register, due diligence system, third-party verification, sector leadership, ESG Committee, auditing accreditations (external and internal), Non-Executive Director (NED) oversight.		Improved robust financial reporting and cost centre management.	5-Year Plan.	<ul style="list-style-type: none"> Responsible supplier relationships

Gender Pay Gap Statement 2023

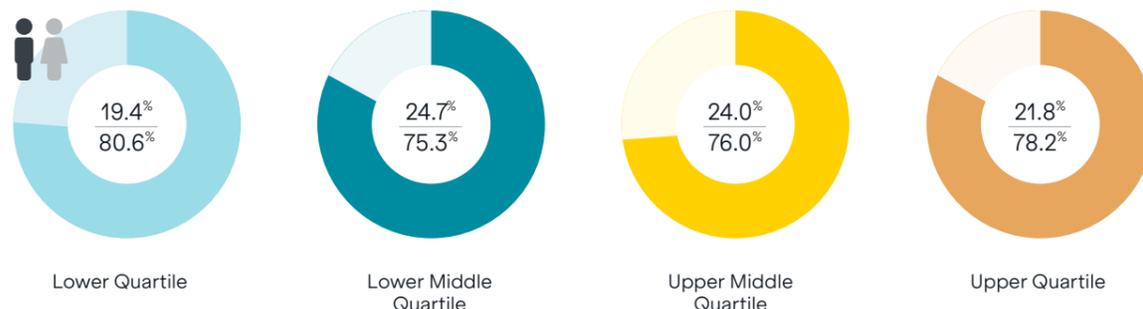
Gender Pay Gap is the difference in the pay of men or women across the whole company. The calculation, therefore, takes into account all jobs at all levels and salaries. In terms of the mean and median statistics across our business, there are differences, and this is down to the fact that there are more males employed in our manufacturing business than there are women.

Our illustrative charts below outline these differences, and the key numbers are as follows:

- 0% Pay difference between men and women in the same roles
- 0% Pay difference in bonuses paid to men and women in the same roles
- 0% Median difference in hourly pay across the business (female to male employment ratio 1:3.45)
- 6.5% Mean difference in hourly pay across the business (female to male employment ratio 1:3.45)

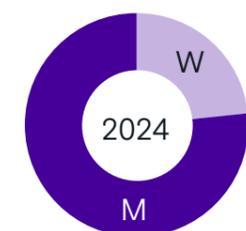
Difference between men and women		
	Mean	Median
Hourly Rate of pay	6.5%	0%
Bonus Pay	0%	0%

Proportion of men and women in each pay quartile (%)



The data above shows our overall mean and median gender pay gap based on the snapshot date of 5th April 2023.

2024 proportion of men and women (%)



Men: 510 (76%)
Women: 181 (24%)

Terminology

- APEX** – Apex Group, a global financial services provider. Provides a verified ESG database and benchmarking index for private markets
- Carbon intensity** - the net carbon emissions of energy use (electricity + gas) per hide. Unit detailed as kg CO₂e/hide
- CRM** - Customer relationship management a set of integrated, data-driven software solutions that help manage, track, and store information related to your company's current and potential customers
- Double Materiality Assessment** DMA concept combines impact materiality with financial materiality
- ecoinvent** - a cross-sector database of datasets for use in life cycle assessments.
- GHG Scope 1** - The Green House Gas (GHG) emissions that a company makes directly, for example while running its boilers and vehicles
- GHG Scope 2** - The emissions is makes indirectly, where the electricity or energy it buys for heating or cooling buildings is produced on its behalf
- GHG Scope 3** - All emissions that the company is indirectly responsible for throughout its value chain, e.g. from products bought from its suppliers and from its products when used by customers
- Greenwashing** - Greenwashing is the act of making false or misleading statements about the environmental benefits of a product or practice
- KG CO₂e/m²** - Kg Carbon Dioxide equivalent per square metre product
- Net Zero** – When human-induced emissions are balanced globally by human-induced removals over a specific period
- SimaPro** - Life cycle assessment software

Acronyms

- API** - The Animal Protection Index
- BRC** - British Retail Consortium
- BSI** - British Standards Institute who verify the data issued in this report
- CDP** - Carbon Disclosure Project
- CMF** - Colour Material Finish – a design discipline that focuses on the chromatic, tactile, and decorative character of goods and settings
- CSR** - Corporate Social Responsibility

- CSRD** - Corporate Sustainability Responsibility Directive
- CTS** - Cattle Tracing Scheme ScotEID (Livestock Traceability)
- EAP** - Employee Assistance Programme
- EDI** - Equality, Diversity, and Inclusion
- EDP** – Environmental Product Declaration – a document which states the environmental performance or impact of a product over its lifetime based on LCA (and externally verified)
- ESG** - Environmental, Social, Governance
- ETI** – Ethical Trading Initiative
- EUDR** - European Union Deforestation Regulation
- FLAG** - Forest, Land and Agriculture – refers to FLAG guidance for SBTi (guidance for land-intensive sectors)
- FSA** – Foods Standards Agency
- FSS** - Food Standards Scotland
- GHG** – Green House Gases
- GRI** – Global Reporting Initiative
- ILO** – International Labour Organisation
- ISO** - International Organization for Standardization
- LCA** – Life Cycle Analysis
- LWG** – Leather Working Group
- Non-FLAG** - Scope 3 emissions that are not directly related to land-intensive Forest, Land and Agriculture activities.
- PCR** - Product Category Rules – these rules provide the guidelines for developing an EPD
- PEFCR** – Product Environmental Footprint Category Rules
- PU** - Polyurethane – artificial leather
- RoSPA** – Royal Society for the Prevention of Accidents
- SASB** - Sustainability Accounting Standards Boards
- SBTi** – Science Based Targets initiative
- SECR** - Streamlined Energy & Carbon Reporting
- SEDEX** - Supplier Ethical Data Exchange
- SLG** - Scottish Leather Group
- SMETA** -Sedex Members Ethical Trade Audit
- Solar PV** – Solar Photovoltaics
- STEM** – Science, Technology, Engineering, and Mathematics
- TCFD** – Taskforce on Climate Related Financial Disclosures
- TEP** – Thermal Energy Plant
- UNGC** – United Nations Global Compact
- UNGC CoP** - United Nations Global Compact Communication on Progress
- UN SDG** – United Nations Sustainable Development Goals
- WTRP** - Water Treatment and Recycling Plant
- WWF** - World Wide Fund for Nature

Scottish Leather Group Limited
Locher House
Kilbarchan Road
Bridge of Weir
Renfrewshire
PA11 3RN
Scotland

+44 (0)1505 691730
enquiries@scottishleathergroup.com
scottishleathergroup.com

