

19th August 2016

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 2016, as well as the contact person responsible for communications with the office of the Global Compact.

Sincerely yours,



Chris Martin
Group CEO

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Dear Secretary General,

Musgrave Group is one of Ireland's largest and most successful companies. We are a private employee and family-owned business, founded in 1876 and headquartered in Cork, Ireland. Together with our retailer partners, we are Ireland's biggest private-sector employer. Across our three international markets, we employ more than 45,000 people.

We partner with entrepreneurial retailers and support more than 1,423 local retail stores, operating 7 brands in the Republic of Ireland, Northern Ireland and Spain – including SuperValu, Centra, Daybreak, Mace, Market Place, Dialprix and Dialsur.

During 2016, we developed a new 3-year Sustainability Strategy, aligned with the United Nations Sustainability Goals. We are continuing to challenge ourselves to improve our sustainability performance and are proud to have become the first retail business to have achieved verification under the Irish Food Board (Bord Bia) Origin Green programme www.origingreen.ie

We have set new stretching sustainability targets that build on our success in minimising our impacts over the last 2 decades. We also want to support our retail partners in improving their sustainability performance and inspire consumers to live more sustainably too.

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 2016 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 2016

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 2016 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 2016 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 2004, 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

The Musgrave *Ethical Trading Policy* was updated and revised as part of the development of our latest sustainability strategy during 2016 and is now aligned with the UN Sustainable Development Goals. 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 over €3.5 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).

Most recent estimates show that our retail stores spent €350 million in local communities in 2015. Our 'Community Impact Study' shows this spend averages €6.0 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 our stores sourced over €80 million worth of products, from over 3,800 local suppliers, and contributes €3.5 million in donations or sponsorship commitments to over 5,500 local charities, community groups, schools and sports clubs. As well as supporting local suppliers, our stores also spent an estimated €18 million in communities where its stores are located during 2015.

Musgrave is one of the country's leading employers with 45,000 people employed across its network of stores, On average, each of our stores accounts for an additional 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.

In 2016, we established a new 3-year sustainability strategy aligned to the UN Sustainable development Goals, which focuses on the following key areas:

- Minimising Environment & Climate Change Impacts
- Driving Sustainable Sourcing & Consumption
- Leading in Health & Wellbeing

- Taking an Active Leadership role in the Community

Outcomes

Musgrave Group has continuously expanded its retail business over the last 10 years, but our strong focus on environmental programmes and initiatives has meant that this growth has been achieved in parallel with reductions in environmental impacts.

The overall result of this effort has been that since 2006, we have halved our carbon footprint.

Minimising Environment & Climate Change Impacts

Carbon Management: Our new strategy focuses on the implementation of new Sustainability and Energy & Natural Resources Policies, which underpin divisional action plans that are aimed at reducing the energy intensity of our operations by 10% against a 2015 baseline.

We have also set a 3 year ambition for a further 10% reduction in total carbon footprint of our operation against a 2015 baseline.

We have continued to use 100% Green Electricity in all of our buildings.

Packaging & Waste: Our Packaging Policy is driving actions at product development/review stage as we aim to be early adopters of packaging improvements by actively pursuing packaging optimisation with our suppliers.

We have continued to send zero recoverable waste to landfill and are targeting a further 10% reduced in total (absolute) waste at source against a 2015 baseline.

We are also maximising the amount of recycling across our business and supporting more of our retailers to improve their recycling performance.

Food Waste: Prevention of food waste is a key part of our waste management plans. We send zero food waste to landfill and are working to help consumers to reduce their food waste through initiatives such as own-brand packaging design improvements and practical guidance on portion control, cooking and storage.

We also focus on a hierarchy that prioritises food waste prevention before re-distribution to charities; followed by other forms of re-use.

Water Conservation: We have implemented a new Water Conservation Policy and are targeting a 25% reduction in our consumption of water versus a 2015 baseline. Each business unit has implemented water efficiency practices and set annual reduction targets. The next stage is to work more closely with our suppliers to reduce water usage in their operations.

We are also planning to collaborate with large own-brand suppliers on supply chain water reduction projects that reduce the water footprint (embedded water) of our own-brand products.

Driving Sustainable Sourcing & Consumption

Ethical Sourcing: We updated our Ethical Trading Policy during 2016 and have begun communicating it to key members of Trading teams in order to ensure that ethical risks are identified, ranked and mitigated.

We are also revising our risk-based auditing process to ensure that it is able to identify and monitor the performance of high-risk categories/suppliers effectively on an on-going basis and enable appropriate actions to be taken where non-conformances are identified.

Plans are also in place to ensure that all key team-members receive regular training and guidance on supplier ethical risk management and on key areas of risk in each category.

Human Rights: We are developing plans to ensure that the requirements of our Ethical Trading Policy are understood by key members of our Trading teams and communicated effectively to all suppliers so that they also understand our requirements and can demonstrate compliance. As part of this process

'high-Risk' own-brand suppliers will be audited at a frequency appropriate to the scale of risk and non-conformances addressed without delay.

Sustainable Consumption: We have updated our Sustainability Policy and are communicating its requirements of our stakeholders to ensure that it is understood by all. The aim of this work is to support trading teams in working with suppliers to drive actions that improve the sustainability attributes of our own-brand portfolio.

We are also focusing on increasing sales of 'in season' and 'locally sourced' produce/products

Product/raw material provenance and sustainability credentials are verified and, where possible/necessary, are underscored through the use of appropriate accreditation bodies

Animal Welfare & Biodiversity: The requirements of our Farm Animal Welfare and Biodiversity policies are being communicated to all stakeholders and are driving actions that ensure that farm animal welfare is protected and biodiversity is enhanced.

Our retail and wholesale brands are working with suppliers and bodies such as Bord Bia (Irish Food Board) on appropriate collaboration projects that bring about sustainability benefits.

Musgrave recently became the first retailer to achieve verification under the Origin Green Sustainability programme, Ireland's only national sustainability standard.

Further partnerships with accreditation bodies will enable us to underscore our commitment to farm animal welfare and biodiversity.

Leading in Health & Wellbeing

Nutrition & Healthy Eating: We are raising awareness among consumers of the benefits of nutrition & healthy eating and are helping them to make informed food choices that fit with their own personal needs and lifestyles. Health is a core driver of our range and we are making healthy eating more affordable through pricing and promotions that influence consumers to switch.

Education & Awareness: Our brands are focused on meeting the needs of consumers seeking information on healthy eating, diet and nutrition. We provide wide-ranging and clear information to consumers on all aspects of health and wellbeing.

Our information is backed-up by guidance from recognised experts in healthy eating, diet and nutrition and enables us to provide in-store personalised consumer healthy-eating information supported by helpline and online resources.

Active Living: Our brands are helping consumers to become more active and

to manage their fitness. Through partnerships with local sporting and cultural organisations we are helping more people and age groups to become active and take ownership of their personal wellbeing. Our community fitness campaigns have successfully captured hearts and minds and encouraged more consumers to visit our stores.

Our Group recycling rate now stands at 98%; that is up from 64% in 2006, and marks a very significant improvement between 2012 and 2014, during which period, recycling rates improved by 15 percentage points.

Community

Being a Good Neighbour: Our facilities are operated with minimum impact on their communities and on their neighbours. Teams at every one of our sites have built relationships with local communities and ensure that any issues are dealt with promptly. At the same time, our Store Development teams continuously improve the design of stores to ensure that they minimise impacts on the local environment.

Vibrant Communities: Our continued sponsorship of the Tidy Towns programme (see: www.tidytowns.ie), Irelands foremost community sustainability programme is driving projects that bring about positive improvements in local communities. Our community projects benefit people by inspiring them to come together; giving them a sense of pride in place. We are successful in building connections with all members of the community and are connecting people and building awareness of and action to combat loneliness isolation especially in rural communities.

Employment & Opportunities: We are active in creating local employment in our facilities and encourage our retailers to support local employment. Our mentoring and support for local producers strengthens their businesses and enables them to grow and in turn create more local employment and prosperity. We are also creating awareness among young people of the career possibilities in retail and are working with state and local bodies to provide guidance and mentoring opportunities for students.

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;

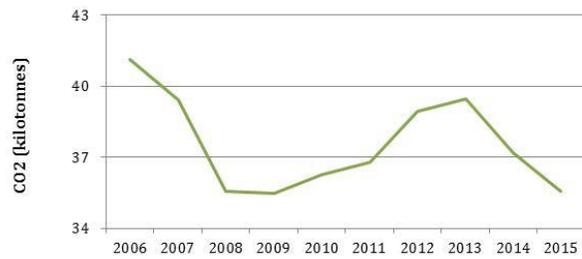
- Support corporate efforts to enhance anti-corruption implementation, corporate governance, innovative collective action, and public-private partnership initiatives.

Outcomes

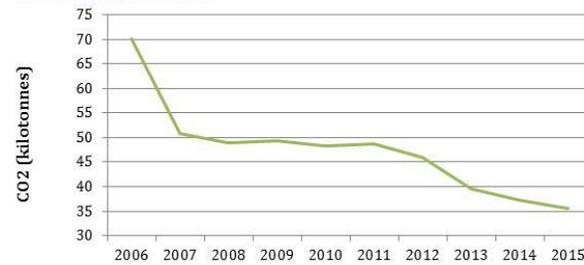
There have been no incidences of corruption in Musgrave Group.

Measuring Our Performance

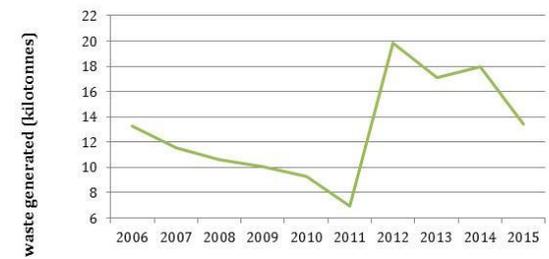
Fleet emissions



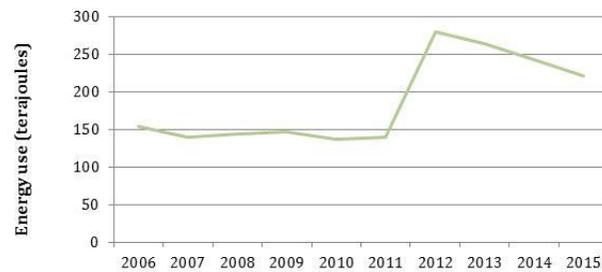
Total carbon footprint



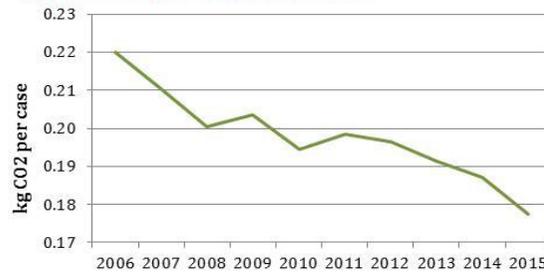
Total waste generation



Energy use in buildings



Fleet emissions vs. cases delivered



Recycling/recovery performance

