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19<sup>th</sup> August 2010

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,



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Chris Martin  
Group CEO

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**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, which are independently verified by specialist third-parties, 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 Group Environmental Executive, to whom the divisional directors report.

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 2010 Communication on Progress for your attention, as well as our *Sustainability 2010 – Key Facts* document. Our 2010 full Sustainability Report (produced in compliance with GRI guidelines and subject to external verification) is currently in preparation and will be forwarded to UNGC in due course.

Yours sincerely,



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John Curran  
Group Environmental Executive

# Human Rights

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## Principles of the UN Global Compact

1. Support and respect the protection of internationally proclaimed human rights
2. Make sure that business is not complicit in human rights abuses

## Musgrave Group Actions

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 also 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, and that no goods will be sourced from oppressive regimes.

Musgrave expects that people working for our suppliers will be treated fairly and with respect. 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 wants to ensure that our core values are embedded in our trade with direct suppliers. We believe that, as a responsible organisation, 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.

## 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.

Codes of conduct are developed that inform and guide trading teams on ethical sourcing of all goods and services. Trading directors and their teams are fully trained in ethical sourcing.

## Human Rights

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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.

Regular risk assessments of suppliers are conducted and specialist resources employed to conduct ethical audits of those suppliers deemed to be 'high-risk'. Where ethical issues are identified, decisions on whether or not to continue to trade with that supplier are made on a case by case basis. Where improvement targets are set for suppliers, their compliance and performance is monitored and recorded.

We continue to broaden our range of ethically-branded products.

# Labour

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## Principles of the UN Global Compact

3. Uphold the freedom of association and the effective recognition of the right to collective bargaining
4. The elimination of all forms of forced or compulsory labour
5. The effective abolition of child labour
6. The elimination of discrimination in respect of employment and occupation

## Musgrave Group Actions

Musgrave is committed to ensuring that workers have freedom of association and the right to collective bargaining. Workers shall be free to be members of a lawful labour association and shall not be discriminated against as a result.

Forced, Compulsory or Bonded labour shall not be used for any business associated with Musgrave Group. Workers shall receive a fair wage, which, as a minimum, shall comply with national law in the country of employment for that sector.

Children shall not be employed in any situation that is likely to deprive them of educational opportunities, or that places their health, safety or welfare at risk. Local and national laws and regulations shall be complied with, but as a minimum, in the absence of local legislation, ILO conventions in respect of child labour shall be observed.

Discrimination, in whatever form, on the basis of race, national extraction, social origin, caste, religion, colour, gender, marital status, age, disability, union membership, or political opinion, is wholly unacceptable.

# Labour

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## Outcomes

It is established policy and practice at Musgrave to inform and consult with employees and their representatives on all matters affecting them and/or their terms and conditions of employment. In developing our Ethical Trading Policy, we have focused on international best practice, International Labour Organisation (ILO) conventions and on those areas outlined in the UN Global Compact's 10 principles.

It is the responsibility of trading managers to ensure that suppliers are aware of and comply with the requirements of Musgrave's child labour and discrimination policies. Direct suppliers are required to supply goods only from approved sites. Approval is on the basis of preliminary risk assessment and, where deemed necessary, through site inspections. We communicate our policy clearly and effectively to our employees and suppliers with the aim of raising awareness of the issues and of best practice.

Musgrave Group treats all employees as individuals and operates practices and procedures to enable issues to be addressed directly and effectively within the company. The majority of Musgrave employees are not represented by an external body. Some employees in warehouses, wholesale outlets and clerical administration are covered by collective agreements between the company and specified trade unions. All employees are entitled to join a trade union, but only the specified trade unions have rights of representation.

All Group divisions measure performance and report quarterly to the Group Environmental Executive. We report biennially with reference to GRI (Global Reporting Initiative) indicators. Our most recently published Sustainability Report recorded no incidents of discrimination, violations of freedom of association/collective bargaining, child labour or forced or compulsory labour.

## Environment

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### Principles of the UN Global Compact

7. Support a precautionary approach to environmental challenges
8. Undertake initiatives to promote greater environmental responsibility
9. Encourage the development and diffusion of environmentally-friendly technology

### Musgrave Group Actions

Musgrave is a recognised leader in environmental management in the retail and distribution sector. Our approach to managing sustainability issues is based initially on the adoption of clear and consistent policy, which is applicable across the business. Secondly we set clear targets and action plans for the whole Group, which are communicated and reviewed at the relevant divisional level. Our approach is based on a continuous-improvement model. Finally, we regard measurement and reporting as being key to benchmarking our performance, and maintaining full transparency on progress against targets.

In relation to **carbon management**, our objectives are to reduce the consumption of energy within our business; to reduce emissions, conserve resources and reduce expenditure on energy; to reduce our dependence on finite fossil fuels through the use of viable alternative renewable energy sources; and to lower our carbon footprint.

Musgrave's strategic principles in relation to **packaging & waste** are to focus on waste reduction/minimisation rather than treatment solutions; to apply best-practice, in the design, specification and use of new and existing packaging; to ensure that all packaging associated with our own-brand goods has the lowest possible environmental impact; to manage waste more efficiently; and to instil best-practice in waste management at our facilities, at our retail partners' stores and among our consumers.

Our **logistics** sustainability principles require us to reduce our dependence on and consumption of finite fossil fuels; to reduce emissions, conserve resources and reduce expenditure on energy; to lower our carbon footprint; and to instil best practice and reduce the energy costs of our operations.

## Environment

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**Consumer choice** policy principles include the provision of healthy, nutritious products of the highest quality standards; the operation of distribution and retail systems that maintain the highest standards of product freshness; a high-quality retail offer to local communities in a wide range of store formats; and the promotion of locally-sourced seasonal products thereby limiting 'food miles'.

In relation to **stakeholder relationships**, we commit to eliminating or minimising nuisances at source; undertaking stakeholder dialogue as part of the planning and development process for our facilities; operating our transport fleet so as to minimise noise and airborne pollution as well as traffic disruption during deliveries; to comply with legislative requirements, and to exceed these requirements, where practicable, particularly in relation to the prevention of pollution; and to ensure that issues relating to our sustainability performance are communicated, regularly, to our stakeholders.

### Outcomes

Performance against key sustainability targets is reported and reviewed on a quarterly basis and published in our biennial Sustainability Report. The Musgrave *Sustainability 2010 Key Facts* document (attached) highlights our most recent achievements.

**Carbon Management** - Energy efficiency is prioritised through the full implementation of the Group energy monitoring, targeting and management programme, in Group facilities and in retail stores (GHG emissions associated with our logistics operations are detailed separately below). Energy champions are fully educated and resourced in every facility and retail store.

We implement the company vision for energy use as articulated in our Energy and Natural Resources Management Policy. Greenhouse gas emissions are reduced by switching to 100% green electricity in all Group facilities. In March 2010 our green electricity contract was extended to provide 100% green electricity to all Musgrave facilities on the island of Ireland.

**Packaging & Waste** - Musgrave proactively develops projects aimed at continuously improving the quality and sustainability performance of our 'own-brand' products. We apply



## Environment

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best-practice in packaging, in the design and specification of new and existing products, particularly in the area of 'own-brand', such that we minimise the associated environmental impacts. We work with suppliers on research projects that aim to minimise packaging wastes.

We set annual recycling targets and seek to maximise recycling and increase access for consumers to recycling facilities, at our retail partners' stores. In our own facilities, we aim to achieve 100% recycling of recoverable wastes by 2012 and are on-target for our five-year waste management programme. Our Group recycling rate was 83% in Ireland and the UK in 2009 (this is up from 53% in 2002).

**Logistics** - Our logistics & sustainability principles centre on the need for reduced emissions, reduced expenditure and reduced carbon footprint associated with our transport fleet. We are committed to reducing vehicle-related CO<sub>2</sub> emissions by 15 per cent over the five years between 2008-2012 against a 2007 baseline; in the first two years of that timeframe we have achieved an 8 per cent reduction.

All drivers receive regular training to maximise vehicle fuel efficiency. Fuel efficiency and emissions reductions in vehicle fleets are prioritised and we have targeted that vehicle CO<sub>2</sub> emissions per case delivered are reduced by 3% annually. The carbon footprint associated with our fleet emissions dropped by 9,532 tonnes of CO<sub>2</sub> in 2008-2009 (versus 2006-2007). This was made possible by technical upgrades as well as strategic backhaul. In 2009 backhaul equated to a reduction of 7.1 million km.

We have continued to increase the percentage of bio-diesel used to fuel the fleet. In 2009, 5% of truck-kilometres used renewable fuels; we will continue to focus on the increased use of sustainable bio-fuel sources.

**Consumer Choice** – Musgrave has developed a *Healthy Eating Policy*, with our own-brand product ranges at its heart, that focuses on three key areas: the removal of all unnecessary additives; helping more families eat good food every day by not limiting nutritional

## Environment

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improvements to 'healthy eating' ranges; and using positive in-store communication and labelling to help customers be both informed and feel good about their choices.

Wherever possible, we source British in Britain, Irish in Ireland and Spanish in Spain, for example in Ireland 75% of all products purchased on behalf of all our retail partners is either produced or manufactured locally.

### **Stakeholder Relationships**

The way we work supports local retailers to play a big role in creating and maintaining sustainable communities. Operating in the heart of local communities, our retail partners attract people and commerce back in into the centres of towns and villages. They help sustain and build vibrant communities wherever they operate. At Musgrave Group level, we regularly communicate with and seek the views of our stakeholders on sustainability issues. The views of our stakeholders are considered in setting and reviewing environmental objectives and targets, and managing specific environmental issues.

## Anti-Corruption

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### **Principles of the UN Global Compact**

- 10.** Work against corruption in all its forms, including extortion and bribery

### **Musgrave Group 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.

In 2010, Musgrave established a 'fraud hotline' to give employees a confidential mechanism to report any suspicions of fraud or irregularities that they may be aware of or have a concern about. The hotline is an element of a broader Group Fraud Policy adopted during 2010.

### **Outcomes**

It is part of Musgrave's strategy to ensure that the Musgrave Core Values - long-term stable relationships, not being greedy, honesty, working hard and achievement - remain embedded in all of our operations.

There have been no incidents of corruption at any of the Musgrave divisions therefore no actions have been taken.