

LEANER GREENER CLEANER

Practical Solutions, Successful Partnerships

Corporate Social Responsibility Report

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WE ARE COMMITTED TO OPERATING OUR BUSINESS IN A SUSTAINABLE, ENVIRONMENTALLY CONSIDERATE AND SOCIALLY RESPONSIBLE MANNER WHICH, AT A VERY BASIC LEVEL, WE SEE AS FORMING A **THREE PRONGED STRATEGY**



1
Contribute to a Safe, Secure and Comfortable Society
Enhancing the built environment

2
Maintain a key role in the Socio-Economy
Delivering goods to shops and factories

3
Be Environmentally Protective
Managing society's discarded materials

INTRODUCTION

Originating as a family-owned business in the 1920s, the Malcolm Group has become a leading provider of Logistics and Construction services, employing over 2,000 people with assets in excess of 500 trucks, 1,200 trailers, 200 items of heavy plant and over 5 million square feet of warehousing throughout the UK.

We are committed to operating our businesses in a sustainable, environmentally considerate and socially responsible manner which, at a very basic level, we see as forming a three pronged strategy:

- 1 **Contribute to a Safe, Secure and Comfortable Society**
- enhancing the built environment
- 2 **Maintain a Key Role in the Socio-Economy**
- delivering goods to shops and factories
- 3 **Be Environmentally Protective**
- managing society's discarded materials

These are business services fundamental to modern living and therefore core to our business plan.

The Group has, over many years, quietly invested time, money and vision towards ensuring our individual companies' interests in **Construction, Logistics, Quarrying, Resource Management and Warehousing** are not only relevant and desirable but are delivered with integrity and environmental ethics in mind, while pushing back the boundaries of quality, efficiency and technology.

Like many of today's best performing companies, the Malcolm Group also recognises **resource efficiency** as a key component to remaining competitive. The old adage of "doing more, with less" has never been more relevant.

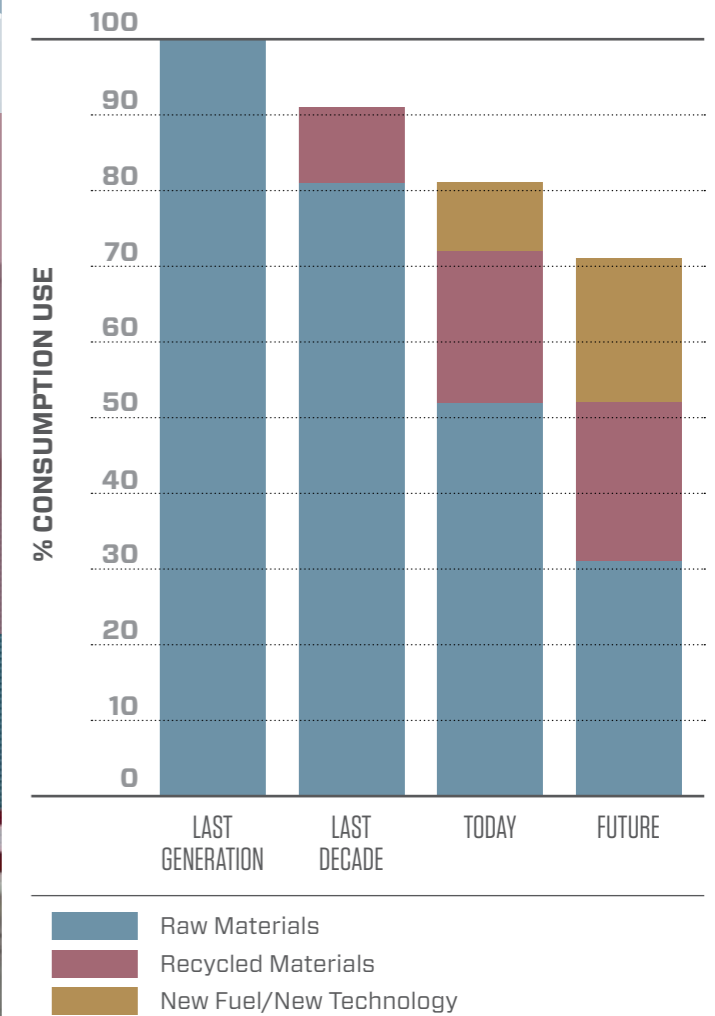
However, it is not enough to stop there. It is now essential to look at global resources. There is a growing realisation that companies not only need to do more with less, increasingly, we must be prepared to substitute raw materials for recycled and bio-engineered ones.

How does the Malcolm Group position itself within this changing resource environment? Three principles govern the Malcolm Group philosophy and strategy:

- **Great data -**
To manage, we must first understand
- **Understand boundaries -**
We will change what we can and influence those who can help us gain new ground
- **Educate and communicate -**
We will take our staff with us on our journey of change and communicate our progress with market leaders, customers and policy makers

At the Malcolm Group we don't consider ourselves pioneers but as advocates of change, we are prepared to lead by example.

GLOBAL CONSUMPTION OF RAW MATERIALS



“ At the Malcolm Group we don't consider ourselves pioneers but as advocates of change, we are prepared to lead by example. ”





CHANGING FOR THE SAKE OF CLIMATE CHANGE

The world's climate has always changed and will continue to do so. Climate change, energy efficiency and carbon reduction require global solutions to be implemented by nations, organisations and individuals alike, to make a difference.

The Malcolm Group understands climate change is not simply about our carbon footprint. It is also about our need to adapt. Building resilience into our company has always been key but perhaps more so now, than ever before.

Consequently, we are:

- ensuring we do not build on flood plains
- actively planning for extreme temperature events and integrating weather forecasting into operational planning, so our vehicles are suitably prepared for use in extreme conditions
- improving our energy efficiencies
- investing in renewables

We are also conscious the role we fulfil in the commercial supply chain requires fuel surety, not least because we consume large quantities of it.

Fuel cannot be out-sourced, sub-contracted or otherwise hidden and at the Malcolm Group we have always been very transparent about what we do and how we do it, including the fact we operate in a high carbon intensive sector within the UK economy.

With no viable, practical, energy alternative available to us, we have learned to manage efficiency improvements in our energy use, within the parameters of current technologies and to considerable effect! Nevertheless, we realise further economies and efficiencies can only come from step changes in either fuel or technology development (ideally both). For the moment, these challenges remain outwith our control, with the inventors.

In the meantime, we continue to engage with suppliers of new technologies and to co-operate in fuel trials. We engage with our customers, Industry Bodies and where appropriate Government, on new working methods and modal shifts. We are actively exploring and implementing new recycling technology, as it becomes available.

“ WE ARE PART OF A SYSTEM FOR MODERN LIVING, THEREFORE THESE ACTIONS NEED TO WORK FOR EVERYONE AND EVERYONE NEEDS TO WORK WITH US, TO ACHIEVE A BETTER ENVIRONMENT FOR ALL. ”

AWARD WINNING ATTITUDE TO FLEET MANAGEMENT

In a recent, highly rigorous and independent assessment covering fleet profile, fuel management, operations, skills development, vehicle specification/maintenance, support systems and performance monitoring and targeting, Malcolm Logistics was rated a 5 Star Operator by the European Eco Stars Fleet Recognition Scheme.

This accolade represents something of a holistic environmental standard, as it goes beyond traditional environmental measurements such as carbon emissions. To maintain this position and to provide year on year efficiency and fuel gains, we continue to invest in new lean engine fleet, driver training and routing.

Our year on year mpg performance provides incremental improvements. As stated by the Transport and Travel Research audit report of company fleet and fuel management for Eco-Stars: "Our review of your application indicated that you run an operation with a strong focus on efficiency and environmental performance. This is reflected in your current 5 Stars operational rating."

- 1 GPS TRACKING
- 2 ON-BOARD TELEMATICS
- 3 HQ ROUTING IN REALTIME
- 4 IDLING CUT-OUT
- 5 LOW EMISSIONS
- 6 DIESEL PARTICULATE FILTER
- 7 AUTOMATED TRANSMISSION
- 8 DRIVER PERFORMANCE MANAGEMENT & TRAINING



CURRENT STATUS OF THE MALCOLM GROUP LOGISTICS FLEET

STANDARD	DATE	CO(G/KWH)	NOX(G/KWH)	HC(G/KWH)	PM(G/KWH)	NO IN FLEET	% OF FLEET
Euro 0	1988-1992	12.3	15.8	2.6	none	0	0
Euro I	1992-1995	4.9	9.0	1.23	0.40	0	0
Euro II	1995-1999	4.0	7.0	1.1	0.15	0	0
Euro III	1999-2005	2.1	5.0	0.66	0.1	0	0
Euro IV	2005-2008	1.5	3.5	0.46	0.02	9	2.6
Euro V	2008-2012	1.5	2.0	0.46	0.02	40	11.4
Euro VI	2014-	1.5	0.4	0.13	0.01	301	86





Some useful facts

- Malcolm's new 50' Container will accommodate 30 pallets of goods (4 more than a 45' Container)
- Malcolm Group are committed participants in the Government's 10 year "Long Trailer Trial" and have allocated 101 trailer lengths at 15.65 mtrs and 34 at 14.6 mtrs for this purpose
- The current Megafret type Rail Wagon will easily accommodate container lengths of 50' [15.24 m] maximum

Trailer Compliance

- Our new trailer, in its road legal condition, laden with a 45' container, is fully compliant with Construction and Use Regulations
- By embracing the latest steer axle technology, we meet the turning circle requirements defined in C & U Regulations and the Longer Trailer Trial Technical Requirements
- In its 50' position our new trailer meets the requirements of the Road Vehicle Lighting Regulations

Malcolm Group are members of the Freight Transport Association's Logistics Carbon Reduction Scheme and 5* members of the Eco Stars Scheme.



INTERMODAL INNOVATION - THE 50' CONTAINER

Malcolm Logistics' **50' Big Box Container** is set to revolutionise the way goods will be moved in the future. In parallel, we have also engineered a **versatile new Trailer** which is easily and safely extended to accommodate our new super-sized containers.

Now our customers have the facility to move **15% more freight** per journey (over the largest available conventional container). And, by using a combination of our eco-friendly Road and Rail services, we are able to achieve a **13% reduction in CO₂ emissions per pallet**.

Malcolm Logistics' **Big Box and Trailer** innovations could make the difference to your business, from both financial and green perspectives.

MOVE 15% MORE GOODS

THE 50' CONTAINER

AN INTERMODAL INNOVATION FROM

MALCOLM
LOGISTICS

It's a **Game Changer!**

ACHIEVE 13% LESS CO₂ PER PALLET

2.5 FEET

2.5 FEET

“ Malcolm Logistics' Big Box and Trailer innovations could make the difference to your business, from both financial and green perspectives. ”

THE RAIL RENAISSANCE

In 2001, the Malcolm Group became one of the first logistics companies to ‘rediscover’ Rail and the benefits it can provide. Today we operate three rail freight terminals including the largest UK domestic intermodal terminal at Daventry.

The Group offers a seamless door to door service to our customers. And, by using Rail, we are able to control operating costs and reduce greenhouse gas emissions.

A single Malcolm Group train carries the same amount of freight as 37 HGVs. Defra figures state 1 litre of fuel creates 2.63 kg of CO₂.

MDS Transmodal evaluates a train’s fuel efficiency at 7 litres per mile. Using these figures it is possible to work out the annual CO₂ burden of The Malcolm Group’s rail service, and compare it to the CO₂ emission of the equivalent HGV journeys. See Table 1 opposite.

“One Malcolm group train carries the equivalent payload of **37 HGV trucks** with around one third of the CO₂ burden.”



By running this rail service, The Malcolm Group saves a minimum of 511 tonnes of CO₂ emissions per year.

Modal shift to Rail not only delivers benefits in reduced greenhouse gas emissions but also provides other secondary benefits -

- Built resilience into our supply chain by increasing available options
- Improved delivery and collection reliability with less delays caused by road congestion
- Minimised exposure to drivers’ hours and working time directive issues
- Mitigated the impact of fuel price uncertainty
- Reduced the number of vehicles and journeys required by our fleet
- Improving road safety by reducing the number of vehicles on UK roads

FIGURE 1

The typical CO₂ emissions for different modes per tonne / km (2009 Guidelines to Defra / DECC GHGs Conversion Factors for Company Reporting).

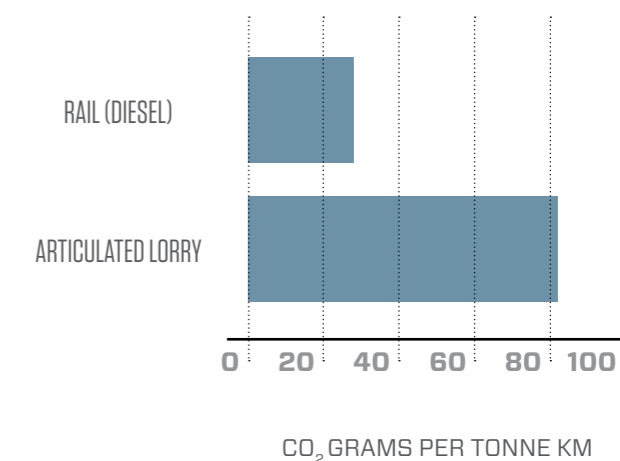


TABLE 1

Comparison figures for The Malcolm Group’s rail service and its road equivalent

	HGVs	TRAINS
JOURNEYS PER YEAR	6, 312	263
TYPICAL JOURNEY DISTANCE	86 MILES	86 MILES
TOTAL ANNUAL DISTANCE	542, 832 MILES	22, 618 MILES
FUEL EFFICIENCY	7 MILES PER GALLON / (~0.65 LITRES PER MILE)	(~0.7 MILES PER GALLON) / 7 LITRES PER MILE)
ANNUAL FUEL USE	77, 547 GALLONS / 352, 538 LITRES	34, 827 GALLONS 158, 326 LITRES
CO₂ BURDEN	927 TONNES	416 TONNES



RESOURCE MANAGEMENT CLOSING THE LOOP

As market leaders in Resource Management, The Malcolm Group re-uses and recycles construction and demolition arisings with the aims of generating Zero Waste and minimising virgin product use.



QUARRY RESTORATION



VIRGIN AGGREGATE PRODUCTION



AGGREGATE RECYCLING - WASHPLANT



AGGREGATE RECYCLING - CRUSHER



GROUNDWORKS - CONSTRUCTION



BUILDING DEMOLITION

As a result of our single-minded approach, the Malcolm Group is successfully 'closing the loop' on aggregate production by -

- 1 **Supplying virgin aggregate to Construction sites**, where no recycled substitute is available, directly from our Loanhead Quarry, Beith
- 2 **Transporting material from demolition sites to our specialist processing sites** according to best environmental option
 - a. **Aggregate Wash Plant** - Committed to a £2M investment to clean up mixed, dirty aggregate to British Standards
 - b. **Crushing and grading** of concrete, bricks and tiles to British Standard fill specification
 - c. **Quarry restoration**, where no valuable aggregate is contained in the material
- 3 **Recycling aggregate back into the Construction market**, substituting virgin aggregate
- 4 **Sending non-recyclable, inert material to closed quarries for restoration**, helping to heal the landscape scars left by virgin aggregate production

The Malcolm Group is proud to say "All inert material handled is either recycled or re-used for quarry restoration".

RESPONSIBLE LAND RESTORATION



The Malcolm Group has a proud record of sustainable, reliable and dependable site restoration.

With the current spotlight in Scotland on land restoration, following these types of large scale industrial usages, landowners, regulators and most important of all, the public, can rest assured that, in line with our policy of reducing environmental impact, we are also devoted to quarry restoration and environmental enhancement.



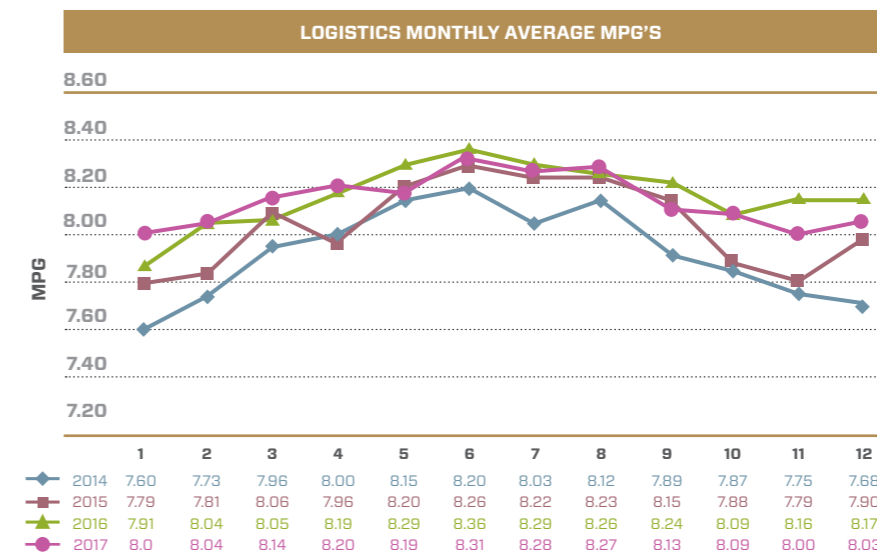
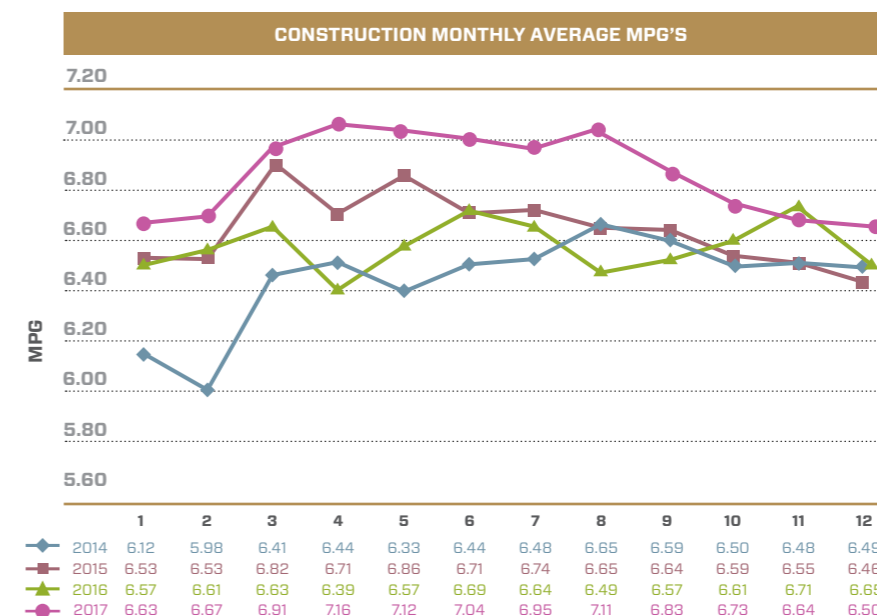
01. Inchbelle Sand Quarry has been successfully filled with construction/demolition wastes and restored using green waste compost in the surface soils to enable agricultural use to Oilseed Rape production.



02. South Medrox Quarry has been successfully restored using inert construction and demolition soil and stones, finished off with soils capable of maintaining the landowner's need for improved grazing.

HOW WELL ARE WE DOING?

Every year we set ourselves new key performance targets and introduce new initiatives and policies towards increasing our effectiveness in everyday works. We're reducing our dependencies on certain types of consumable and durable products and where we have increases in usage, we are also pleased to report we can evidence parallel increases in their recyclability.



FUEL AND ENERGY CONSUMPTION					GROUP CO ₂ E EMISSIONS		
YEAR	DIESEL (LITRES)	ELECTRICITY (KWH)	GAS (KW)	WATER (CUBIC METRES)	YEAR	CO ₂ E (TONNES)	CO ₂ E KG/E TURNOVER
2012/13	19,693,439	8,733,127	2,312,621	No Data	2012/13	55,207	0.286
2013/14	19,330,221	9,676,577	2,435,657	34,853	2013/14	55,063	0.270
2014/15	21,051,503	8,677,030	2,478,535	35,398	2014/15	58,862	0.272
2015/16	23,057,417	10,150,098	2,465,100	34,004	2015/16	64,724	0.30
2016/17	22,653,918	8,482,863	3,974,982	41,295	2016/17	62,618	0.277

**OUR SUCCESSES
HAVE BECOME
THE BENCHMARK
WHICH DRIVE OUR
CORPORATE SOCIAL
RESPONSIBILITY
AMBITIONS AND
AGENDA**

The table below gives a snapshot of our cross-group success rate on waste materials.

GROUP WASTE MANAGEMENT					
WASTE TYPE	2015-16 QUANTITY (KG)	2016-17 QUANTITY (KG)	VARIANCE (KG)	% CHANGE	RECYCLED / INCINERATION
Engine Oil	69,786	68,065	-1,721	-2%	100% Recycled
Filters	14,000	14,350	+350	+2%	100% Recycled
Rags and Granules	3,240	4,250	+1,010	+3%	100% Recycled
Mixed Fuel	136	100	-36	-26%	100% Recycled
Batteries	8720	9,200	+480	+5%	100% Recycled
Aerosols	80	120	+40	+50%	100% Recycled
Thinners	525	625	+100	+19%	100% Incinerated
Paint	0	0	0	0	100% Incinerated
Glass	137,500	140,150	+2,650	+2%	100% Recycled
Scrap	240,500	256,200	+15,700	+6%	100% Recycled
Timber	12,250	13,200	+950	+8%	100% Recycled
General	407,650	408,130	+480	+0.1%	MRF - 65% Recycling; 35% Landfill
Paper	26,100	250,400	-700	-3%	100% Recycled
TOTAL	920,487	939,790	+19,303	+2%	



Overall, we think we're doing rather well but we know we can do better.

So, we're not resting on our laurels. Our successes have become the benchmark which drives our Corporate Social Responsibility ambitions and agenda. Within it, our aspiration towards zero waste status is very real and even if time subsequently proves this an impossible task, we believe our continuing pursuit of zero waste, will prove our "social responsibility and sustainability behaviour" to be exemplary, for our employees, our peers and those who will follow us.

ACTIONS AND TARGETS



Action - The MalcolM Group is committed to a programme of continual investment in fleet modernisation. Increasing our ratio of Euro VI engines together with the development of innovative, longer length, trailer construction and containerisation, are just two such initiatives within our long term plans.

Target - reduce the environmental impact of road usage wherever possible.



Action - We are also embracing Industry and Government targets; Department of Transport Trials and new technologies, as they become available; initiatives and trials with Department of Transport; and fuel/emission efficiency works with EcoStars, Transport and Travel Research and leading truck manufacturers.

Target - improve our mpg fuel efficiency, year on year.



Action - We're introducing new depots and reconfiguring existing warehouse locations to facilitate a reduction in "empty running". We've installed telematics on forklift trucks. We're reviewing existing lighting infrastructure across our whole estate, using trial results on new energy efficient light bulbs. We are using this lighting knowledge alongside the installation of new windows at our expansive Newhouse depot, as a pilot to our cross-business energy reduction programme.

Target - 10% energy reduction on a like for like basis per depot.



Action - We are investigating how more of our customers can take advantage of the opportunities offered by increased use of our rail network and through a process of continuous management of incremental improvements in driver performance, we are using new levels of operational intelligence towards creating greater efficiencies in route planning, fuel consumption and the further reduction of CO₂ emissions.

We are currently planning the re-use of energy from waste, at our Construction Head Office, at South Street, Glasgow, where we aim to deliver a Zero Waste solution.

Target - reduce the carbon intensity of our operations by delivering reduced CO₂e per £ turnover.

LEAVING OUR MARK ON EVERYTHING WE DO

Nothing lasts forever but we like to think we can leave a positive mark on everything we do, so that future generations will be able to benefit as much from our thoughtfulness, skills and quality of workmanship, as those experiencing them today.

The scope and scale of our influence is considerable, ranging from social housing to private developments; commercial to corporate and government buildings; school playgrounds and playing fields to major sporting venues and tourist attractions.

To reinforce these points, our recent contribution, as an Official Construction Partner to the XX Commonwealth Games in Glasgow, not only had a significant effect on the experience of the athletes during their visit, but our partner contractors, the environment and the community we operated in, benefitted too!

Take the Games Village for example. It has become something of a benchmark for the way major Construction Projects will be handled in the future. It has, justifiably, been lavished with accolades and awards by various Industry and Environmental groups, as an exemplar of sustainable construction. The following table shows some of the highlights we feel particularly proud of.

SUSTAINABILITY STATISTICS

Commonwealth Games Athletes Village

- Recycled Aggregates at a rate of 0.27 tonnes per m² – 190,278 tonnes of virgin aggregate saved
- Net Importer – more waste recycled and re-used than generated
- Onsite usage of Recycled Aggregate also saved 105 tonnes of CO₂



Hampden Stadium - Track & Field

The Malcolm Group was proud to be the official Construction Provider for the 2014 Commonwealth Games. The approach taken by the team to transform Hampden Park from a football stadium to a world class athletics arena, meant that Glasgow was not left with 'White Elephant' infrastructure as is often the case with such projects. The 'Glasgow Solution' was an entirely temporary solution, but with lasting environmental credentials.

Apart from not having to build a whole new stadium, all effort to 'design out' waste during the project was at the heart of decision making. In total over 95% of all materials used in the project was either re-used or recycled, including the complete removal of the athletics track and re-installation at Falkirk Council's Grangemouth Stadium. This innovative World First approach has already provided inspiration to Olympic bid teams around the world.

WE LIKE TO THINK WE CAN LEAVE A POSITIVE MARK ON EVERYTHING WE DO, SO THAT FUTURE GENERATIONS WILL BE ABLE TO BENEFIT AS MUCH FROM OUR THOUGHTFULNESS, SKILLS AND QUALITY OF WORKMANSHIP

AWARDS & ACCOLADES



COMMUNITY AND CHARITABLE WORKS

Giving back a little of what we've earned, is our pleasure and privilege. The Malcolm Group has a long history of giving which, through donation, patronage and sponsorship, takes us into the family homes of our staff, the communities we work in, schools and the education system, local and National Sports and the Arts. And, we also support numerous charitable organisations –where our involvement could perhaps enhance a life or make a fundamental difference.



Charlotte Fagg, Alf's Black Belt Academy - Sponsorship



Beith Juniors FC - Sponsorship



Kilmarnock Portland FC - Sponsorship



Glasgow Warriors - Sponsorship



Corporate Sponsor - Transaid



The Prince & Princess
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Prince & Princess of Wales Hospice - Patronage

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