

Environmental, Social & Governance Report 2026



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Welcome to our 23rd Annual Report. Our Environmental, Social & Governance (ESG) Report is written with reference to the newly introduced Sustainability Reporting Standards (SRS) and details our approach, commitments, and progress as we strive towards a more sustainable future.

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23 years of transparency and progress

Our open, transparent and voluntary reporting over the past 23 years demonstrates confidence in our strategy, our position, our resilience, and our strong governance and management practices, providing our customers with the reassurance of the quality, custody, and credentials of our activities and products. The ESG reporting landscape has changed dramatically in the last 23 years, and now statutory obligations, such as those of the Sustainability Reporting Standards (SRS), are reported against for the first time in addition to our voluntarily reported headline achievements.

In addition to achievements captured over the past year, we are pleased to continue our ongoing commitment to the United Nations Global Compact (UNGC) by submitting our Communication on Progress (CoP), continuing to report against the 17 Sustainable Development Goals (SDG) and delivering the world's lowest carbon leather measured through updated Life Cycle Analysis (LCA) methodology.

By the end of the last calendar year, we opened our own Solar PV array and met our decarbonisation targets, achieving Net Zero for our Greenhouse Gases (GHG) Scope 1 & 2 emissions. Secondly, in conjunction with third parties, we are achieving our long-term aim of avoiding waste disposal to landfill.

We are also delighted to announce the opening of our BioPRO® foam manufacturing facility in Glasgow, within the historic Andrew Muirhead & Son building.

Beyond headlines, we are seeing our values integrated more into the day-to-day. We offer innovative, integrated leather and seating solutions, including our newly introduced BioPRO® product, manufactured from our collagen in collaboration with partners. We nurture long-term relationships and continue to set industry standards in quality, innovation and environmental responsibility. Together we go further.

This report details our approach, commitments, and progress against our 5-Year Plan, underpinned by long-standing principles developed over the past two decades. These include actions identified through our Double Materiality Assessment, strong and transparent governance, and a continued focus on diversifying our portfolio of innovative, sustainable solutions. We also remain committed to improving the health, wellbeing and performance of our people. We continue to maintain our industry-leading position, based on this strong set of core values.



Stella Morse

Stella Morse
Chair
Scottish Leather Group



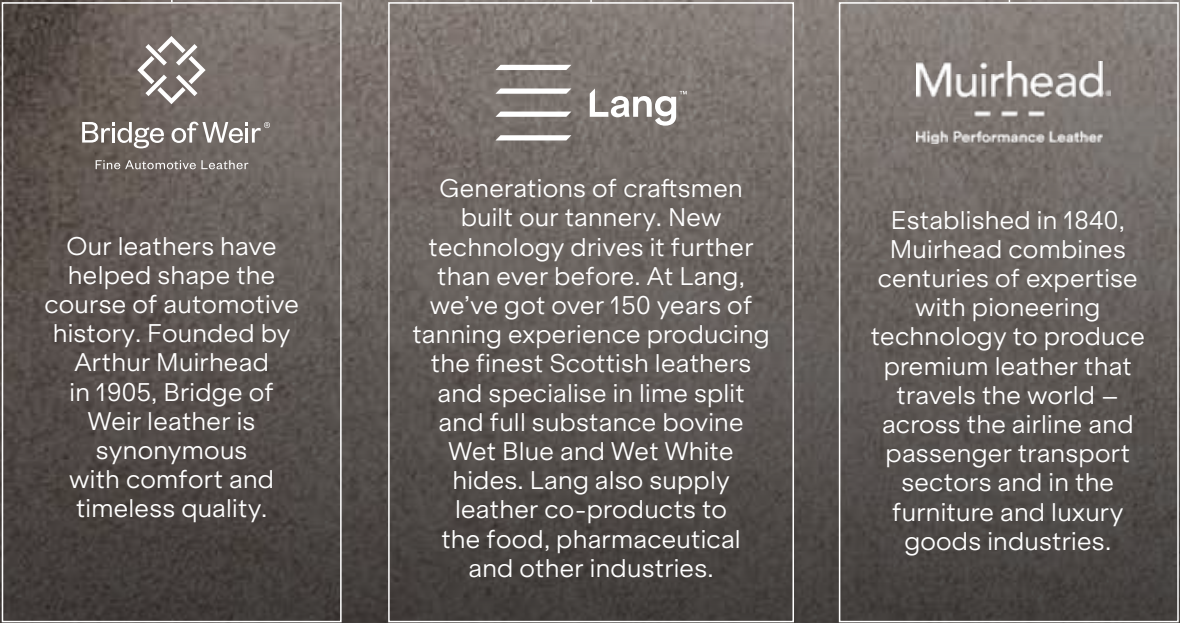
Nicholas Muirhead

Nicholas Muirhead
Chief Executive Officer
Scottish Leather Group

Our group structure

We innovate leather solutions; leading the industry by excelling in sustainability, technical excellence, and customer centricity.

Together we go further



Aligning with global goals



Environmental

Focus: natural resources, climate, ecosystems



Social

Focus: people, wellbeing, equality, communities



Governance

Focus: institutions, accountability, partnerships, economic systems



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Governance that supports responsible growth

Concerns regarding the carbon impact driving climate change and its ramifications, including risks such as flooding, supply chain disruption, raw material availability and traceability, continue to increase. We have a robust risk mitigation approach to supply, minimise our operational exposure through good business practices and display an exemplary record of operational compliance. Our commitments to sustainable development provided within this report, and those previously quantified, are independently audited and verified to the highest standards to which we openly subscribe.

The format of this year’s report is aligned to the regulatory requirements of the recently introduced UK Sustainability Reporting Standards (SRS), which incorporate and largely replace the previous format against guidelines such as the Task Force on Climate-Related Financial Disclosures (TCFD), integrating with the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB) and Climate Disclosure Standards Board (CDSB). The SRS places emphasis on governance and strategy; the management of risk and resilience plans. It requires the publication of specific carbon metrics and targets per International Financial Reporting Standards (IFRS) I & II, which openly relates our performance to stakeholders and provides clear climate-related information, as it affects our business, including Greenhouse Gas emissions (GHG) and climate scenario analysis, governance and risk. We will be obliged to report formally against the SRS from April 2027.

In addition to our International Organization for Standardization (ISO) verification of the operational data in this report and our other accreditations, independent evaluations and external benchmarking have reaffirmed both our regulatory compliance and the statements

made in this and previous reports. An overview of governance matters is provided at Board level. Scottish Leather Group’s Senior Leadership Team oversees the strategic delivery of the business. Key performance metrics geared to these activities are considered weekly.

The Environmental, Social and Governance (ESG) Committee, reporting to the Board, continues to consider the new regulatory landscape; establishes our standards and type of reporting and oversight requirements, our updated Double Materiality Assessment (DMA), climate risk, plans, commitments and impacts.

This committee is chaired by the Head of Innovation and Sustainability and includes Executive-level and Senior Leadership Team members across the E, S & G agenda who consider the impact and conduct gap analyses from a variety of independent sources to establish our near-term strategy and actions. The company risk register and business continuity plans are reviewed quarterly, led by our Chief Finance Officer (CFO), and formally recognise our operational risks and longer-term strategies for change or adaptation to mitigate those risks.

We uphold rigorous ethical and employment standards and are committed to fairness, transparency, and equality throughout our Group and supply chain. This commitment starts with gender equality and equal pay for equivalent roles, and is embedded in our Code of Conduct, which guides both our own practices and those of our suppliers. These principles are aligned with our obligations under the International Labor Organization (ILO) and the Ethical Trading Initiative (ETI) commitments, independent assessments per the Sedex Members Ethical Data Exchange (SMETA) platform and UN Global Compact (UNGC) accreditation are regularly assessed through our evaluation protocols.



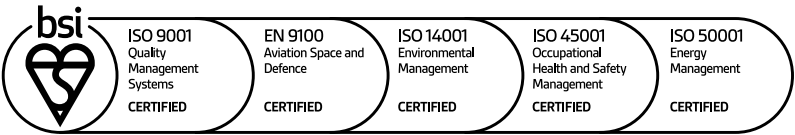
Assessments of our vendors cover key areas including their carbon footprint, colleague welfare, trading standards, and risk and resilience management across their supply chain.

Climate risks and supply chain obligations are becoming increasingly significant for our business and our customers. The ESG and Risk Committees provide strategic oversight, guiding the implementation of short and long-term actions to support our commitments, strengthen resilience and identify opportunities.

During the year, we confirmed the commitment to decarbonising and adherence to our ethical and governance practices of our key suppliers, which represent eighty percent of our expenditure. The ESG committee determines the frequency and gravitas of external verifications and assessments to maintain and extend our industry-leading position and de-risk the business. The results of these directly inform our path to meeting long-term targets, as set per the Science Based Targets initiative (SBTi).

Since the advent of our inaugural report, SLG has pursued a circular manufacturing approach. The principles of sustainable development are at the core of this approach and enshrined in our Journey to Zero to de-risk from external, legislative and climate-related impacts. Since then, we have focused on delivering on the pillars of our 5-Year Plan, including key climate impacts affecting our operations, supply chain resilience, people integrity and the direct impacts for which we are responsible. Environmental and societal risks have therefore created opportunities to innovate and de-risk, even in those scopes of activity not in our direct control. We are pleased to report that an increasing number of our suppliers are themselves committed to SBTi targets and its no deforestation obligations, and evaluate themselves on sector-relevant platforms for transparency.

We continue to conduct our business in a transparent, robust, de-risked and compliant manner, and with suppliers whose commitments reflect our own.



Double Materiality Assessment (DMA)

Our Double Materiality Assessment cemented our existing understanding of key priorities and forecasting future changes in line with strategic intent and regulatory requirements:

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 and have achieved Net Zero for Scopes 1 and 2. We are strengthening resilience of our supply through Solar PV installation at our Bridge of Weir site, increased self-sufficiency through on-site thermal treatment, circularity initiatives 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.	• 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.	Achieved 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.	• Resource stewardship • Sustainable innovations • Responsible supplier relationships • Customer experience
E	Water and effluent	Security and management of our private water source and on-site Water Treatment and Recycling Plant (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.	• 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 of supply chain and infrastructure, 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.	• 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 colleague 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 investment in our on-site welfare facilities.	• Talent & lifelong learning • Community investment • Health & safety / colleague wellbeing • Craftsmanship
S	Inclusion & diversity	Limited diversity of thought, reputational risk.	Equality, Diversity, and Inclusion (EDI) audit.		Signing up to the Government's Disability Confident employer scheme.	Investing in educating and promoting EDI initiatives, through the Wellbeing Committee.	• Equality, 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.	• 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.	• 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 oversight.		Improved robust financial reporting and cost centre management.	5-Year Plan.	• Responsible supplier relationships



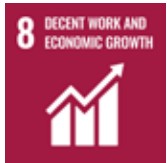
Identifying what matters most

The Corporate Sustainability Reporting Directive (CSRD) called for greater transparency and accountability from businesses, aiming to accelerate sustainable progress across the EU. A key element is the Double Materiality Assessment (DMA), which identifies the issues most relevant to both the organisation and its stakeholders.

This involves assessing their impact on environmental and social issues, as well as how these issues affect the business, and further intimates future plans to reduce impacts across the material categories. The approach merges both impact materiality and financial materiality into a unified framework.

We have pioneered a Double Materiality Assessment (DMA). By considering issues from multiple angles, we now have a more holistic view of the 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 Board (SASB), the Global Reporting Initiative (GRI), and the UN Global Compact (UNGC) and United Nations Sustainable Development Goals (UNSDG). This approach is also consistent with IFRS requirements under the SRS.



Material topics

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

Our 5-Year Plan

Our 5-Year Plan is a testament to our unwavering commitment.

We aim 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. This commitment is not just a promise, but a roadmap to a more sustainable future, one we are confident we can deliver.

Our Purpose

To lead by bringing great people together to create innovative material solutions.

Our Vision

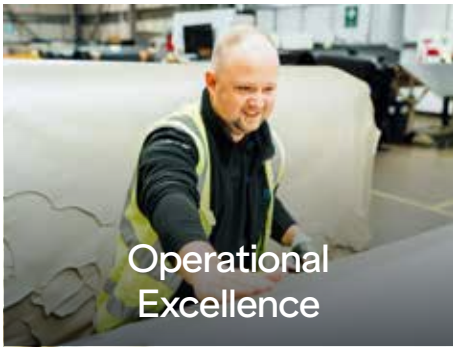
To be the foremost supplier of sustainable premium leathers, dedicated to customer-centric excellence, we are the go-to choice for integrated solutions for the Automotive, Aviation, Rail & Upholstery sectors worldwide.

Our Mission

Committed to exceeding customer expectations, driven by our exceptional people, our mission is to ensure no one does more to deliver innovative, sustainable, and integrated material solutions to diverse markets, fostering long-term relationships and setting new industry standards for quality and environmental responsibility.

Foundations

Pillars



Financial Plan

Exceptional People

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Our people, ethics and culture

We have renewed our emphasis on ethics, values, and a people-focused culture, which has enabled improved clarity and confidence in transparent reporting both internally and within our supply chain. Ensuring the health and safety of our people is critical to all our operations.

Without our exceptional people living our values every day, we could not fulfil our purpose: to lead the industry through sustainability, technical excellence and customer focus.





Supporting health, safety and wellbeing

We must provide a safe and healthy working environment for everyone, including colleagues, agencies, contractors, and visitors alike, by ensuring we identify and proactively mitigate risks across our sites and operations. We promote colleague engagement to improve this delivery and aim to foster a culture where everyone takes responsibility for health, safety and wellbeing.

We have a robust, independently accredited Health and Safety (H&S) management system that provides the foundation for a structured and proactive approach to managing workplace health and safety risks. This year, in recognition of our long-term achievements, we were awarded The Royal Society for the Prevention of Accidents (RoSPA) Order of Distinction, marking 15 consecutive years of Gold awards. This achievement demonstrates our long-standing commitment to excellence in health and safety management, continuous improvement, and the provision of a safe and healthy working environment for all.

Our Health & Safety strategy is focused on developing a competent workforce, underpinned by clear communication mechanisms and a proactive, positive safety culture. We provide a robust programme of H&S training, including the provision of the Institution of Occupational Safety and Health (IOSH). We have H&S representation in place across all areas of the business, who, with key stakeholders, seek to improve H&S performance, as well as carry out improvement projects.

Our company-wide Health & Safety Climate Survey ensures we understand workforce perceptions, identify areas for improvement, and strengthen our safety culture. Ensuring compliance with legal and other requirements is fundamental to our strategy.

We also recognised the relationship between wellbeing and community impact and subsequently combined our Wellbeing and Community Engagement Committees. This strategic consolidation improved alignment and clarified shared objectives, fostering greater colleague involvement by incorporating a broader range of perspectives and facilitating more unified plans to advance wellbeing and enhance community outcomes. Additionally, it strengthened our organisational culture and values, demonstrating our dedication to the health and wellbeing of our colleagues and the communities we support.

Our sickness absence is a recognised measure of colleague health and wellbeing. We are extremely proud that we continue to record low absence levels. Our dedication to colleagues' wellbeing continues to be a priority.

Colleague engagement

We are committed to our vision of becoming an employer of choice, recognised by residents within a 50-mile radius of our locations. This objective reflects our dedication to making a positive impact on both colleagues and local communities.

We established a consistent feedback loop using Pulse Speak Up Spaces located throughout key areas of our operational sites. This approach allows team members to share feedback easily and regularly.

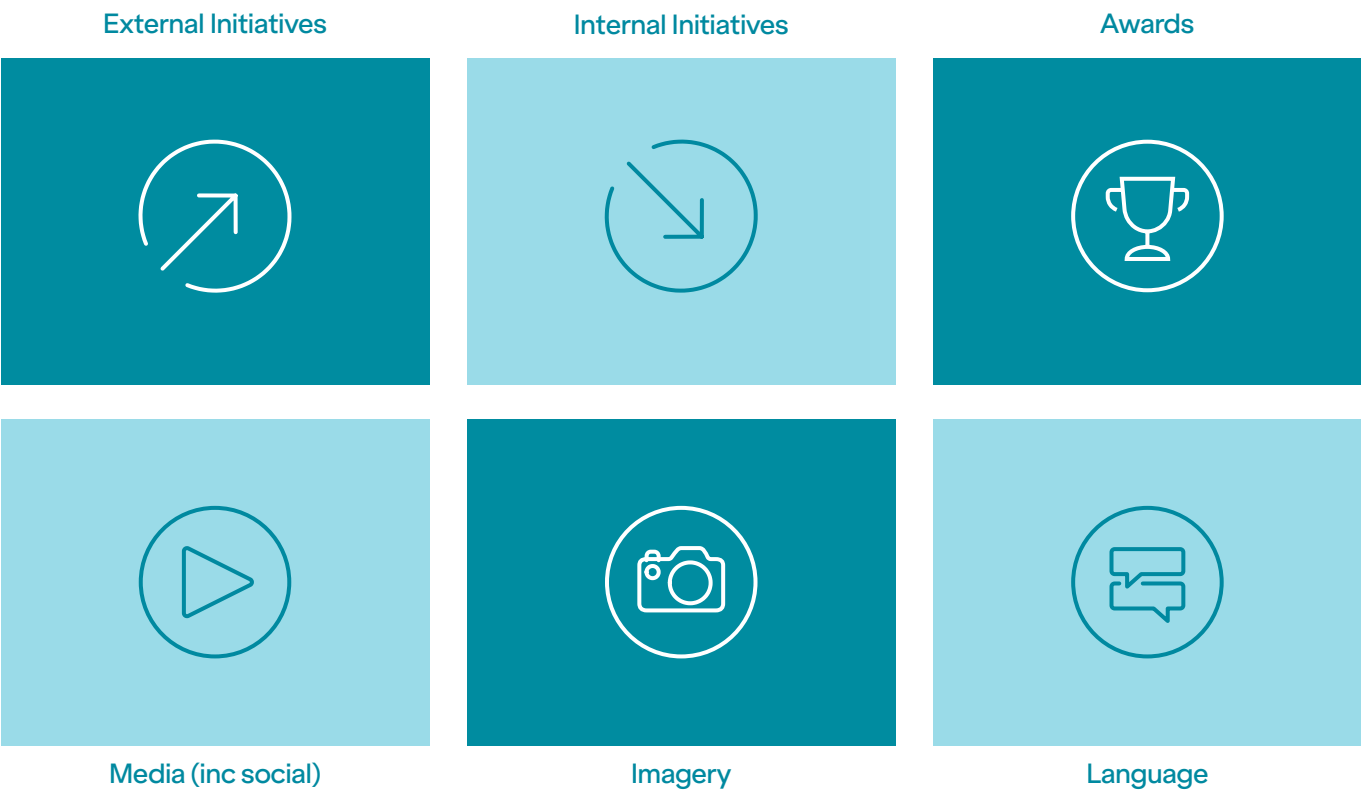
Additionally, we maintain regular formal and broadcast communication.



Equality, Diversity & Inclusion (EDI)

We are proud to continue attracting and retaining diverse talent at Scottish Leather Group, at all levels.

We continue to focus on our EDI action plan, which has seen our managers trained through internal workshops delivered by our HR team and built EDI awareness into our colleagues' induction process. Our 5-Year Action Plan will continue to build an inclusive culture that inspires, engages and celebrates the diversity of our colleagues. We want everyone to fulfil their potential and feel they belong in our business.





Investing in our people

We continue to invest in the development of future talent. We are proud to have supported 31 Engineering Apprentices to date.

We are also supporting nine colleagues through Graduate Apprenticeships, enabling them to develop their expertise while working towards a degree. In addition, 18 colleagues have completed our Coaching Academy programme, contributing to our long-term ambition to embed a coaching culture and unlock potential across all levels of the organisation.

Our Six Sigma Development programme has trained 78 colleagues across our operations. A further 11 colleagues have achieved SVQ Level 2 or 3 qualifications in leather manufacturing, bringing the total number of SVQ-qualified colleagues to 227 since the Academy was established in 2012.



Supporting our community



Festive Jumper Day 2025



Macmillan Cancer Support



'Through the Seasons' Mural



Surplus Leather Project



Bridge of Weir Community Lunch

During the last year, we continued to deepen our investment in creative, educational, and community-led initiatives, working alongside schools, charities, and local groups to generate meaningful, long-lasting impact and support the development of future talent.

From pioneering Science, Technology, Engineering and Mathematics (STEM) engagement to celebrating the arts and supporting grassroots community programmes, our commitment to our community has remained integral to our business.

Throughout the year, our Corporate Social Responsibility (CSR) activity focused on creating opportunities through creativity, access, and empowerment. We continued to support long-standing partners, including St Vincent's Hospice, CHAS (Children's Hospices Across Scotland), and The Trades House of Glasgow Spirit of Christmas Appeal, as well as initiatives such as Cash for Kids and local foodbank donations.

We were also pleased to extend our reach by supporting additional causes and community-led initiatives. These included the Happy Little Faces Foundation through our responsible sourcing partnerships and a range of colleague-led fundraising efforts supporting charities such as Beatson Cancer Charity, Macmillan Cancer Support and local community groups.

We also continued to support broader education initiatives across our communities. This included donating equipment to Gryffe High School to enhance science learning and continuing our long-standing relationships with local schools through practical support and engagement. In addition, our colleagues actively promoted diversity and inclusion in STEM through school visits, helping to challenge perceptions and encourage participation from a wide range of backgrounds.

Creativity and self-expression remained key themes throughout the year. At our Seedhill site in Paisley, we progressed our youth-led mural programme by creating a striking eco-themed mural in collaboration with the Eco Warriors at Renfrewshire Youth Services, Scottish Leather Group, and Peter Stewart Arts. This vibrant design celebrates sustainability, creativity, and community – values that are at the heart of everything we do. In addition, a 'Through the Seasons' mural was created with Renfrewshire Council's Youth Services, artist Tragic O'Hara and pupils from Paisley Grammar School. As part of the Promise Partnership programme, pupils explored themes important to them and identified seasonal celebrations as key moments to look forward to. The final design reflects connection, optimism and community.

We also expanded opportunities for creative circularity and reuse, as well as skills development, by providing leather offcuts to schools, universities, and community projects. This supported initiatives such as university fashion design projects and the Surplus Leather Project, enabling students to explore sustainable materials and craftsmanship.

Supporting local communities remained a priority. During the year, we contributed to community events such as the Bridge of Weir Gala Day, Kilbarchan Parish Church Christmas Tree Festival, and the Bridge of Weir Community Lunch, helping to bring people together and strengthen local connections. These initiatives, alongside donations to school projects such as St John Ogilvie Primary School's anniversary fundraising efforts, demonstrate our continued commitment to community wellbeing and development.

We also strengthened our support for local sports and youth development. Our continued sponsorship of the Johnstone Burgh 2017 boys' football team fosters confidence, teamwork, and pride among young players, while our ongoing sponsorship of the Gryffe Valley Rotary Club 10K Run helped raise vital funds for mental health and dementia support.

In addition, colleague-led fundraising and volunteering remained key parts of our community engagement activity. From charity challenges and fundraising events to volunteering at community initiatives, our people continue to play an active role in making a positive impact locally. We also meet regularly with our local residents' committee on other matters of local interest.

We are proud of the creativity, energy and commitment our colleagues bring to these initiatives, and we are grateful to every partner, school, charity and community group we have worked with over the past year.

Together, we are shaping a more sustainable business while helping to build stronger, more connected, and more inspired communities.

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Building climate resilience

Sustainability and innovation are embedded at the core of Scottish Leather Group and the expectations of our customers. By improving our collaboration with our supply chain, we are able to deliver a de-risked, and less impactful approach. Climate risk is existential, affecting sourcing and supply of all our raw ingredients.

The ever-changing impacts of climate risk continue to be material factors in our ESG decarbonisation and material sourcing policies. The pace of change and the demand for resilient material supply chains and reliable and affordable energy supply have been described as exponential, and our own response must align with this challenge. As the severity of climate change has been largely due to human activities, governments, organisations, and industries must measure, monitor, and review their activities and not only recognise but seize opportunities to implement the best available approaches for improvement.

Since 2003, we have envisioned a Journey to Zero and responded by reducing the direct carbon intensity (GHG Scopes 1 and 2, measured as CO₂ equivalent) of our leather to zero. By the end of 2025, we achieved our target of “Net Zero” or zero carbon intensity per hide. We are now supplied off-grid and via renewable-only sources. We also ensure full compliance with voluntary and mandatory carbon obligations, for example, the Energy Savings Opportunity Scheme (ESOS), Climate Change Agreements (CCA), and our metrics against targets set by the Science Based Targets Initiative (SBTi). We were proud to be listed in the Financial Times Europe's Climate Leaders 2026, an annual ranking of European companies that have made the most significant progress in cutting their greenhouse gas emissions.

Correlation between SECR, SBTi and Carbon Data reporting
Streamlined Energy and Carbon Reporting (SECR) is a mandatory UK legislative requirement that obliges qualifying companies to report their energy use and greenhouse gas emissions within their annual Directors' Reports.

At Scottish Leather Group, we have been measuring, reporting, and working to reduce our greenhouse gas emissions for more than 20 years. During this time, the reporting landscape and regulatory framework have evolved considerably. This consistent approach has provided a robust and comparable dataset over time, giving us clear visibility of our progress and enabling us to demonstrate the substantial reductions in greenhouse gas emissions achieved across the business over the past two decades.

Shared Data: Both frameworks rely on the same primary or core data and principles of Greenhouse Gas (GHG) Protocol. The Scope 1 and Scope 2 energy consumption and carbon data we collect annually for CCA, ESOS, SECR are directly used to populate our SBTi inventory baseline.

Methodology: Conversion factors and calculation methods used for statutory UK SECR compliance align closely with the data standards required for setting credible science-based targets. The differences are as follows:

Scope 3 Requirements and Gap:
SECR focuses primarily on the mandatory reporting of Scope 1 (direct) and Scope 2 (energy-related indirect) greenhouse gas emissions, while the reporting of Scope 3 (value chain) emissions remains voluntary. This represents the most significant point of divergence from the Science Based Targets initiative (SBTi), which requires organisations to assess Scope 3 emissions across their value chain and, where material, set reduction targets.

SBTi adopts a far broader approach to emissions accounting, drawing on the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Standard, which identifies up to 15 categories of upstream and downstream activities. These include purchased goods and services, capital expenditure, leased assets and financing

activities, as well as downstream emissions associated with product distribution, customer use, and end-of-life treatment.

For Scottish Leather Group, Scope 3 emissions represent the vast majority of our corporate greenhouse gas footprint, accounting for up to 98% of total emissions. By measuring and managing these emissions alongside Scope 1 and Scope 2, we gain a much more comprehensive understanding of our environmental impact and are able to target reductions across our entire value chain rather than solely within our direct operations.

Action vs. Disclosure: Energy Efficiency Actions and Strategic Alignment: SECR
requires companies to provide a narrative describing the energy efficiency measures implemented during the reporting year. Scottish Leather Group has consistently reported these actions as part of its annual disclosures. While SECR focuses on reporting improvements made during a specific financial year, the Science Based Targets initiative (SBTi) takes a longer-term perspective, requiring organisations to follow science-based decarbonisation pathways aligned with the goals of the Paris Agreement, including limiting global warming to 1.5°C.

As a result, SECR requires companies to explicitly describe the energy efficiency actions undertaken during the reporting period. Our validated SBTi targets provide the strategic framework that underpins these activities, demonstrating that annual energy-saving initiatives are not isolated actions but form part of a structured and internationally recognised decarbonisation programme.

This alignment provides confidence to regulators, customers, investors, and other stakeholders that the measures implemented each year contribute directly to our long-term emissions reduction pathway and support our commitment to achieving net-zero greenhouse gas emissions. By linking operational improvements to science-based targets, we ensure that short-term actions deliver measurable progress against our broader sustainability objectives.



Assessing our products' environmental impact

Lowest carbon leather
Our world's lowest carbon leather is independently measured using Life Cycle Analysis (LCA). LCA requires clear, transparent data streams throughout a supply chain and measures the true long-term impact of a service or product by examining all the steps in a product's life from the extraction and supply of raw materials through all the working processes to factory gate for distribution.

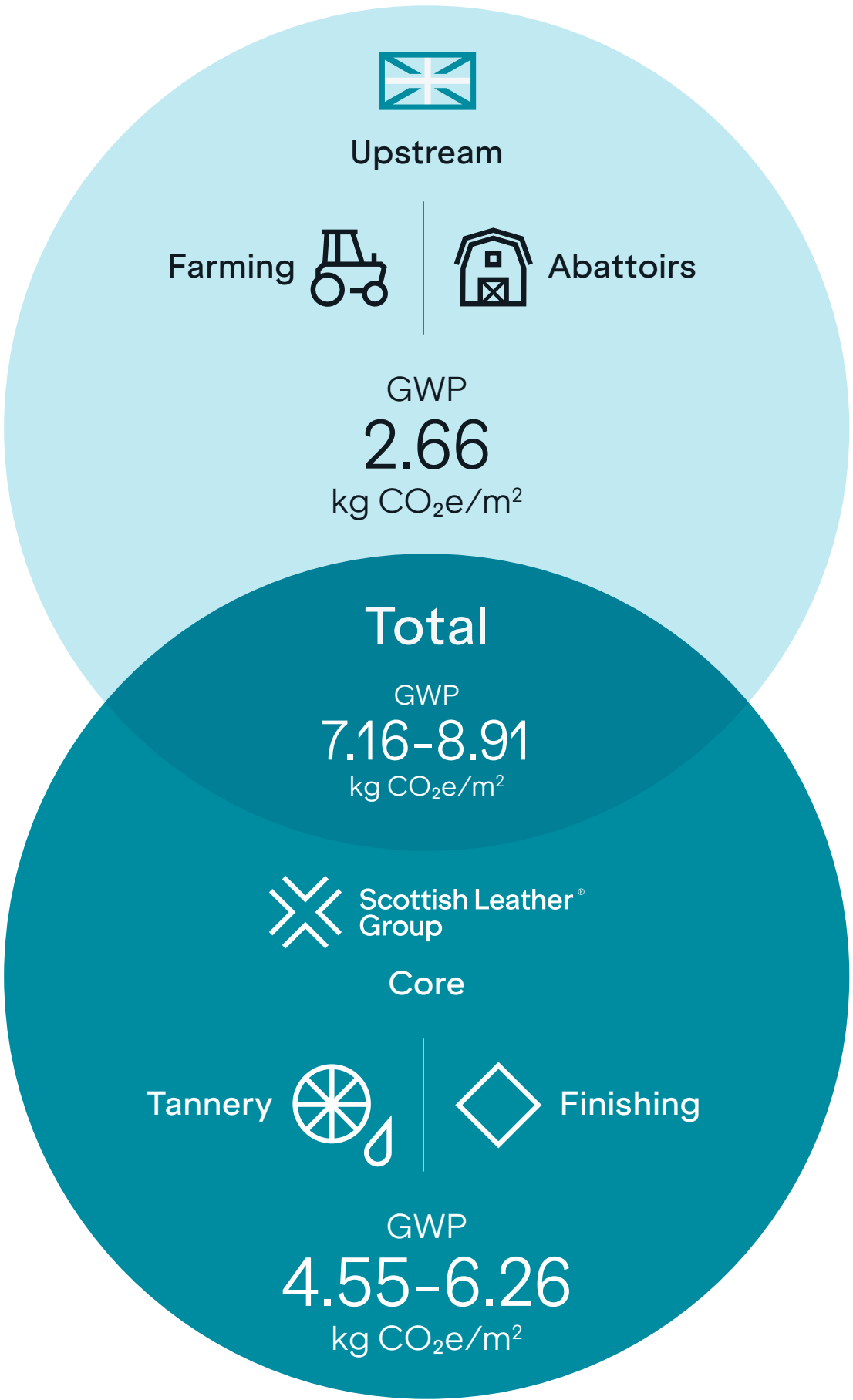
The LCA metric for our leather and our supply chain was independently revisited this year. The entire data set, including that of the farming supply chain, is now based on primary data, independently created by specialist consultants according to ISO 14040 and ISO 14044 using Sector Guidance – Environmental Product Declaration (EPD), Product Environmental Footprint Category Rules (PEFCR), and Product Category Rules (PCR) standards, calculated using proprietary SimaPro software and reference to the most recent ecoinvent 3.10 database.

The external expert assessment of our UK-sourced fully traceable hide supply chain, which collates primary data, affirms the long-held belief that our low-impact, and fully traceable product is underpinned by the high standard of farming traceability and welfare practices cherished in UK agriculture and food supply systems. Thus far, this assessment excludes any benefit from biogenic soil carbon assimilation. Despite this, the data showed a 50% reduction in hide carbon impact compared with global farming averages.

Our revised 2025 LCA reflects this reduction in impact of the hide co-product and, for the first time, allows us to accurately present our product LCA, based entirely on primary data. LCA methodologies are to be augmented with biogenic data, including, for example, the carbon dioxide uptake in grassland and soils. This is anticipated to significantly address the carbon impact of the leather supply chain, as this becomes adopted within our Scope 3 Greenhouse Gases (GHG) data.

The LCA study has undergone further rigorous review by both customers and regulators. The hotspot evaluation tool at the heart of the LCA has helped us identify opportunities to innovate and introduce new concepts and chemistries to reduce our impact of manufacture. This analysis of leather has triggered a need to develop innovative concepts for end-of-life leather, reducing our customers' Scope 3 emissions in secondary biomaterials.

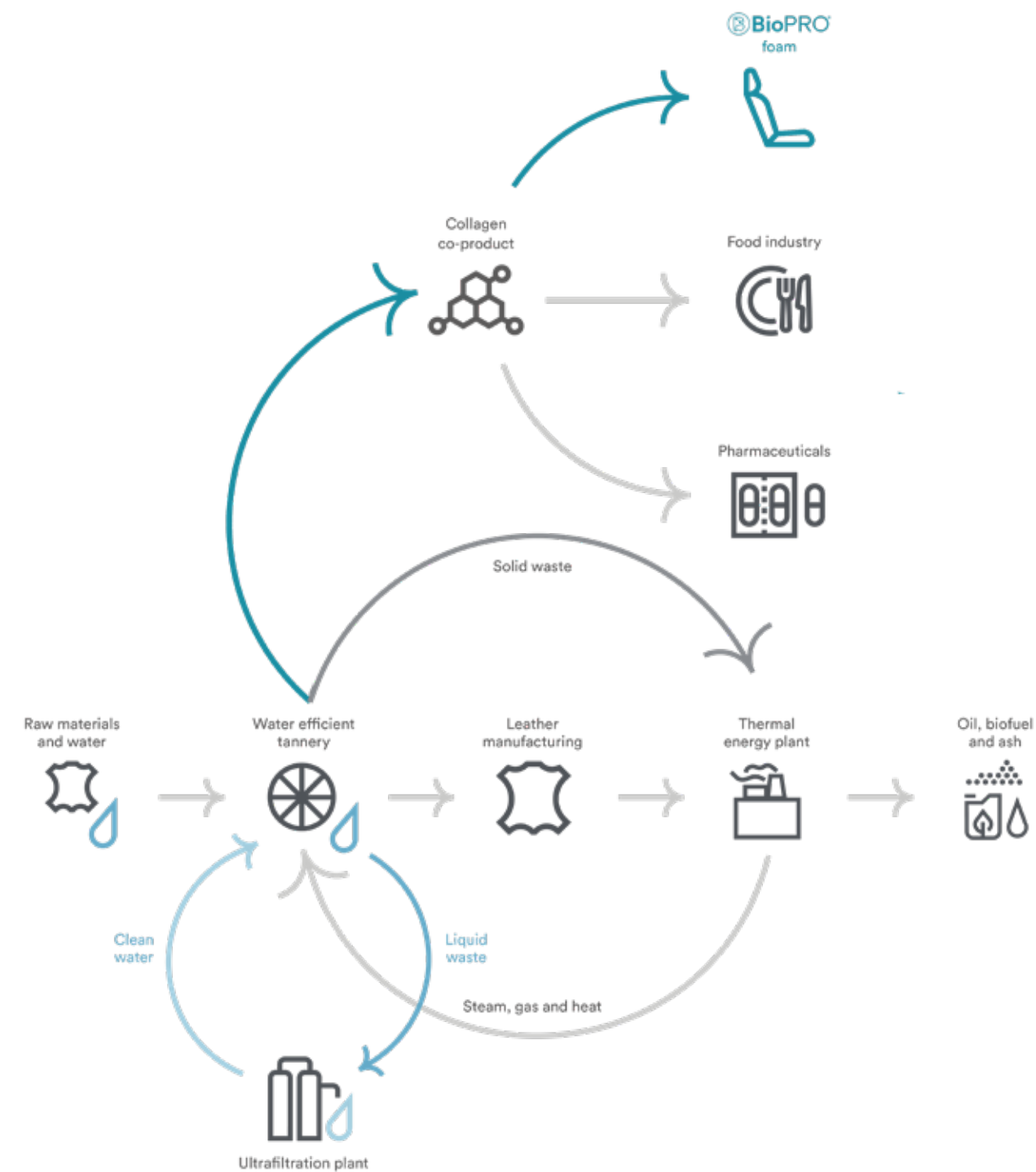
During the year, we also examined the LCA of BioPRO® foam via independent specialist consultants. We were delighted that our collagen-based BioPRO® foam formulation exhibits c.50% GHG carbon impact compared to conventional polyurethane aviation foams. Furthermore, in its use phase, calculations suggest significant tailpipe savings, due to reduced seat weight, on a like-for-like basis.





Our circular approach

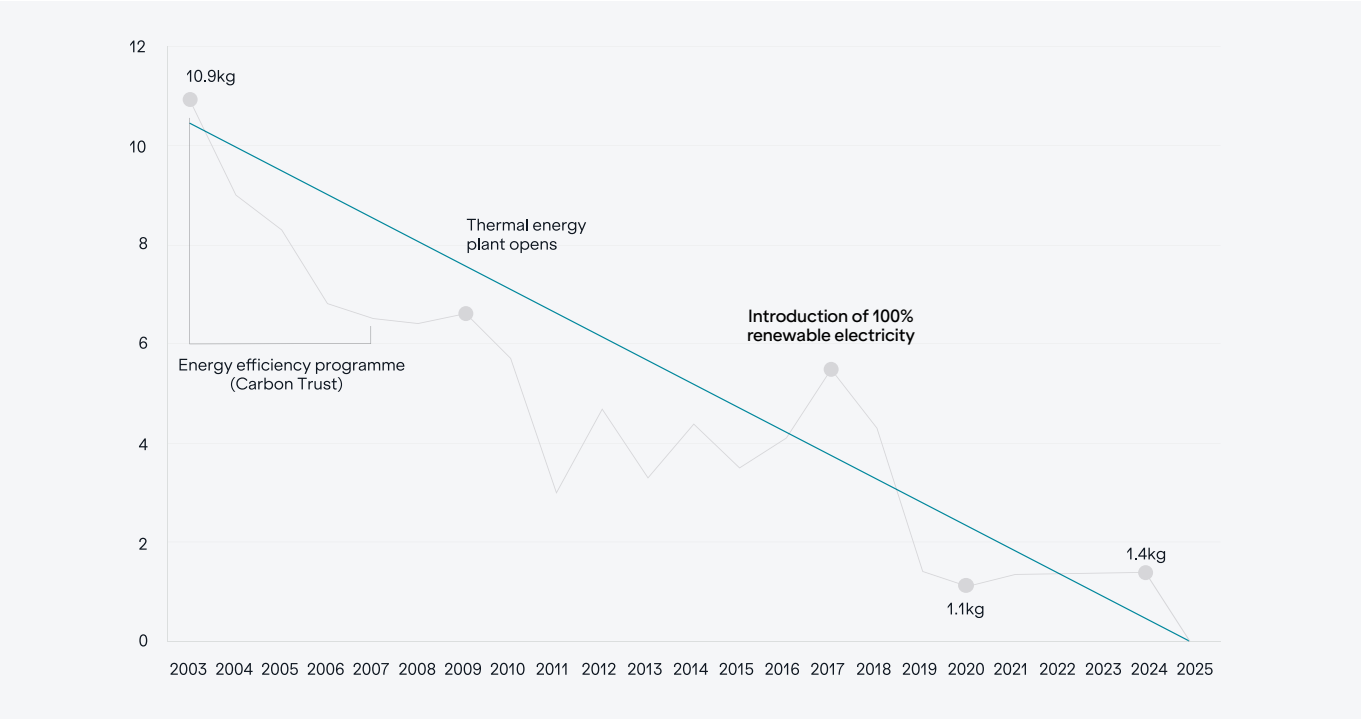
Leather manufacturing was historically seen as a polluting industry. From SLG's perspective, this is not the case. Significant advances in chemistry and in our understanding of its mechanisms have vastly improved resource choices and use efficiencies. A key component of our lowest carbon leather is our patented circular manufacturing process. With customer demand also moving towards offering end-of-life solutions, such as compostable leather, we also confirmed BioPRO® foam can be recovered in a facile process, known as acidolysis. This could enable product recovery and full circularity, further reducing the impact of subsequent cabin products.



Our Journey to Zero

GHG 100 Scope 1 and 2 & Net Zero
In our inaugural report, our Journey to Zero initiative encapsulated a set of priorities, including the reduction in energy use per hide and a cascade of initiatives from energy efficiency of our manufacturing operations to replacing energy sources and investment in our own self-generating systems. Alongside this, being an early adopter of ISO 50001 (Energy Management System), we have accurately measured and reported on this journey since 2004.

The diagram below represents the energy intensity of our leather, as shown as kg CO₂e per hide, reducing to zero (or less). We are and will be obligated under the newly introduced SRS to display our achievements in GHG Scope 1 and 2, which we are proud to do, having reached net zero on this metric 20 years ahead of national targets. This has been achieved over two decades of commitment and significant investment.



Carbon Intensity

0kg CO₂e/m²

finished leather

 Scottish Leather Group



100%

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

Our renewable energy supply is now supplemented by self-generated power from our Solar PV array, commissioned in the year, which directly supplies up to 28% of our anticipated annual use, but regularly meets up to 100% of our daytime consumption. Our GHG Scope 1 and 2 data are also presented in absolute terms per SECR obligations in the appendix. These show an absolute reduction in energy use in the current year and illustrate our decarbonisation journey from the baseline year, per the UK Government Net emission factors.

GHG Scope 3
In accordance with future reporting requirements per the SRS, we also present our GHG Scope 3 emissions, as captured per the SECR categories in the appendix and per the SBTi framework, which is recognised as the standard for science-based target reporting. We committed in 2018 to the global aim of limiting global carbon impact to 1.5C per the Race to Zero campaign.

Our groundbreaking SBTi targets will drive a collaborative effort to bring about systemic change within the UK leather sector supply chain for the next 20 years.

Our climate commitments
We are pleased to have met our formal commitments and progress to carbon reduction and sustainable manufacturing to reach Net Zero for Scope 1 and 2, and repeatedly zero tonnes of process waste to landfill.

We are proud to have had our SBTi targets validated, resulting in long-term commitments:

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

* The target includes FLAG emissions and removals.

FLAG emissions are GHG emissions and removals related to Forest, Land, and Agriculture activities, as defined by the SBTi. They include Land Use Change (like deforestation) and Land Management (like fertiliser use and livestock) emissions, along with carbon removals. FLAG targets are distinct from energy/industry targets and require a separate accounting of emissions occurring up to the "farm gate" to better understand and reduce the climate impact of these specific sectors, which are a significant source of global emissions.

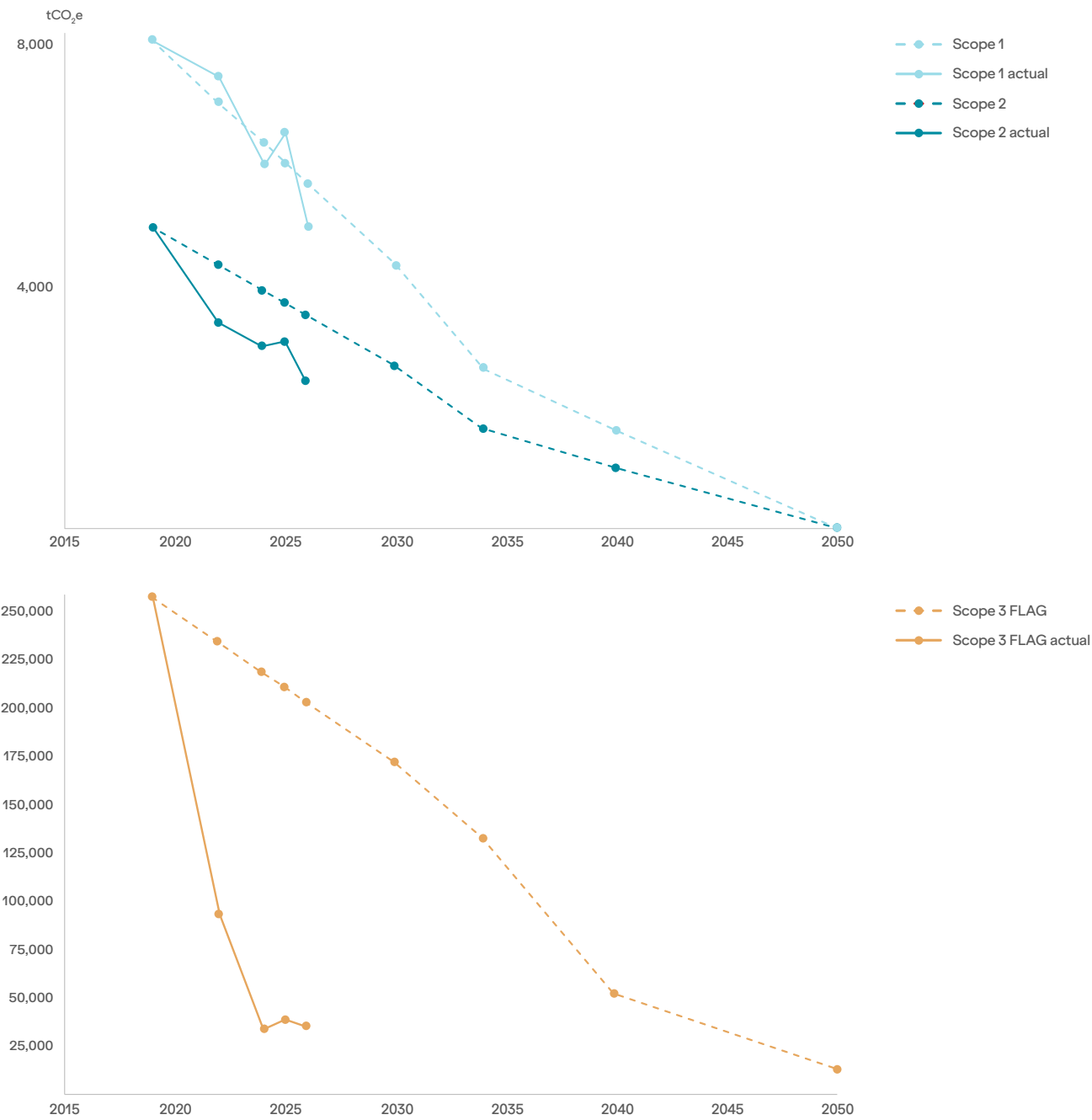
Our commitments to continue with renewable energy supplies, enhanced by our own Solar PV array, are clear. In addition to a no deforestation commitment, several of our suppliers are also committed to SBTi, driving a reduction in our Scope 3 impact. Supply chain engagement is therefore crucial, linked to our product LCA measurement. The inclusion of biogenic carbon uptake in our supply chain has yet to be quantified, but it is anticipated to further reduce the true impact of this supply chain.



Progress on our Science Based Targets initiative (SBTi) commitments

Our commitment to continue with renewable energy supplies, enhanced by our own Solar PV array, is clear. In addition to a no deforestation commitment, several of our suppliers are also committed to SBTi, driving a reduction in our Scope 3 impact. Supply chain engagement is therefore crucial, linked to our product LCA measurement. The inclusion of biogenic carbon uptake in our supply chain has yet to be quantified, but it is anticipated to further reduce the true impact of this supply chain.

Emissions reduction over time: Scope 1 and 2 and scope 3 FLAG



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05



Driving sustainable innovation

Our innovation agenda has largely been driven through the lens of sustainability, in a rapidly changing landscape of customer expectations and challenges of scarce resources and climate-driven risks. The pace of change is nonlinear. The development of techniques and applications in computing, genetic manipulation, new branches of chemistry, and biotechnology in the past decade has been exponential. This concentrates our direction to alternative uses for or creation of our bio-based co-products (collagen, keratin) as biopolymers, rather than ongoing reliance on fossil fuel-derived components and enabling circularity for end-of-life applications. Additionally, we have discovered innovative manufacturing approaches that will bring improved operational efficiency and reduce the product footprint, as well as the gradual adoption of AI and automated systems.

Our rigorous, iterative data-driven management approach to innovation, research and development, through prototyping, established over recent years, is captured in our ISO 56000 Innovation Management System, introduced this year. This ensures that new processes or product ideas are screened to establish efficacy, are robust, reliable, relevant and fully formed before launching a new product to our customer base. Innovations must directly support the company's strategic intent.

We collaborate through "open innovation" with universities and partners to advance new techniques and develop innovative materials and products. This is to broaden our application but also to provide a more timely determination of success. Some of these innovations, including our patented BioPRO®, BioTAN®, and FreeTAN® products, are already in commercial supply, with SLG being first to market with these novel challenger products. Other innovations, which include revisiting the traditional methods of tanning, remain in play.

Much of our focus for the years ahead is centred on further developing the chemistry behind our protein-urethane BioPRO® product and enhancing its properties and broader appeal.

The development of our own in-house Fire Testing Laboratory underpins our objective to become a fire centre of excellence as relevant to our key target markets. Flame Retardant seating development has expanded our opportunities in domestic, automotive, aviation and rail sectors.

The wider innovation agenda in support of our customer-centric and data-driven decision-making includes the broad adoption of novel digital (AI) applications in product selection, quality control, chemical dosing, cutting, nesting, and ultimately improving our operational efficiency. Further adoption of AI in data management and problem-solving, or in screening techniques, is increasingly applied.

In the year ahead, we will continue to strengthen collaborative partnerships with universities through Knowledge Transfer Partnerships (KTP), post-doctoral research, fellowships and internships. These initiatives support the ongoing development of our people capabilities and intellectual property. Our innovation agenda remains central to diversifying our portfolio and creating complementary, high-value product offerings, underpinned by Intellectual Property (IP) ownership.

BioPRO® foam was nominated for the Earthshot Prize last year, recognising the step change this novel biomaterial brings to the global aviation industry and its replacement of polyurethanes in seating and other uses, particularly at end-of-life. This disruptor product has become a launchpad for new market penetration and, in conjunction with our established cut-and-sew offering, further demonstrates of our vertically integrated capability.

Quality and performance testing

- ISO 9001, Quality Management System Standard
- ISO 14001, Environmental Management System Standard
- ISO 50001, Energy Management System Standard
- ATF 16949, Automotive Quality Management System Standard

- ISO 45001, Occupational Health & Safety Management System Standard
- AS/EN 9100, Quality Management System Standard for aviation, space & defence organisations
- ISO 17025, General Requirements for the Competence of Testing & Calibration Laboratories

Delivering solutions for our customers

We deliver innovative, integrated material solutions and, in collaboration with our partners, build long-term relationships while setting new industry standards in quality and environmental responsibility. During the year, we expanded our manufacturing capabilities by opening our BioPRO® foam facility in Glasgow, the former site of Andrew Muirhead & Son. This investment supports growing demand for BioPRO® and strengthens our offering in cover and seat engineering across aviation, rail, and other sectors.

All leather production, from raw hide through to finished leather, takes place at our fully integrated facility in Bridge of Weir, Scotland. As leather manufacturers, we possess deep expertise in the unique qualities of this natural material and understand how each stage of the process impacts the durability and excellence of the final product.

In addition, Muirhead operates a dedicated leather seat cover manufacturing facility in Guangzhou, China. The 50,000 sq. ft site is equipped with the same state-of-the-art technology as our UK operations and is supported by a highly skilled sewing team.

Hongxing Auto Leather is Bridge of Weir's manufacturing and finishing partner in China. To ensure consistency in product quality across the supply chain, experienced Leather Technicians and Quality Engineers from Bridge of Weir provide ongoing oversight and support.

We continually redefine traditional leather design through innovative techniques such as digital printing and Computer Numerical Control (CNC) perforation, creating distinctive textures, patterns, and decorative effects.

Our focus is to broaden our design capabilities to deliver unique options. Working closely with internal teams and suppliers, we explore new possibilities while ensuring our finishes meet aesthetic and technical standards.

Additionally, we work in close partnership with customers to develop bespoke designs that align with their brand identity and vision.

Performance testing
Textile testing is often applied to new materials in ways that do not reflect real-world use. To address this, we 'pre-stress' test samples by exposing them to extreme temperature and humidity ranges to simulate years of real-world service and to gather more realistic, useful data. Only then do we begin evaluating our leather's performance. Following this, every batch of leather is evaluated in-house at our material testing laboratory. We test to meet both customers' exact specifications and ensure legislative compliance.

In addition, we are approved to conduct FAA 25.853 vertical burn and ABD0031 smoke density and toxicity testing. Our fire testing laboratory is equipped to test full-seat constructions to EN 45545-2 and EN 16989.

We also hold Marine Equipment Directive Approval and Vehicle Certification Authority Type Approval.



Driving innovation with McLaren: Accelerating performance through collaboration

McLaren Automotive is a British luxury supercar manufacturer renowned for its focus on lightweight engineering, performance and precision design. With a heritage rooted in motorsport, McLaren continues to define the boundaries of high-performance automotive innovation.

The partnership between McLaren Automotive and Bridge of Weir spans more than three decades, beginning with the iconic McLaren F1 and continuing today with the W1 Hypercar. Built on a shared commitment to engineering excellence, craftsmanship and responsible material innovation, the collaboration remains integral to McLaren's approach to interior design.

Bridge of Weir plays a central role in the driver-focused interiors of McLaren vehicles.

Working in close collaboration with McLaren's design and engineering teams, Bridge of Weir contributes to the ongoing development of innovative interior solutions. This partnership goes beyond supply, involving continuous dialogue, shared development processes, and joint problem-solving to ensure materials not only meet aesthetic ambitions but also support performance and technical requirements.

The partnership is further defined by an uncompromising attention to detail. Bridge of Weir's expertise in bespoke finishes enables McLaren to offer a high level of customisation across its models. This, combined with McLaren's forward-thinking design philosophy, enables a high degree of creative exploration. This capability has been demonstrated in programmes such as the Speedtail and W1 where an extensive palette of colours and finishes, alongside advanced techniques including digital leather printing, allows each vehicle to be uniquely realised.

Every leather solution is carefully integrated within the vehicle architecture, supporting both performance and comfort while maintaining a refined, technical aesthetic.

Durability and long-term performance are also fundamental to both brands. Bridge of Weir leather is engineered to retain its appearance and durability over time, ensuring that McLaren interiors continue to perform throughout the life of the vehicle. Through McLaren Special Operations, interiors can also be refined or reconfigured over time, supporting longevity and sustained value.

Sustainability further underpins the collaboration. Bridge of Weir leather is responsibly sourced from the UK and Europe, providing full traceability across the supply chain. Advanced manufacturing processes ensure that 100% of process waste is recycled or recovered, supporting a more circular approach to production. This aligns closely with McLaren's commitment to reducing environmental impact while maintaining uncompromised performance.

"At McLaren, material selection is guided by performance, precision and purpose. Bridge of Weir leather combines exceptional quality with a responsible approach to manufacturing, making it a trusted partner across our vehicle programmes."

James Thompson

Head of Interior CMF and Creative Strategy, McLaren Automotive

"Our partnership with McLaren reflects a shared commitment to pushing the limits of performance while maintaining a focus on responsible craftsmanship. Together, we continue to deliver interiors that balance innovation, durability and sustainable luxury."

Katrina Whyte

Head of UK Automotive, Bridge of Weir Leather



“This collaboration brings together two British companies that share a deep commitment to craftsmanship, innovation and wellbeing. By combining advanced wellness design with responsibly produced leather, we are demonstrating that performance, luxury and environmental responsibility can strengthen one another.”

Dr Melody Chen
Co-Founder, DavidHugh

“DavidHugh’s approach to design is both thoughtful and rigorous, combining science, craftsmanship and a clear commitment to wellbeing. Our leather plays a supporting role in that vision, bringing durability, tactility and responsible material integrity to a product designed for long-term performance.”

Jonathan Lord
Head of Upholstery Leather & Custom Projects, Muirhead

DavidHugh: Sustainable innovation through science and craft

The collaboration between DavidHugh and Muirhead brings together a shared commitment to craftsmanship, wellbeing, and responsible design.

Founded in 2013 by Dr David Wickett and Dr Melody Chen, DavidHugh was created to explore a new category of wellness innovation, combining biomedical engineering, neuroscience, and design. This distinctive approach defines the brand, uniting scientific insight with refined design to create products that support both physical and cognitive wellbeing.

Design shaped by science

At the core of DavidHugh’s approach is Floatation® technology, developed through advanced biomechanical research. This innovation informs the design of its products, including the Aiora chair, where scientific understanding and craftsmanship are brought together in a single, considered form.

Every design decision reflects a balance between performance and experience. The integration of leather plays a key role in this, introducing warmth, tactility and a sense of material richness that complements the precision of the underlying engineering.

Material integrity and performance

Muirhead leather was selected for its combination of refined aesthetic, durability, and technical performance. Its tactile quality aligns naturally with the DavidHugh design language, enhancing both the product’s comfort and sensory experience.

The use of leather also allows for a subtle shift in character, bridging the worlds of advanced technology and interior design. This balance is central to the Aiora chair, where traditional materials meet contemporary innovation.

Crafted with intent

Craftsmanship is fundamental to the DavidHugh philosophy. Each product is developed through a continuous cycle of research, design and making, ensuring that performance and detail are fully understood and realised.

This hands-on approach reflects a belief that true quality is achieved through direct engagement with both material and process. The result is a product that performs with precision while retaining a sense of individuality and care in its construction.

Designing for longevity and responsibility

Sustainability is embedded from the outset of the design process. DavidHugh products are created with longevity, serviceability, and circularity in mind, ensuring they can be maintained and evolve over time.

The Aiora chair, for example, has been engineered to allow access for servicing and renewal, extending its lifecycle and reducing waste. Material selection further supports this approach, incorporating responsibly sourced components, including low carbon leather from Muirhead.

A shared vision

The partnership reflects a shared belief that design, craftsmanship and environmental responsibility should go hand in hand. Together, DavidHugh and Muirhead demonstrate how science, materials and design combine to create products that are considered, durable and responsibly made.

Industry recognition

1985

The Queen's Award for Export Achievement

1996

The Queen's Award for Export Achievement

2000

The Queens Award for Enterprise: International Trade

2008

Carbon Trust Energy Efficiency Award

2009

Scottish Renewables – Renewable Innovation Award
ROCCO Awards – Best Environmental Performance Award
World Leather Magazine
Tannery of the Year – Regional Winner

2011

Volvo – Corporate Social Responsibility Award

2012

ROCCO Awards – Journey to Zero Waste Award
Carbon Trust – Energy Efficiency in Manufacturing Award
Accenture – Global Award for Outstanding Achievement in Green Energy
The Queen’s Award for Enterprise
Association of Scottish Motoring – President’s Award for Outstanding Contribution to Motor Industry
Scottish Engineering – President’s Award for Outstanding Achievement
RoSPA Awards – Gold Award

2013

ROCCO Awards – Finalist in the Enterprise in Education Category
Apprenticeship Awards – Finalist in the Modern Apprenticeship Ambassador Programme
RoSPA Awards – Gold Award

2014

Energy Institute Environment Award for Low Carbon Leather
Works Management Manufacturing Champion Awards – Manufacturing Leader Award to Operational Excellence Co-ordinator
RoSPA Awards – Gold Award

2015

ROCCO Awards – Manufacturing Excellence
RoSPA Awards – Gold Award

2016

ROCCO Awards – International Trade Award
RoSPA Awards – Gold Award

2017

ROCCO Awards – Outstanding Business Award
RoSPA Awards – Gold Award
Glasgow Business Awards – The Most Outstanding Business Award
Glasgow Business Awards – Sustainable Development Award

2018

Scottish Export Awards – Large Exporter of the Year Award
Scottish Export Awards – Scottish Exporter of the Year Award
The Queen’s Award for Enterprise
RoSPA Awards – Gold Award

2019

The Herald Pioneer Awards – Grand Final Finalists
RoSPA Awards – Gold Award

2020

The Scottish Environment Business Awards – Vibes Award
RoSPA Awards – Gold Award

2021

RoSPA President's Award for 10 consecutive Gold Awards
Glasgow Business Awards – Sustainable Development Award
Leather Working Group – Gold Accreditation
Scottish Environment Business Awards – Vibes Good Practice Award

2022

RoSPA President's Award for 11 consecutive Gold Awards
ROCCO Awards – Environmental Sustainability Award

2023

APLF Awards – Most Sustainable Leather Award
RoSPA President's Award for 12 consecutive Gold Awards
Marie Claire’s Sustainable Interiors Award for Automotive
The Scottish Car of the Year Award – Design and Innovation Award

2024

CeeD Awards – Operational Excellence Award
RoSPA President's Award for 13 consecutive Gold Awards
ROCCO Awards – International Trade Award
ROCCO Awards – Family Business of the Year Award
ROCCO Awards – Employer of the Year Award

2025

The Earthshot Prize – Nominee
CeeD Award – Innovation Award
KTP Award for Innovation
RoSPA President's Award for 14 consecutive Gold Awards
Grant Thornton Manufacturing Growth Index

2026

RoSPA Order of Distinction Award for 15 consecutive Gold Awards



06 Appendix

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Streamlined Energy and 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 and the forthcoming Sustainability Reporting Standards per IFRS S2. The data collected includes the emissions for the UK operations of Scottish Leather Group Limited. UK Government (greenhouse gas) conversion factors during FY 25/26 were used to calculate gross and net carbon emissions from primary data. All purchased electricity is from 100% renewable (REGO) and purchased gas is 50/50 green gas RGGO from December 2025. The 2018-2019 financial year continues to be used as the base year.

The chosen intensity measurement is kg CO₂e/m² of finished product per the Climate Change Agreement. Annual targets for absolute and relative energy use and carbon intensity KPIs for product mix are set within the Energy Management System ISO 50001. The energy and carbon data presented is audited annually by BSI to, ISO 14016 (Environmental Reporting Standards) and is the base data set for annual reporting per ESOS. The data presented opposite should be read in conjunction with our FY Accounts setting out our activities per SRS IFRS S1 regarding our climate goals, achievements, metrics and governance across the ESG agenda.



Scope 1	Units	2025-2026	2024-2025	2018-2019
Gas consumption	kWh	30,870,317	34,730,182	40,858,498
Gas consumption	T CO ₂ e	4,570.48	6,354	7,475
Owned transport	T CO ₂ e	67.81	73	176
Process emissions	T CO ₂ e	59.82	58	87
Total Scope 1		4,698	6,485	7,738

Scope 2				
Electricity consumption	kWh	13,762,203	14,900,786	17,596,923
Emissions from purchased electricity	T CO ₂ e	2,436	2,637	4,266
Total Scope 2		2,436	2,637	4,266

Chosen intensity measurement: S1 and S2 gross emissions	kg CO ₂ e/m ²	1.04	1.06	1.08
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Scope 3				
Fuel and energy related activities not included in Scopes 1 and 2	T CO ₂ e	1,750	2,009	1,325
Business travel	T CO ₂ e	728	981	—
Waste generated in operations – disposal emissions	T CO ₂ e	1,745	3,456	10,739
Total Scope 3		4,223	6,446	12,064

Offsets				
Gross emissions S1, S2 and S3	T CO ₂ e	11,357	15,569	24,069
Offset – Steam and oil exported	T CO ₂ e	(1,277)	(1,490)	(3,889)
Offset – REGO electricity & RGGO Gas supply	T CO ₂ e	(2,437)	(2,637)	(3,115)
Net emissions	T CO ₂ e	7,643	11,441	17,066

Chosen intensity measurement: S1, S2 and offsets	kg CO ₂ e/m ²	0.49	0.58	0.43
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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 and electricity measurement.

Journey to Zero: Waste 2025		
Disposal Route	Total Tonnage	Percentage
Total Waste	34,742.52	
Landfill	4,141.91	12%
Recycled/Recovered	30,600.61	88%

Production Energy – 2025		
	kWh	%
Group Gas	30,209,070.10	
Renewable Gas	1,290,605.11	4%
Group Electricity	14,095,650.50	
Renewable Electricity	14,095,650.50	100%

Wastewater: Effluent 2025		
	kWh	%
Total Treated m³	310,332	
Recycled m³	—	0%
Discharged m³	310,332	100%

Waste 2024		
Disposal Route	Total Tonnage	Percentage
Total Waste	35,915.84	
Landfill	6,039.73	17%
Recycled/Recovered	29,876.11	83%

Production Energy – 2024		
	kWh	%
Group Gas	34,127,764.95	
Renewable Gas	—	0%
Group Electricity	14,921,857.20	
Renewable Electricity	14,921,857.20	100%

Effluent 2024		
	m³	%
Total Treated m³	310,610	
Recycled m³	671	0%
Discharged m³	310,610	100%

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 a 6-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 colleagues, 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 Limited. This 3rd party Verification Opinion has been prepared for Scottish Leather Group Operations Limited only for the purposes of verifying its statement relating to its GHG emissions more particularly 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 Operations Limited is true, accurate and complete. BSI Assurance UK Ltd accepts no liability to any third party who places reliance on this statement.

Gender pay equity (2025)

Social impact:
Gender pay equity & inclusion
Scottish Leather Group is committed to fostering a fair, inclusive, and transparent workplace. Gender pay equity forms a core part of our broader Environmental, Social and Governance (ESG) agenda and reflects our focus on responsible employment practices, talent development, and long-term workplace sustainability.

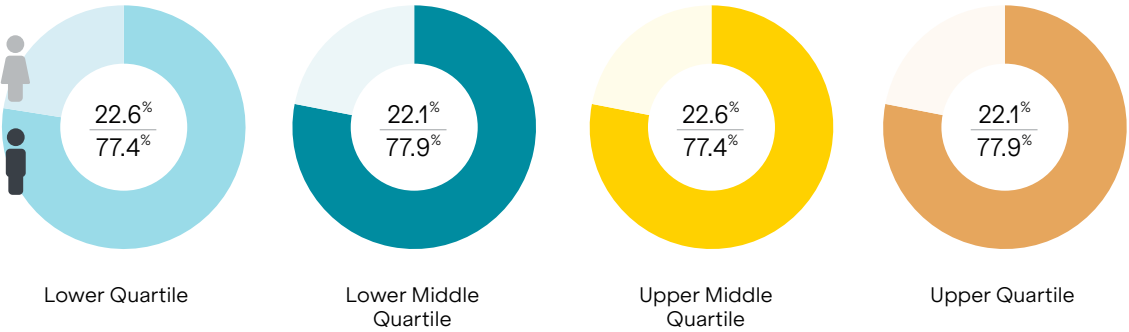
In line with UK statutory requirements, Scottish Leather Group annual reports on its gender pay gap data using a snapshot date of 5th April. The 2025 reporting period demonstrates continued progress in narrowing the gender pay gap while maintaining equal pay for men and women performing equivalent roles.

2025 gender pay gap performance (Snapshot: 5 April 2025)

- 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.
- Median gender pay gap of (1.3)%, indicating women's median hourly earnings remain broadly comparable to, and slightly above, those of men (female to male employment ratio 1:3.47).
- Mean gender pay gap of 4.6%, representing an almost 50% reduction compared to 2024.

Difference between men and women		
	Mean	Median
Hourly Rate of pay	4.6%	(1.3)%
Bonus Pay	0%	0%

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



These results confirm that Scottish Leather Group maintains robust equal pay practices. The remaining gender pay gap is primarily driven by workforce composition rather than unequal pay.



Key drivers and context

The manufacturing sector remains traditionally male dominated, particularly within senior leadership, engineering, and technical roles. At Scottish Leather Group, this structural imbalance continues to influence overall pay gap calculations.

Encouragingly, 2025 data shows gradual improvement in female representation within middle-management and specialist roles, supporting sustained progress towards a more balanced workforce over time.

Actions supporting long-term improvement

To address structural drivers of the general pay gap, Scottish Leather Group continues to focus on:

- Inclusive recruitment practices, with targeted outreach to attract women into technical, operational, and leadership roles.
- Career development and progression, including leadership development programmes, mentoring, and clearly defined career pathways.
- Early career management, through apprenticeships, education partnerships, and community outreach.
- Flexible and inclusive working practices, supporting retention and long-term career progression.

These initiatives aim to strengthen gender balance across all levels of the organisation and support sustainable workforce development.

Forward looking commitments

Scottish Leather Group remains focused on measurable, long-term outcomes. Our ongoing objectives include:

- Aligning female representation in senior leadership and management roles with the manufacturing sector benchmarks of approximately 25%.
- Continuing to reduce the mean gender pay gap year-on-year.
- Maintaining the median gender pay gap within +/- 2%, supporting consistent pay equity across the company.

Governance and accountability

Gender pay gap performance is reviewed annually and overseen by senior leadership. Progress is monitored alongside wider ESG priorities to ensure alignment between people strategy, governance standards, and long-term business resilience.

Scottish Leather Group remains committed to transparency, continuous improvement, and responsible employment practices that support an inclusive and equitable workplace.

12th February 2026

Michelle McDonald
Chief Financial Officer
Scottish Leather Group

Glossary

Terminology

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.

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

Scope 1: The Green House Gas (**GHG**) emissions that a company makes directly, for example while running its boilers and vehicles

Scope 2: The emissions it makes indirectly, where the electricity or energy it buys for heating or cooling buildings is produced on its behalf

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

SimaPro: Life cycle assessment software

Acronyms

AI: Artificial Intelligence

API: The Animal Protection Index

BSI: British Standards Institute who verify the data issued in this report

CCA: Climate Change Agreements

CDSB: Climate Disclosure Standards Board

CFO: Chief Finance Officer

CoP: Communication on Progress

CRM: Customer Relationship Management

CSR: Corporate Social Responsibility

CSRD: Corporate Sustainability Reporting Directive

CTS: Cattle Tracing Scheme ScotEID (Livestock Traceability)

DMA: Double Materiality Assessment

EDI: Equality, Diversity, and Inclusion

EPD: 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

ESOS: Energy Savings Opportunity Scheme

FLAG: Forest, Land and Agriculture – refers to FLAG guidance for SBTi (guidance for land-intensive sectors)

GHG: Greenhouse Gases

GRI: Global Reporting Initiative

H&S: Health & Safety

IFRS: International Financial Reporting Standards

ILO: International Labor Organization

IOSH: Institution of Occupational Safety and Health

IP: Intellectual Property

ISO: International Organization for Standardization

KTP: Knowledge Transfer Partnership

LCA: Life Cycle Analysis

PCR: Product Category Rules – these rules provide the guidelines for developing an EPD

PEFCR: Product Environmental Footprint Category Rules

REGO: Renewable Energy Guarantees of Origin

RoSPA: Royal Society for the Prevention of Accidents

RGGO: Renewable Gas Guarantees of Origin

SASB: Sustainability Accounting Standards Board

SBTi: Science Based Targets Initiative

SDG: Sustainable Development Goals

SECR: Streamlined Energy & Carbon Reporting

SEDEX: Supplier Ethical Data Exchange

SLG: Scottish Leather Group

SMETA: Sedex Members Ethical Trade Audit

Solar PV: Solar Photovoltaics

SRS: Sustainability Reporting Standards

STEM: Science, Technology, Engineering, and Mathematics

TCFD: Taskforce on Climate-Related Financial Disclosures

UNGC: United Nations Global Compact

UNSDG: United Nations Sustainable Development Goals

WTRP: Water Treatment and Recycling Plant



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