



SCOTTISH TANNING INDUSTRIES

**GROUP ENVIRONMENTAL REPORT
YEAR ENDING 31st MARCH 2004**



Introduction

Strong environmental performance with strategic investment is increasingly important in sustaining a competitive and thriving business. Our commitment is to move towards the reduction of waste, odour and noise; the increased recycling of wastes and improved energy efficiency. Additionally, we will continue to evaluate renewable energy and water reuse technologies. Our goal is to reduce the environmental footprint of the Group. Strong environmental performance has always been a high priority at STI.

Our long term ambition is to achieve zero waste production. 2004 and beyond will see the implementation of a new Physical Environmental Management Accounting (PEMA) system to enable internal benchmarking, targeting and reporting. PEMA will measure environmental

performance including the reduction in specific energy consumption. The Climate Change Agreement obliges the Group companies to make a 10% reduction in specific energy consumption over the period until 2010. We expect to perform better

than these obligations. Improved effluent treatment performance, with step changes in production to avoid waste creation and the adoption of green strategies, is also anticipated.

Environmental management goes hand in hand with sustainable economic development. The year's water discharge, waste disposal and energy costs amounted to approximately £3 million. These costs are escalating, driving a need for application of the concepts of avoid, minimise, reduce, reuse or recycle to lower the Group environmental impact and reduce the cost of manufacture.



Figure 1

Environmental Management

WJ&W Lang was the first UK tannery to achieve accreditation ISO 14001. Since then, all of the Group companies have adopted the ethos and practices enshrined within ISO14001 and so further strengthened their competitiveness. Environmental information is provided to senior management on a regular basis, supplemented by individual company reporting at Board level. Internal benchmarking through PEMA supplements independent external auditing. Resources committed specifically to environmental performance include working groups, energy groups and environmental managers. This ensures that environmental consideration is embedded within company decision making. All ISO14001 accreditations will be complete across the Group in 2005.

ISO 14001 is an internationally recognised environmental management system. It defines the organisational structure, procedure, practice, process and resources for implementing environmental management.

Three of the Group companies will also be regulated under Integrated Pollution Prevention Control (IPPC) by 2005 which places a high onus upon prevention of pollution and the integration of Best Available Technology (BAT) into all aspects of operations.

IPPC (Integrated Pollution Prevention & Control) is a regulatory regime which applies an integrated approach to control environmental impact. The aim is to prevent / reduce waste at source (noise, air, water and land pollution). It will have impacts upon operations and management, including demands for waste reduction, site remediation and energy efficiency.

All sites apply BAT to processing and to effluent treatment to comply with discharge requirements. The Locher / Baltic site (see Figure 1) boasts the most advanced tannery effluent treatment plant in the UK, (see Figure 2) utilising pure oxygenation in secondary treatment, with enclosed process plant and BAT odour control.



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Strategy and Objectives

The sustainable economic and environmental demands place an inherent discipline to reduce costs and impacts alike. The Group environmental strategy is divided into six objectives:

- **reduce specific energy consumption**

Improved energy efficiency will achieve the target of reducing Group energy consumption by 20% from that of the 2003 calendar year by 2010. We have entered a partnering arrangement with the Carbon Trust to assist in the delivery of the energy efficiency target.

- **reduce landfill dependency**

Wastes have historically been land filled. The adoption of composting for reuse as a topsoil in landscaping or amenity land is a key change towards reducing landfill dependency. It is intended that windrow composting (*see Figure 3*), will account for up to 80% of waste created. This is in addition to step changes in production that will create less waste.

- **eliminate water wastage and reduce overall specific water consumption**

Our water use already compares favourably with worldwide industry standards. Improved chemical exhaustion and subsequent treatment improvements using membranes will lead to water recycling and on towards the ultimate goal of a zero waste process.

- **eco-friendly tannage**

The development of new tannages is paramount for either reduced pollution loading or for allowing customers increased options at the end of product life. This is in support of our commitment to product stewardship and product development.

- **renewable energy application through gasification technology**

The ability to recover thermal energy from our waste is a key component of the zero waste strategy. This technology will allow us an opportunity to reduce fossil fuel use as well as avoiding the need for solid waste disposal.

- **odour and noise reduction**

The reduction in noise and odour emitted beyond our boundaries are key measures of our program of improvement and reduction of local impact. Considerable investment into odour treatment is already occurring, in addition to step changes to prevent odour and noise formation at source.



Figure 2



Figure 3

Conclusion

Achievement of the objectives of the zero waste strategy will entail considerable investment and application. Some £6 million has been identified for potential expenditure in key technologies such as gasification and membrane separation, over the short to medium term. These technologies will reduce odour and reduce the costs and logistics of our off site waste disposal, primary energy consumption and water discharges. This investment is essential to sustain a viable and competitive business, operating within an increasingly onerous regulatory and commercial framework.

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20th May 2004



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