

20th August 2014

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 2014, as well as the contact person responsible for communications with the office of the Global Compact.

Sincerely yours,



Chris Martin
Group CEO

20th August 2014

Ban Ki-moon
Secretary-General
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New York, NY 10017
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Musgrave Group Annual Global Compact Communication on Progress

Dear Secretary General,

Musgrave Group is one of Ireland's largest and most successful companies. We are a family-owned business, founded in 1876 and headquartered in Cork, Ireland. Together with our retail partners, we are Ireland's biggest private-sector employer. Across our international markets in Ireland, the UK and Spain we and our retail partners employ more than 60,000 people. Through our partnerships with entrepreneurial retailers we support more than 3,600 local stores, operating 9 brands.

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 2014 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 2014

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 ten years; we will continue our commitment to the ten principles, as set out in this Communication on Progress (COP) for 2014 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 is ensuring that the Global Compact forms a core part of our business strategy.

Communications

Our 2014 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 are 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.

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 €3.5 million for 2013.

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).

Centra, Ireland's number one convenience retailer, spent €241.1 million in local communities around its 460 stores in 2013. Centra's 'Community Impact Study' shows this spend averages €4.5 million per week through a combination of payments to local suppliers, acquisition of local business services, wages, charitable donations and local sponsorships.

The study reveals that Centra stores sourced €59 million worth of products, from over 1,400 local suppliers, and contributes €2.5 million in donations or sponsorship commitments to over 5,500 local charities, community groups, schools and sports clubs. As well as supporting local suppliers, Centra stores also spent a substantial €12.6 million in communities where its stores are located in 2013.

Centra is one of the country's leading employers with 11,280 people employed across its network of stores, of which over 5,000 are full time roles. On average, each Centra store accounts for 25 jobs in the surrounding community.

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 sustainability programme focusses on the following key areas:

- Carbon management
- Packaging and waste
- Logistics
- Sustainable sourcing of products
- Health and nutrition
- Stakeholder relations

Outcomes

In late 2011, Musgrave Group expanded its retail business via the acquisition of 26 Superquinn-branded supermarkets and one distribution centre. We are pleased to report that our environmental programmes and initiatives have been successfully embedded in these newer stores, with proven results in terms of environmental and cost benefits.

In our 2013 Communication on Progress, we reported a dis-improvement in some of averaged Group environmental performance indicators for 2012, as a result of the acquisition. Our 2013 monitoring and measurement data demonstrate that, with a strong focus on efficiency, we have successfully reversed this trend.

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 added 'double deck' trailers to our fleet, which increases the capacity of each delivery vehicle by 58%.

In 2014, Musgrave MarketPlace invested €8 million in a major upgrade of its delivery fleet, which saw the introduction of 55 new multi-temperature trucks. The multi-temperature fleet allows Musgrave MarketPlace to deliver ambient, frozen and fresh food, liquor and non-food products in a single delivery, significantly reducing the company's carbon footprint and facilitating high-frequency nationwide coverage.

Between 2006 and 2013, 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 acquisitions in 2011-2012, meant that our fleet travelled an additional 3.7 million kilometres between 2011 and 2013.

Despite an increase in our fleet activity, there has been a decrease of 4% in CO₂ fleet emissions over the same period (2006 to 2013). 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 delivered (a measure of our business output), and fleet emissions versus distance travelled.

We achieved a 13% reduction in CO₂e emissions per case delivered between 2006 and 2013 (CO₂e emissions were reduced from 0.220 kilograms of CO₂e per case sold in 2006 to 0.191 in 2013). The indicator showed a 3% improvement from 2012 to 2013.

We achieved an 8% reduction in CO₂e emissions relative to fleet kilometres between 2006 and 2013 (CO₂e emissions were reduced from 0.858 kilograms of CO₂e per kilometre travelled in 2006 to 0.790 in 2013).

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.

Energy use in our buildings

We aim to use our resources as efficiently as possible by implementing energy efficiency measures, increasing awareness and monitoring and managing our performance.

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

Energy used in our buildings between 2006 and 2013 is shown graphically in the 'Measuring Our Performance' section, at the end of this report.

There was a net reduction of 9% in building energy use between 2006 and 2011. Between 2011 and 2012, energy use doubled as a result of the addition of 100,066m² of retail space to our property-holding, relating to the Superquinn acquisition.

The newly-acquired facilities were large retail spaces, which have an inherently high energy demand, relative to warehouse or cash and carry operations (on a square-metre basis, supermarkets typically use up to twice as much energy as a distribution centre).

During 2012-2013, our newly-acquired stores underwent a full energy-efficiency review and an Energy Monitoring and Targeting System was implemented. As a result, building energy use dropped by over 5% across the Group between 2012 and 2013.

Similarly, 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, increased by 40% between 2011 and 2012, and fell back by 5% between 2012 and 2013.

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

Packaging and Waste

Waste prevention 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, and avoid landfill disposal wherever possible.

Our advanced waste minimisation and waste management programmes have delivered positive results. 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 (reflecting the increase in company-owned retail space); however we are pleased to report a 14% drop in waste volumes between 2012 and 2013.

During 2012-2013, we worked closely with the newly-acquired stores to identify waste prevention opportunities. We extended our Waste Affinity Schemes (the regional 'one-stop-shop' waste management contracts) to include all stores.

Our Group recycling rate now stands at 95%; that is up from 64% in 2006, and marks a very significant improvement between 2012 and 2013, during which period, recycling rates improved by 12 percentage points.

Carbon Footprint

Between 2006 and 2013, our total carbon footprint (taking into account buildings, transport and landfilled waste) reduced from 70,102 tonnes to 39,528 tonnes – that’s a drop of 44%. Between 2012 and 2013, our carbon footprint fell by 6,373 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 have halved CO₂e emissions per case sold between 2006 and 2013 (total CO₂e emissions were reduced from 0.374 kilograms of CO₂e per case sold in 2006 to 0.192 in 2013). The indicator showed a 17% improvement from 2012 to 2013.

We can conclude that whilst our business has expanded and grown considerably between 2006 and 2013, we have been successful in decoupling energy consumption and waste generation from business growth. This marks a very significant milestone for Musgrave.

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.

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 also aim to reduce the distance that food is transported, thereby supporting local producers and minimising environmental impact.

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're improving labelling, boosting our fresh food offering and helping consumers with dietary and nutritional information.

We support healthy living through facts and information available in-store and on products. Together with our retail partners, Musgrave is helping communities – and especially schools and parents – with healthy eating, cooking and lifestyle guidance, and supporting local community groups that share that aim.

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.

Being a Good Neighbour

Our stores offer a high degree of accessibility to quality shopping services. Services that are easy to reach are helpful for the elderly, those with reduced mobility and families with young children. Our retailers are part of their communities, supporting local groups, helping the disadvantaged, and building up a role as community hubs that help people to connect with each other.

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.

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.

In June 2014, Musgrave committed its support to the UNGC *Call to Action: Anti-Corruption and the Global Development Agenda*; an appeal by the private sector urging Governments to promote efficient and effective anti-corruption measures and to implement robust policies that will foster good governance.

By signing the *Call to Action*, we ask Governments to:

- Fully implement and enforce the tenets of the UN Convention against Corruption by strengthening anti-corruption policies, laws and enforcement mechanisms to create a level playing field and incentivise good behavior;
- Make a commitment to reduce corruption risks from procurement and contract processes of large-scale projects that are designed to support sustainable development;
- Commit to engaging in competitive and transparent procurement processes through public advertising of all Government procurement cases;
- Achieve greater transparency in relation to revenues received by Governments from private sector companies;

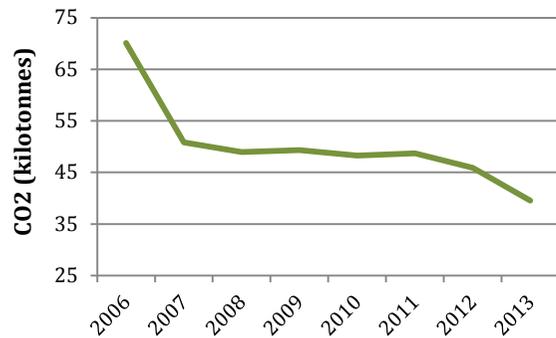
- Support corporate efforts to enhance anti-corruption implementation, corporate governance, innovative collective action, and public-private partnership initiatives.

Outcomes

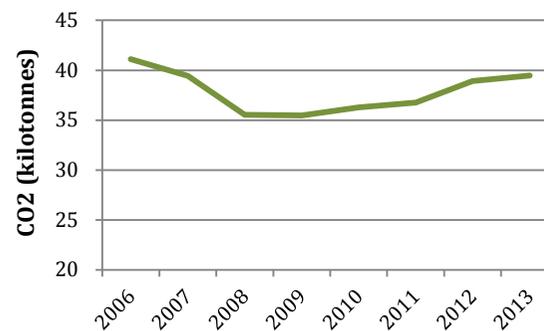
There have been no incidences of corruption in Musgrave Group.

Measuring Our Performance

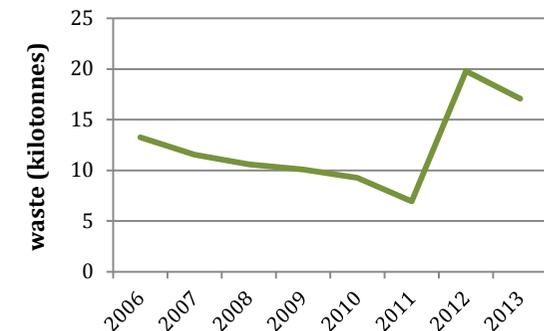
Total carbon footprint



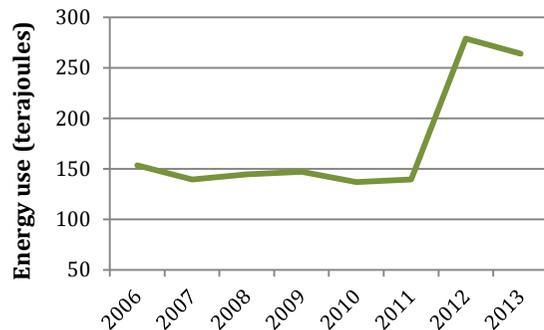
Fleet emissions



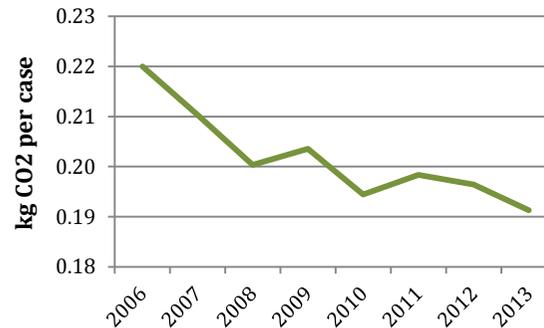
Total waste generation



Energy use in buildings



Fleet emissions vs. cases delivered



Recycling/recovery performance

