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24th August 2011

Ban Ki-moon
Secretary-General
United Nations
New York, NY 10017
USA

Musgrave Group Annual Global Compact Communication on Progress

Dear Mr. Secretary-General,

We are pleased to confirm that Musgrave Group is committed to continuing its support for the ten principles of the Global Compact in respect to human rights, labour rights the protection of the environment and anti-corruption and to advancing them within our sphere of influence.

We are committed to continuing to make the Global Compact and its principles part of the strategy, culture and day-to-day operations of our company and undertake to continue to articulate our commitment - both to our employees, partners, clients and the public. We support public accountability and transparency and will publicly report on our progress in this regard.

Please find attached our Communication on Progress and some general information regarding our company as well as the contact person responsible for contacts with the office of the Global Compact.

Sincerely yours,



Chris Martin
Group CEO

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19th August 2011

Ban Ki-moon
Secretary-General
United Nations
New York, NY 10017
USA

Musgrave Group Annual Global Compact Communication on Progress

Dear Secretary General,

Musgrave Group is Ireland's biggest food and grocery distributor founded by brothers Thomas and Stuart Musgrave in Cork in 1876. We are partner to entrepreneurial food retailers and foodservice professionals serving more than 3,000 stores in Ireland, Great Britain and Spain.

Musgrave Group and its retailers together employ more than 55,000 people; in the Republic of Ireland we are the country's second largest employer, with more than 24,000 employees.

Musgrave Group is proud of its reputation for transparency on sustainability issues; we believe that we have an obligation to our stakeholders to report and account for our performance. Our award-winning sustainability reports are public testimony to our sustainability convictions and are a comprehensive record of our performance.

In each of our divisions, a board director is responsible for managing and reporting progress towards achieving our sustainability targets. Strategic direction on sustainability is agreed at Group board level, and is directed by the Head of Sustainability, to whom the divisional directors report performance.

We have been signatories to the Global Compact since May of 2004 and undertake to continue to respect and promote its ten principles. We attach our 2011 Communication on Progress for your attention. We will also communicate our COP to our stakeholders via our sustainability website www.musgravesustainability.com

Yours sincerely,



John Curran
Head of Sustainability

United Nations Global Compact

Musgrave Group and the UN Global Compact

About Global Compact

The United Nations Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

Musgrave Group: Committed to UN Global Compact

Musgrave Group has been a signatory to the Global Compact for over seven years; we will continue our commitment to the ten principles, as set out in this Communication on Progress (COP) for 2011, as well as the accompanying statement of support.

Our 2011 COP will be communicated to our stakeholders via our recently-development website musgravesustainability.com – here you'll find a wealth of information relating to our approach to sustainability.

Our Sustainability Principles

Our commitment to the Global Compact fits with our company-wide approach to sustainability.

We look at sustainability differently from other businesses. For us, sustainability means living up to the core responsibilities that any good business should have: to look after its people and customers, to minimise its impact on the environment, to produce sustainable wealth so that it benefits all its stakeholders in the long term – and not just for short-term financial gain. Above all, it's about making a positive contribution to people's lives, to their communities and to society as a whole.

Vibrant communities

We've been an independent family business since 1876. We work closely with partners and businesses that have a similar outlook, and do what we can to be active members of the communities we're part of. What matters to us is the long term, and that can only be realised through honesty, hard work, and a commitment to offering value. All those qualities explain why people like to work with us. We're trusted, and we repay that trust. That's why the stores associated with our brands are key to the lives of the villages and towns they're located.

It also means that together with our retailer partners we can offer viable and secure employment to people in their own area. On top of which, we support a wide range of projects dedicated to the communities they serve.

We put people at the heart of what we do and after 130 years this seems to be good for business and good for the communities we work with.

Community Support

We are proud to be involved with the following community support initiatives:

- Cork Cancer Research (Support for research into cancer treatments)
- Irish Guide Dogs for the Blind (Support for development of infrastructure and training)
- Our Lady's Children's Hospital, Crumlin, Dublin (Health research funding)
- Women's Mini Marathon (Health sponsorship funding)
- Action Breast Cancer, a programme of the Irish Cancer Society (Health sponsorship funding for development of infrastructure and research)
- Tidy Towns (Largest community-based sustainability project in Ireland – Musgrave is the main sponsor)
- Junior Achievement (Education - mentoring and support for secondary students in preparing for their careers or further study)
- Musgrave Triathlon (Health research and development funding - cancer research and support for development of infrastructure at Crumlin Children's Hospital)

- Down's Syndrome Ireland (Support for development of infrastructure and research)
- GOAL (Development funding for education, health and wellbeing community projects in developing countries)
- Friends of Londiani (Education, health & wellbeing, community and infrastructural projects in Kenya - Musgrave supports via funding, IT equipment and staff volunteering).

Human Rights

Principles of the UN Global Compact

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Musgrave Group: Actions and Outcomes

As a responsible organisation, we believe that we must ensure that the goods we source are produced in a sustainable way from an environmental and social perspective. We have underscored this commitment by signing up to the principles of the United Nations Global Compact.

Musgrave requires that the national laws and regulations of the country of employment are observed, but, as a minimum, that international human rights and labour law is applied. Musgrave expects that people working for our suppliers will be treated fairly and with respect.

Musgrave is committed to ensuring that all of our supply chain stakeholders, regardless of where they live or work, are treated with respect and dignity and are able to live in an environment undamaged as a result of our business activity. We want to ensure that those with whom we trade share our principles, are committed to ensuring that the rights of all workers and human rights in general are protected.

We adopted the Musgrave *Ethical Trading Policy* in 2004. We ensure that all Musgrave own-brand products comply with our Ethical Sourcing Policy, and all suppliers are required to sign up to the principles of that policy.

Management systems are in place to guarantee the provenance of the products we source and to manage ethical issues we identify within our supply chain. Codes of conduct are developed that inform and guide trading teams on ethical sourcing of all goods and services.

There have been no incidences of human rights violations associated with our operations.

Labour

Principles of the UN Global Compact

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Musgrave Group: Actions and Outcomes

The fair exchange of goods and services is increasingly an issue of concern to the modern consumer. The bottom line is that we want everyone who deals with us, directly or indirectly, and wherever on the planet they happen to be, to be treated with respect and dignity and in ways that don't damage the environment. To that end, we make the following commitments:

1. All Terms of Trading are fair and honest.
2. The rights of all workers and human rights in general are protected.
3. Workers have freedom of association and the right to collective bargaining.
4. Hours of work are in compliance with the laws of the country where workers are employed.
5. No forced or compulsory labour (bonded labour) will be used.
6. Child labour will not be used.

7. Discrimination in respect of employment and occupation will not be permitted.
8. Health, safety and welfare of employees is protected.
9. No goods will be sourced from oppressive regimes.
10. Measures are taken to prevent damage to the environment.
11. Corruption, including extortion and bribery will not be tolerated.

All Group divisions measure performance and report quarterly to the Head of Sustainability. We report biennially with reference to GRI (Global Reporting Initiative) indicators.

There have been no recorded incidences of discrimination, violations of freedom of association/collective bargaining, child labour or forced or compulsory labour.

Environment

Principles of the UN Global Compact

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Musgrave Group: Actions and Outcomes

Reducing impacts

The challenge of climate change needs bold leadership but ultimately it is action that counts. Working with our retail partners, we're focusing on areas that include minimising waste, reducing energy consumption and greenhouse gas emissions, reducing packaging and facilitating consumer choice and ethical trading. And it's delivering real, quantifiable results.

Carbon management

As of March 2010, all our facilities in Ireland are supplied with 100% green electricity – in addition, the deal we've struck makes the same power available to our staff. We set out to achieve reductions of 5% in energy every year between 2008 and 2012, and we're well on course for meeting our target; we keep a close eye on performance to ensure that we're using our resources as efficiently as we possibly can.

Our total carbon footprint was reduced from 70,102 tonnes in 2006 to 48,288 tonnes in 2010 – that's a **drop of over 30%**. The largest contributing factor to this reduction was a switch to a renewable electricity provider.

Sustainable design has become an integral feature of Musgrave's new store design and store refurbishments. New stores built to our energy-saving specifications are **at least 30% more energy efficient** than two years ago, and we target to increase that efficiency differential to 50% by 2020 (this excludes stores which are transferring brand name from other groups).

We're all in this together, and that's why as well as championing environmental causes in our own business, we invite partners to benefit from what we've learned. That's led to electricity savings of 20% in some stores. More than that, it's tangible proof of our commitment to renewable energy and the reduction of emissions.

Packaging & waste

Packaging is not something that's going to disappear. Consumers like to know that they're getting quality goods, as fresh as possible, in the best possible condition. Packaging helps to ensure that. But we can and are doing what we can to manage packaging and waste, through intelligent design choices and recycling strategies. Where our own label brands are concerned, our policy is to save with regards to materials and energy, and ensure that we minimise environmental impact. By 2012 we're hoping to recycle all of our recoverables, and we're on track with a five-year waste management programme.

Waste avoidance and minimisation are the preferred options when it comes to dealing with waste. We achieved a reduction in the total amount of waste generated in Musgrave Group from 13,271 tonnes in 2006 to 9,250 tonnes in 2010: that's a **30% drop**. For waste which cannot be avoided, Musgrave's aim is to recover or recycle everything that can be recovered or recycled. Our Group recycling rate now stands at **93%**; that is up from 63% in 2006 (and 53% in 2002).

The amount of waste going to landfill **reduced by 86%** between 2006 and 2010 – from 4,800 tonnes in 2006 to 682 tonnes in 2010. If we look back to 2002 landfill figures, our progress is even more striking: in that year, 6,000 tonnes of waste was landfilled.

In conjunction with our Group waste minimisation and waste management programme, we work closely with our retail partners to deliver sustainable and cost-effective waste solutions. Musgrave has pioneered the concept of ‘one-stop-shop’ regional waste management contracts, which save money for retailers and support recycling targets. In 2010 **20,244 tonnes** of waste was collected from our retailers (in RoI), with an average recycling rate of **83%**.

Food waste

We do everything we can to raise awareness of sustainability and recycling, and it’s making an impact. Musgrave commenced a food waste prevention and recovery programme in 2005 - avoiding food waste is our first objective; unavoidable wastes are diverted to composting and pet food manufacture. In 2010 our facilities recovered **1,388 tonnes** of food waste.

Logistics

We try to reduce journeys wherever we can. Our route planning and scheduling are second-to-none in terms of efficiency; however, as operators of the largest transportation fleet in Ireland, we recognise that there are transportation impacts associated with our business. We aim to ‘backhaul’ supplies wherever we can - this means planning our collections and deliveries to avoid trucks returning to the depot empty. After delivery to stores, vehicles collect goods from wholesale suppliers to maximise capacity on return journeys, thereby reducing emissions. In 2010 backhaul equated to a **reduction of 5.9 million km**, the equivalent of taking approximately 3,000 cars off our roads annually. We have also added ‘double deck’ trailers to our fleet, which increases the capacity of each delivery vehicle by 58%.

We are committed to reducing vehicle-related CO₂ emissions. Our total fleet emissions **dropped by 4,163 tonnes of CO₂** in 2010 versus 2006. We can attribute this success to technical upgrades to our fleet, as well as strategic backhaul and dynamic scheduling. Looking at our normalised CO₂ emissions, i.e. CO₂ emissions relative to the number of cases sold (a measure of our business output), results are also extremely positive: we achieved a **10% reduction** between 2006 and 2010 (CO₂ emissions were reduced from 0.219 kilograms of CO₂ per case sold in 2006 to 0.198 in 2010).

Water conservation

Water is a precious resource we take for granted at our peril. Right now global water supplies are being abstracted faster than they can be recharged and the total amount of water withdrawn or extracted from watercourses and aquifers has increased 20% per decade over the past 40 years.

Yet in our core markets water use continues to increase. Recently, the UK became the sixth largest net importer of water in the world, while Irish people are using on average, over 150 litres a day. And our business is one of the major water users in the commercial sector. In fact according to IGD the food industry uses an estimated 430 mega litres per day of public water supply, and directly abstracts around 260 mega litres of water a day, which equates to 10% of water abstracted by industry in the UK.

This is why we are working hard to ensure that we use water more efficiently not just in our own operations, but also in the supply chain. For this reason we are using latest research to gain a better understanding of how water is consumed in our supply chain, identify hotspots and develop strategies to conserve this precious resource.

Being a good neighbour

It's important that we act as good corporate citizens to our neighbours in the community - we strive to operate according to these principles:

1. Keep nuisance to an absolute minimum, before people even think of complaining.
2. Inform people about our development plans, so they can contribute to them.
3. Work with retail partners to share our proactive approach.
4. Cut down on noise, air pollution and traffic disruption caused by our fleet of vehicles.

Nutrition, Health & Wellbeing

We want to help ordinary families make healthier food choices, everyday. In addition, we are committed to supporting the wider community by taking part in health and wellbeing initiatives at a local and national level. We believe fresh, healthy food should be available to every local community. Across our business we have developed detailed sourcing policies for all own-label products.

In Great Britain, we are continuing our work with the Food Standards Agency on a 'Traffic Lights' scheme. We are expanding into the Food Standards Agency policies on salt reduction and saturated fat reduction. All of our own label products in Great Britain have had hydrogenated fat removed and replaced with palm oil (produced from sustainable sources). In Ireland, as an absolute minimum, all of our products comply with the law, but we are going further to develop an optimal ingredients and nutrition policy. The criteria – quality, taste, price - guides our suppliers on the ingredient and nutritional composition requirements for own-brand products.

As food retailers, we are subject to regular, independent hygiene inspections. There were no incidents of non-compliance with regulations or voluntary codes concerning health & safety impacts of our products during the reporting period.

We focus on ensuring that everyday shoppers have access to everyday foods at everyday prices that are nutritionally balanced and beneficial. Right now we're examining every single one of the ingredients we use, and have consulted an independent manufacturing specialist to work with our partners to ensure they benefit too. The good health of shoppers matters to us, and nutrition is a key part of health.

Anti-corruption

Principles of the UN Global Compact

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Musgrave Group: Actions and Outcomes

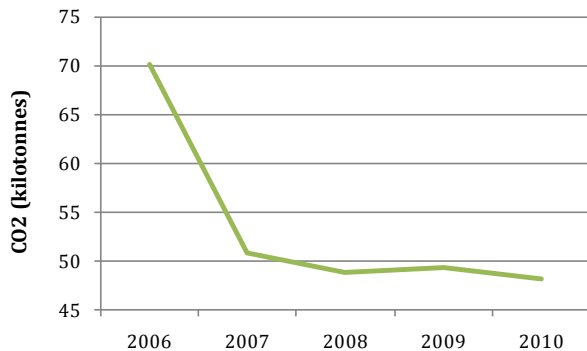
Musgrave is opposed to all forms of corruption, including extortion and bribery. Musgrave will not engage in such practices nor will it accept its suppliers engaging in corrupt activities.

There have been no incidences of corruption in Musgrave Group.

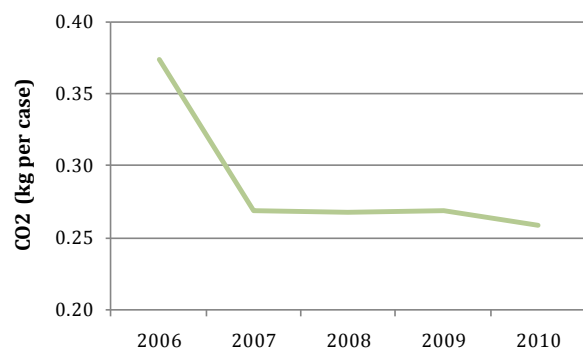
Statistics

How we are doing

Total carbon footprint



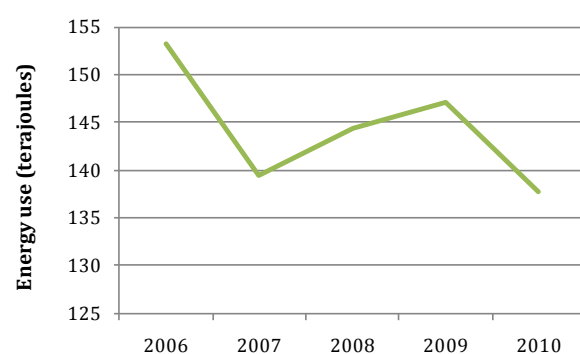
Total carbon footprint vs. business activity



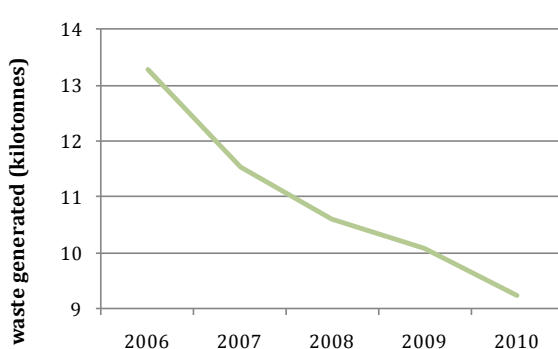
Fleet emissions



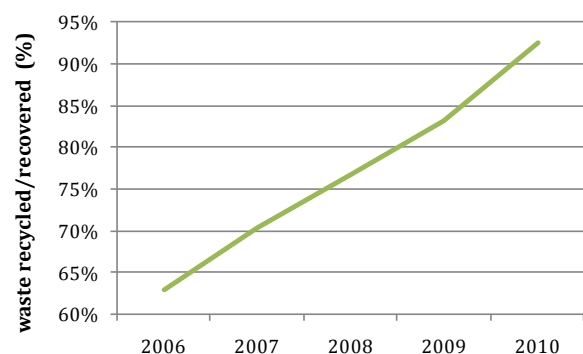
Energy use in buildings



Total waste generation



Recycling/recovery performance



Further details and discussion at musgravesustainability.com