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20th Aug 2018

His Excellency António Guterres
Secretary-General
United Nations
New York, NY 10017
USA

Musgrave Annual Global Compact Communication on Progress

Dear Secretary-General,

We are pleased to confirm that Musgrave is committed to continuing its support for the ten principles of the UN Global Compact in respect of 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 2018, 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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Musgrave Annual Global Compact Communication on Progress

Dear Secretary-General,

Musgrave is one of Ireland's largest and most successful companies. We are a private family-owned business, founded in 1876 and headquartered in the city of Cork. Together with our retailer partners, we support more than 1,450 local independently-owned retail stores and employ more than 45,000 people across 7 brands in the Republic of Ireland, Northern Ireland and Spain – including the SuperValu, Centra, Daybreak, Mace, Dialprix and Dialsur retail brands and the Market Place wholesale brand.

During 2018, we implemented our new Sustainability Strategy, entitled '***Taking Care of our World***', aligned with the United Nations Sustainable Development Goals and setting stretching commitments and targets that build on our success in minimising our impacts over the last 2 decades. We also want to support our retail partners to improve their sustainability performance and inspire consumers to live more sustainably too.

We are proud to have achieved re-certification under the Irish Food Board (Bord Bia) ***Origin Green*** sustainability programme and whilst also continuing to be certified under Business in the Community Ireland's ***Business Working Responsibly Mark***

We have been signatories to the UN Global Compact since May of 2004 and undertake to continue to respect and promote its ten principles. We attach our 2018 Communication on Progress for your attention. We will also communicate our COP to our stakeholders via our website.

Yours sincerely,

John Curran
Head of Sustainability

United Nations Global Compact

Musgrave Communication on Progress 2018

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."

Former 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: Committed to UN Global Compact

Musgrave has been a signatory to the Global Compact since 2004; we will continue our commitment to the ten principles, as set out in this Communication on Progress (COP) for 2018 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 2018 COP will be communicated to our stakeholders via our website musgravesustainability.com – where a wide range of information relating to our approach to sustainability can also be found.

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 in 2016 as part of the development of our current sustainability strategy and is also aligned with the UN Sustainable Development Goals. We ensure that all Musgrave own-brand products comply with our Ethical Trading 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 Musgrave 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 spend €350 million in local communities annually. 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 source over €80 million worth of products, from over 3,800 local suppliers, and contribute €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 spend an estimated €18 million in communities where its stores are located.

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 facilities, and work closely with our retail partners to further our environmental goals as a business and at consumer level.

Musgrave has continuously expanded its retail business over the last 10 years, but our strong focus on sustainability 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 more than halved our carbon footprint.

In 2017, we developed a new 3-year sustainability strategy entitled '**Taking Care of our World**', aligned to the UN Sustainable Development Goals, which focuses on the following key areas:

1. Inspiring Healthier Lives

We will improve the health of 2 million consumers across the island of Ireland.

2. Building Sustainable Communities

We will make a positive impact on the planet by enabling our partners to make every local community in Ireland a sustainable community.

3. Sourcing Responsibly

We will be the most trusted food operator across the island of Ireland, known for the integrity of our supply chain from farm to fork.

4. Caring for our World

We will minimise the impact of our operations on the world around us and use our network to influence others to do likewise.

In order to deliver on our ambition, we have made 26 commitments detailed below.

Inspiring Healthier Lives

We will improve the health of 2 million consumers across the island of Ireland.

By 2020:

- *we will grow our sales of healthier products in SuperValu and Centra by 25%*
- *we will support colleagues to make Musgrave one of the healthiest workplaces in Ireland*
- *40% of food promotions in SuperValu and Centra will be on healthier products*
- *we will reduce salt and sugar in our own brand products by 10%*
- *we will increase our healthy own brand ranges by 20%*
- *we will support over 2,000 foodservice customers to create healthier menus*
- *we will support over 300 symbol operators to create a healthier food offer*

As a food business, we understand that nutrition fuels healthy lives and recognise our responsibility to lead the promotion of health and wellbeing with colleagues, customers, partners and consumers. This means working with suppliers on new, healthier products, as well as reformulating existing ones; educating and supporting colleagues on healthier food and active lifestyles; and inspiring consumers to make their own changes, by providing a healthier, more nutritious and affordable food offer.

With our stores at the heart of towns and cities across Ireland, we feed many thousands of people every day. We understand that we have a wider role to play and take our responsibilities seriously.

We are building a network for positive change, working hard to inspire healthier lifestyles by helping customers improve their understanding of the relationship between their health, the food they eat and the lifestyles they lead. From individuals making decisions about the food they feed their family, to organisations creating healthier working environments, to chefs developing menus for people in their care, we want people to make better choices,

to cook from scratch at home, and enjoy using fresh, seasonal produce.

The decisions we make about the suppliers we use, the products we promote and the messages we share with our customers; all have a role in driving positive change. We believe the way to inspire better eating

As part of this programme we have been reducing the levels of salt and sugar in our own brand ranges. Our approach is to gradually reduce the levels of salt and added sugar, without impacting the taste, texture and overall performance of the product.

On average, we have reduced salt by 21% and sugar by 33% across the range. New recipes were very well received by our shoppers and we are now replicating this approach across other own brand ranges. As part of our commitment to making our overall range healthier, we will continue to improve the ingredient and nutritional profile of own brand ranges.

Building Sustainable Communities

We will make a positive impact on the planet by enabling our partners to make every local community in Ireland a sustainable community.

- *Working with our retail partners, we will improve the prosperity and vibrancy of communities across the island of Ireland*
- *By 2020 we will increase our support for local suppliers by 25%*
- *We will continue to grow the award winning Tidy Towns programme, enhancing local and built environments across Ireland*
- *We will foster inclusive, diverse and healthy workplaces that encourage, challenge, support and respect colleagues; helping them to grow and develop*
- *By 2020 we will support Musgrave colleagues to complete 10,000 hours of community volunteering annually*

- *We will work with Business in the Community to embed sustainable business practices in Irish SMEs*

In an era of unprecedented social and cultural change, communities today need to constantly shift and change to survive. We know that despite the changes communities need to make, Ireland has an enduring passion for local life and that our retail partners play a big part in bringing people together. To create vibrant communities with a sense of social cohesion, we need to consider their social, environmental and economic need. By leveraging our network of retailers, suppliers and food entrepreneurs, we can help bring communities to life and build a sustainable society.

We are committed to working in partnership with others, to lead and support initiatives that will prevent social isolation and keep local communities alive. We are a family business with family values, the same values that bind communities and cement relations, and this is what drives our business

every day. As a single force for good, each store supports the livelihoods of many other local families through sustainable, local employment. Together with our retail partners we employ almost 40,000 people across the island of Ireland. If we multiply this by the thousands of people across our broader network – from producer to consumer – we can start to see the vast resource we have. People who can help us to prevent social isolation, build local economies and protect the environment, wherever they may live. Every year our retail partners seek out and support hundreds of local sporting, social, cultural and charitable causes.

Our participation in the annual BITCI Business Impact Map enables us to quantify our impacts on local communities across Ireland and allows us to record the range and spread of the many community activities Musgrave supports directly or through the work of our employees. In 2016 Musgrave made direct contributions of more than €1 million to over 150 community causes while colleagues gave over 2,600 volunteer hours in support of vital initiatives.

Sourcing Responsibly

We will be the most trusted food operator across the island of Ireland known for the integrity of our supply chain from farm to fork.

- *We will set leading standards for sourcing; continuously raising the bar on transparency across our entire supply chain*
- *We will collaborate with government agencies, Bord Bia and Origin Green to ensure that 100% of our Irish meat and dairy are always in compliance with the highest standards of production*
- *By 2020, 100% of our SuperValu and Centra branded Irish meat and fresh produce will be sourced from certified Origin Green suppliers*
- *By 2018, we will establish a system to audit labour standards and the treatment of workers in our fresh and own-brand supply chains*

- *By 2020, we will increase the sales of small suppliers by 25%, supported by our Food Academy programmes in Retail and Food Service*
- *We will continuously improve the sustainability standards of our meat, fish and produce, taking account of environmental, biodiversity and livelihood factors*

As populations grow, we need to produce more food. On our small island, the same land space must continue to feed ever more people – and, over recent years, satisfy more demand for greater variety and quality of food. As a leading food business, we are aware of the need to retain the trust shoppers have that the food we sell is of the highest quality and has been produced and sourced to strict ethical, animal welfare and food safety standards. We are working to increase the transparency of the supply chain and to constantly and consistently improve

sustainability standards, making it easier for consumers to trust the provenance and the quality of their food. We only work with suppliers who take due care of their people and the environment in which they operate. Through our sourcing policies and supplier partnerships we deliver inspiring and innovative ranges to Irish consumers and support a thriving network of local producers and food businesses that are the bedrock of local economies.

As a leading food business, we have the ability and responsibility to positively impact the whole Irish food chain, from the prosperity of farming and traditional food production, to the quality of produce and the economic wealth of the industry. We can only do this by mobilising our whole network, from the large suppliers to the small artisan producers, from our retail partners to their store employees and the local people they serve. We seek out and promote Irish suppliers, but we need all producers to commit to continually raising their environmental, ethical and animal welfare standards to meet the expectations of today's shoppers.

Caring For our World

We will minimise the impact of our operations on the world around us and use our network to influence others to do likewise.

- *By 2020 we will ensure that no food that is fit for human consumption is wasted, but is used to alleviate food poverty through our support for food re-distribution charities*
- *By 2020 all of our retail and foodservice operations will have access to food re-distribution charities*
- *By 2030 we will halve our food surplus in line with UN Sustainable Development Goal 12.3*
- *Through product and packaging initiatives, we will help consumers to reduce food waste in the home*
- *By 2020 we will implement three major collaboration projects with suppliers aimed at enhancing bio-diversity*

- *By 2025 we will reduce the carbon intensity of our operations across the island of Ireland by 70%**
- *By 2025 we will reduce the climate impacts of our refrigeration systems by 80%**

Our strategies are designed to minimise the environmental and climate change impacts of our operations.

For over 12 years we have operated an energy monitoring and targeting system across our building estate and have supplied our facilities with 100% green electricity. We focus on preventing waste at source and on maximising recycling by sending zero recoverable waste to landfill. We also leverage our expertise to help our retail partners and their customers to minimise their waste too.

We continue to minimise food waste through better handling and stock management procedures, as well as by designing our own brand packaging to prevent product damage or loss and extend shelf life.

At the same time, we work with suppliers to optimise our own brand packaging so that it is fit-for-purpose.

We have seen significant increase in focus on plastics packaging as governments, businesses and consumers wrestle with the challenges of preserving the safety and quality of food, whilst minimising the impact of plastics on our environment.

We have pledged that 100% of own-brand, fresh produce and in-store packaging is recyclable, reusable or compostable by 2025, through a programme that will **eliminate** or **reduce** plastic packaging and items made of plastic materials where possible, or **replace** them with more sustainable options.

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 behaviour;
- 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.

Measuring Our Performance

