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20th August 2012

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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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. We are Ireland's biggest private sector employer.

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 2012 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 eight years; we will continue our commitment to the ten principles, as set out in this Communication on Progress (COP) for 2012, as well as the accompanying statement of support.

Our 2012 COP will be communicated to our stakeholders via our website musgravesustainability.com – here you'll find a wide range of information relating to our approach to sustainability.

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.

Actions

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.

Outcomes

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.

Actions

The fair exchange of goods and services is increasingly an issue of concern to the modern consumer. We want everyone who deals with us, directly or indirectly, to be treated with respect and dignity. We also want to ensure that our and our suppliers' activities 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.

Outcomes

Musgrave conducts its business in accordance with traditional core values which include:

- Long term, stable relationships
- Not being greedy
- Honesty
- Working hard
- Achievement

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;

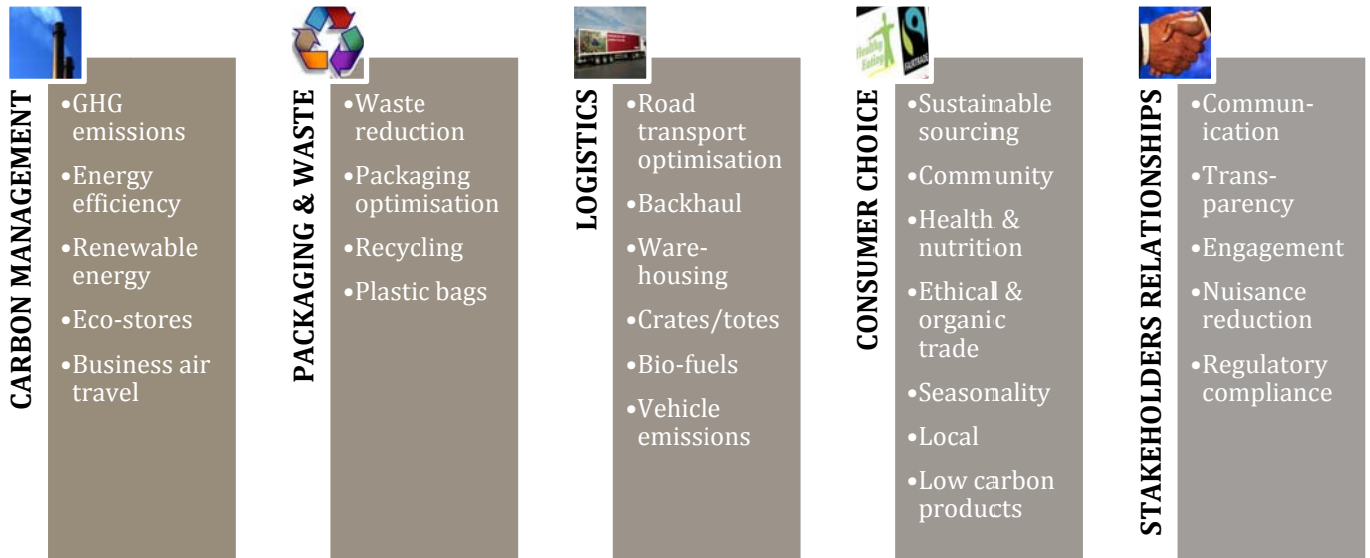
Principle 8: undertake initiatives to promote greater environmental responsibility; and

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

Actions

Musgrave has long been a proponent of doing business sustainably; it was a natural progression that we should formalise our approach to environmental management and public reporting in the late 1990s. We published our original Corporate Environmental Charter in 2000, which was a first for any Irish-based retail and distribution business. Since then, our environmental and broader sustainability strategies have evolved and matured. We have defined targets and reporting mechanisms for our Group facilities, and work closely with our retail partners to further our environmental goals as a business and at consumer level.

Our key focus areas for the 2008-2012 cycle are as follows.



Outcomes

Carbon management

Since 2010, all of our facilities in Ireland have been supplied with 100% green electricity – we have also extended the supply agreement to make green power available to our staff. We keep a close eye on performance to ensure that we’re using our resources as efficiently as we possibly can, and had set out to achieve reductions of 5% in energy every year between 2008 and 2012; and up to 2011 we were well on course for meeting our target;. The nature of our business has changed significantly in the past year with the result that we may have to adjust our energy reduction targets until technology allows us to be able to make the scale of energy savings that we had originally anticipated.

Energy use in our buildings **fell by almost 4%** between 2008 and 2011 – that’s despite an increase in total floor area. Looking at normalised values, i.e. comparing energy use on a like-for-like basis in terms of floor area, energy use has fallen from 157MJ/m² in 2008 to 151MJ/m² in 2011. A marginal increase in energy use between 2010 and 2011 relates to an increase in refrigeration units within the footprint of our existing buildings.

Between 2006 and 2011, our total carbon footprint (taking into account buildings and transport) reduced from 70,102 tonnes to 48,730 tonnes – that's a **drop of 30%**. This is the result of improved energy management and a switch to a renewable electricity provider.

We are also working with our retail partners to champion energy efficiency at store level. This has led to electricity savings of 20% in some stores. Sustainable design is now an integral feature of Musgrave 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 aim to increase that efficiency differential to 50% by 2020 (this excludes stores which are transferring brand name from other groups).

Packaging & waste

Waste avoidance and minimisation are the preferred options when it comes to dealing with waste. Our advanced waste minimisation and waste management programmes continue to deliver positive results: we achieved a **48% reduction** in the total amount of waste generated in Musgrave between 2006 and 2011, with a notable **fall-off of 25%** in the last year.

For waste which cannot be avoided, Musgrave aims to maximise recovery and recycling. Our Group recycling rate now stands at **92%**; that is up from 63% in 2006 (and 53% in 2002). By 2011, the amount of waste going to landfill has **decreased to almost one-tenth** of what it was in 2006. Consistent with mature waste management systems, 2010-2011 data show a 'plateau' effect as our waste recovery activities reach near-maximum impact.

Logistics

As large transportation fleet operators, we recognise the environmental impact of our business operations. We try to avoid or minimise journeys wherever we can. Our advanced route planning and scheduling systems achieve optimum efficiency. We have also invested in driver training to further improve fuel efficiency.

We aim to 'backhaul' from suppliers wherever we can - this means planning our collections and deliveries to avoid trucks returning empty to depots. After delivery to stores, vehicles collect goods from wholesale suppliers to maximise capacity on return journeys, thereby reducing emissions by taking supplier vehicles off the road. 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 **reduced by 4,341 tonnes of CO₂e** in 2011 versus 2006. The distance travelled by our fleet increased by 2% between 2010 and 2011, related to an increase in the number and geographical spread of our stores.

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 2011 (CO₂e emissions were reduced from 0.220 kilograms of CO₂e per case sold in 2006 to 0.198 in 2011). We can attribute this success to technical upgrades to our fleet, as well as strategic backhaul, dynamic scheduling and driver training.

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. We work with our retail partners to share our proactive approach.
4. Cut down on noise, air pollution and traffic disruption caused by our vehicles.

Nutrition, Health & Wellbeing

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.

We make it easier and more affordable for shoppers to make healthy and nutritious food choices and lead an active lifestyle whatever their age, circumstance or budget. We offer purchasing choices based on fresh and healthy foods. We also aim to reduce the distance that food is transported, thereby supporting local producers and minimising environmental impact.

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.

Anti-corruption

Principles of the UN Global Compact

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

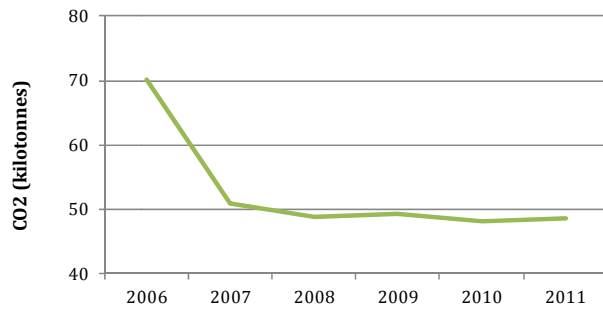
Musgrave Group: Actions and Outcomes

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.

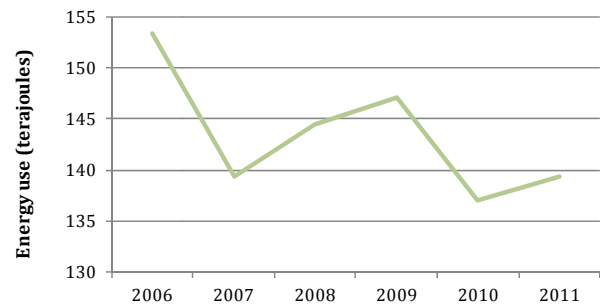
There have been no incidences of corruption in Musgrave Group.

Measuring our performance

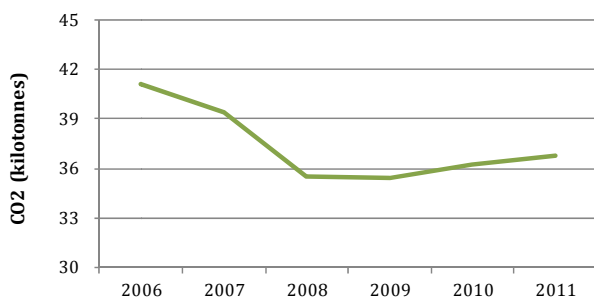
Total carbon footprint



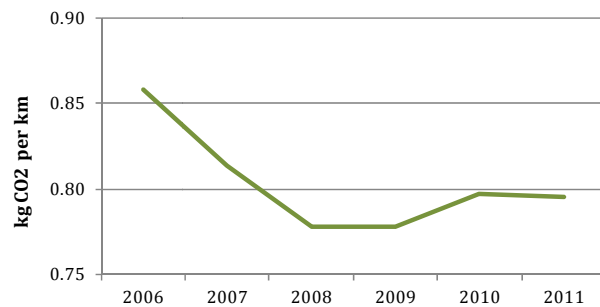
Energy use in buildings



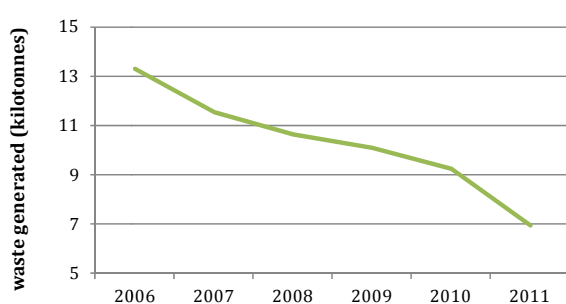
Fleet emissions



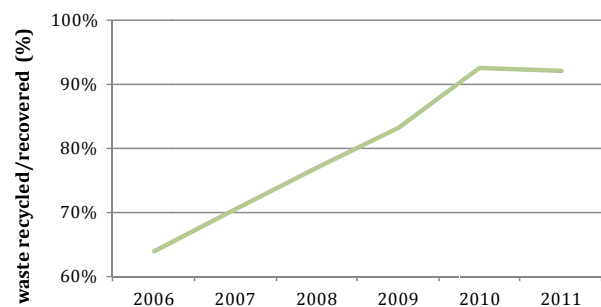
Fleet emissions vs. distance travelled



Total waste generation



Recycling/recovery performance



Further information at musgravesustainability.com