

23rd August 2013

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; 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 2013 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 Communication on Progress 2013

What is the UN Global Compact?

"The Global Compact asks companies to embrace universal principles and to partner with the United Nations. It has grown to become a critical platform for the UN to engage effectively with enlightened global business."

– UN Secretary-General Ban Ki-moon
unglobalcompact.org

The UN 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.

By doing so, business, as a primary driver of globalisation, can help ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere.

Musgrave Group: Committed to UN Global Compact

Musgrave Group has been a signatory to the Global Compact for over nine years; we will continue our commitment to the ten principles, as set out in this Communication on Progress (COP) for 2013 and the accompanying statement of support.

Through the implementation of consistent policies and clear targets for every aspect of the business, as well as mechanisms to continuously measure and report performance, Musgrave Group are ensuring that the Global Compact forms a core part of our business strategy.

Communications

Our 2013 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, Musgrave believes that we must ensure that the goods we source are produced in a sustainable way, in the context of potential impacts on the environment or societal impacts.

We underscored this commitment by signing up to the principles of the United Nations Global Compact in 2003, and we have publically reported an annual

Communication on Progress, under the terms of Global Compact, since that date.

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 Musgrave activities and the activities of our suppliers do not damage the environment.

To that end, we have made the following commitments, as part of our Ethical Trading Policy:

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.

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

Along with our values there is another important factor that makes Musgrave different and our business stronger. The local retailers we partner value the fact that we are a family business that supports other family businesses. It makes for a special kind of collaboration and trust, a sense we're all working together in the heart of local communities to a common purpose.

As an example of our community involvement and commitment to good causes, the annual combined charitable and community support by our retail partners in SuperValu, Centra and Daybreak is recorded to be over €5.3 million.

Our support of independent businesses, and the communities they serve, helps build and sustain vibrant local economies through the multiplier effect: for every €1 spent at a local business, 45 cents is re-invested locally (this contrasts with a local re-investment of only 15 cents for every €1 spent at a corporate chain).

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.

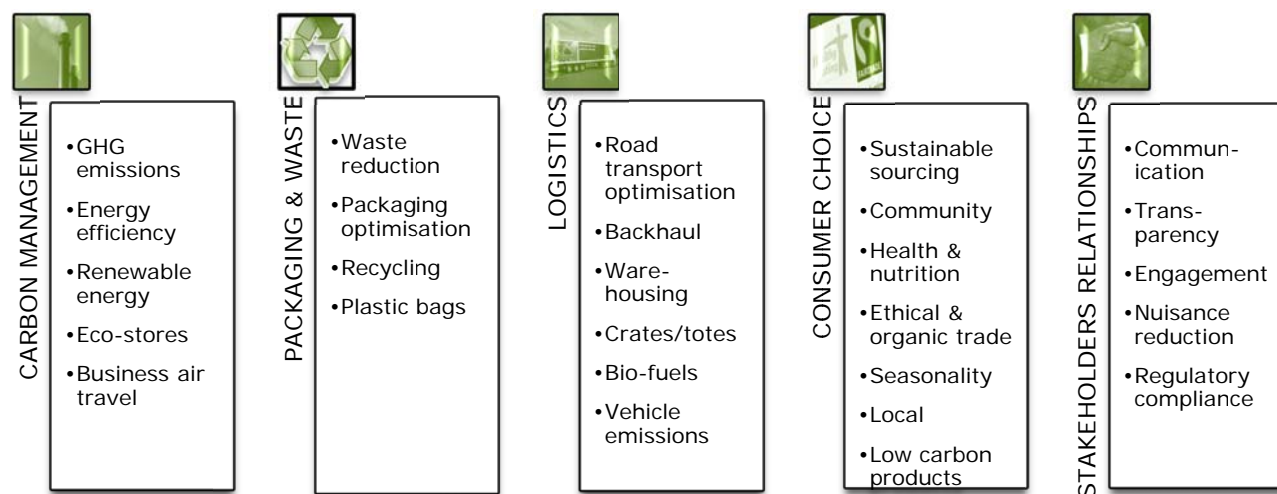
Actions

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 were as follows:



Outcomes

Integration Programme 2012

In late 2011, Musgrave Group expanded its retail business via the acquisition of 26 Superquinn-branded supermarkets and one distribution centre. The stores, which are all medium to large supermarkets, are in the direct ownership of the Group.

We have started the process of merging environmental practices and programmes across the Group, to ensure performance against our sustainability objectives.

Whilst we have seen a dis-improvement in some of averaged Group environmental performance indicators for 2012, we are confident that our initiatives, which have proven results in terms of environmental and cost benefits, will be fully embedded across the entire Group in the coming years.

New targets have recently been set for the 2013 to 2017 cycle.

Energy use in our buildings

All of our facilities in Ireland are now supplied with 100% green electricity – we have also extended the supply agreement to make green power available to our staff.

Close management of our performance ensures that we are using our resources as efficiently as possible. We set out to achieve reductions of 5% in energy every year between 2008 and 2012; we detail our performance below and in the graphs accompanying this report, which track our performance since the implementation of our advanced data management systems in 2006.

An additional 100,066m² of retail space has been included in our property-holding as a result of the Superquinn acquisition. As a result, energy use doubled between 2011 and 2012, which is in contrast to a steady reduction in building energy use between 2006 and 2011 (there was a net reduction of 9% during that period).

Looking at normalised values, i.e. comparing energy use on a like-for-like basis in terms of floor area, energy use decreased by 9% between 2006 and 2011. There was a 40% increase between 2011 and 2012, as a result of acquisitions. The newly-acquired facilities are large retail spaces, which have an inherently higher energy demand than warehouse or cash and carry operations. On a square-metre basis, supermarkets typically use up to twice as much energy as a distribution centre. Overall, this has impacted on our on our normalised energy performance.

Our newly-acquired stores have undergone a full energy-efficiency review and the implementation of new energy control and management measures is ongoing. We are already seeing benefits accruing from the introduction of a new Energy Monitoring and Targeting system.

Our strategy over the next number of years will be to continue to use technology in parallel with staff training to further reduce the energy intensity of our facilities.

Logistics

Transportation is a very big part of our business, and we recognise the environmental impact of this aspect of our operations. We try to avoid or minimise journeys wherever we can. Our advanced route planning and scheduling systems achieve optimum efficiency. We also invest in ongoing driver training and vehicle maintenance programmes to ensure maximum fuel efficiency and vehicle performance.

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%.

Between 2006 and 2012, there has been an overall increase of 4% in fleet kilometres travelled, related to an increase in the number and geographical spread of our stores. Expansion of our business and recent acquisitions in 2012, meant that our fleet travelled an additional 3.7 million kilometres between 2011 and 2012.

Despite an increase in our fleet activity, there has been a decrease of 5% in CO₂ fleet emissions over the same period (2006 to 2012). We can attribute this success to technical upgrades to our fleet, as well as strategic backhaul, dynamic scheduling and driver training.

When examining normalised fleet CO₂ emissions for our business, there are two aspects we consider, i.e. fleet emission versus cases sold (a measure of our business output), and fleet emissions versus distance travelled.

We achieved an 11% reduction in CO₂e emissions per case sold between 2006 and 2012 (CO₂e emissions were reduced from 0.220 kilograms of CO₂e per case sold in 2006 to 0.196 in 2012). The indicator showed a further 1% improvement from 2011 to 2012.

We achieved an 9% reduction in CO₂e emissions relative to fleet kilometres between 2006 and 2012 (CO₂e emissions were reduced from 0.858 kilograms of CO₂e per kilometre travelled in 2006 to 0.780 in 2012). The indicator showed a further 2% improvement from 2011 to 2012.

On the basis of the normalised fleet emissions data (relative to cases delivered and kilometres driven), we are seeing a positive trend year-on-year. In other words, we are travelling greater distances, but driving more efficiently, whilst carrying more goods.

Packaging and Waste

Waste avoidance and minimisation are the preferred options when it comes to dealing with waste. For waste which cannot be avoided, Musgrave aims to maximise recovery and recycling.

Our advanced waste minimisation and waste management programmes have delivered positive results. Our Group recycling rate now stands at 83%; that is up from 63% in 2006, but down from 92% in 2012, reflecting the increase in company-owned retail space.

We achieved a 48% decrease in the total amount of waste generated between 2006 and 2011. From 2011 to 2012, total waste generation increased from 6,937 tonnes to 19,812 tonnes, again associated with the acquisition of the Superquinn supermarkets.

Waste generation in the Superquinn business is generally higher than our Group average due to the fact that retail space has a higher total waste-generating potential and lower recycling potential than distribution warehouses or Cash & Carry facilities.

We will identify areas for improvement in terms of the sources of waste, with a particular focus on fresh produce, deli and bakery products.

We have recently extended our one-stop-shop regional waste management contracts to include our newly-acquired stores. Our ongoing planned integration of Superquinn stores into the Musgrave business will aim to improve waste management performance during 2013-2015.

Carbon Footprint

Between 2006 and 2012, our total carbon footprint (taking into account buildings, transport and landfilled waste) reduced from 70,102 tonnes to 45,901 tonnes – that's a drop of 35%. Between 2011 and 2012, our carbon footprint fell by 2,828 tonnes.

This is the result of the increased use of green electricity, efficiencies in energy use in buildings and vehicles and an improved waste management regime.

All of the newly-acquired Superquinn stores use green-sourced electricity, which has a positive impact on our carbon footprint profile. In 2012, our stores in Northern Ireland switched to green electricity, which further reduced our Group carbon footprint.

Our normalised carbon footprint data looks at total carbon footprint versus cases delivered. We achieved a 35% reduction in total CO₂e emissions per case sold between 2006 and 2012 (total CO₂e emissions were reduced from 0.374 kilograms of CO₂e per case sold in 2006 to 0.232 in 2012). The indicator showed a further 12% improvement from 2011 to 2012.

We can conclude that whilst our business has expanded and grown considerably between 2006 and 2012, we have been successful in decoupling energy consumption and waste generation from business growth. This marks a very significant milestone for Musgrave Group.

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.

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:

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

Nutrition, Health and 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.

Actions

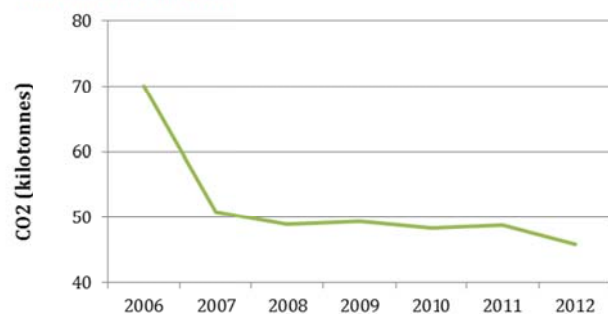
Musgrave is opposed to all forms of corruption, including extortion and bribery. Musgrave will not engage in such practices nor will it accept its suppliers engaging in corrupt activities.

Outcomes

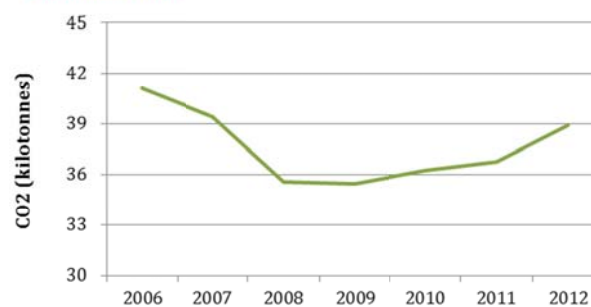
There have been no incidences of corruption in Musgrave Group.

Measuring Our Performance

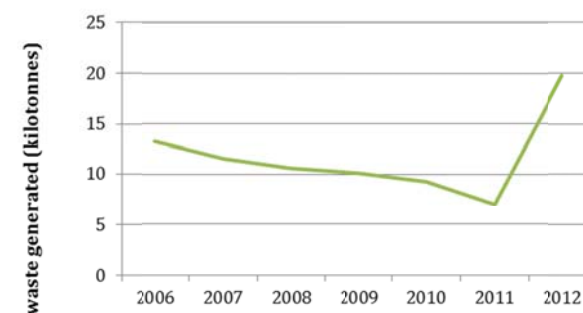
Total carbon footprint



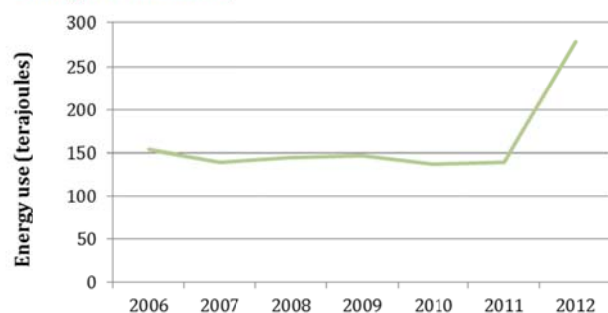
Fleet emissions



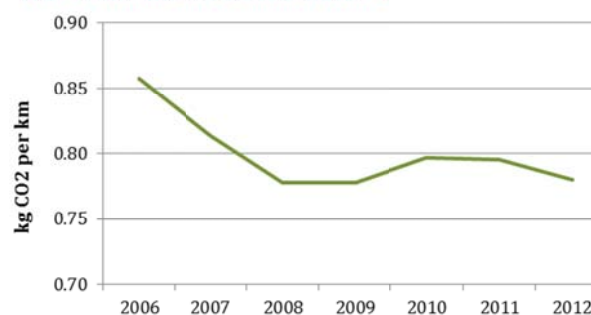
Total waste generation



Energy use in buildings



Fleet emissions vs. distance travelled



Recycling/recovery performance

