



Musgrave Environmental & Social Accountability Policy

Working together to deliver sustainability





Musgrave Environmental & Social Accountability Policy

Working together to deliver sustainability





CEO'S INTRODUCTION



I am pleased to introduce to you the Musgrave Group Environmental and Social Accountability Policy, in which we identify the main

environmental and social impacts of our business activities and detail the means by which we are managing them.

This document expands on our first Environmental Policy Charter, which was published in 1999, when we became one of the first companies in our sector to acknowledge the impacts of its operations; we also outlined our vision for managing these impacts and continuously improving our performance. Underpinning this vision are the Musgrave Core Values, the principles which guide all of our activities and upon which our corporate reputation has been built. Our values have endured and sustained us over a long number of years; they represent a key part of the current and future success of our business.

Today, our world faces a range of environmental and social challenges; from climate change, depletion of natural resources, and biodiversity to human rights, health and poverty. We recognise that organisations in all sectors have an obligation to act responsibly and to minimise the

negative impacts of their operations. We are committed to playing a leadership role and to meeting the challenge of managing these impacts. We will achieve this through the expansion of our knowledge base, the implementation of action plans, and by improving the way in which we measure, manage and disclose our performance.

Teamwork is an essential element of the success of our business. Our Environmental Action Teams, through, their projects, are central to our efforts to manage our impacts and to drive continuous improvement across our operating divisions. We have received numerous awards recognising our level of attainment in this area and take great pride in the recognition we have received from professional bodies, government and our retailers.

Showing concern for the environment is no longer sufficient in itself; collective action is now an imperative at all levels of society.

I hope that you will take the time to read this policy, apply it in your daily activities and support us in our efforts to implement best practice, improve our performance and meet the challenges of sustainable development.

A handwritten signature in blue ink, reading "Chris Martin".

Chris Martin, CEO, Musgrave Group
January 2006

INTRODUCTION

Musgrave Core Values (see Figure 1) are the guiding principles we use to organise ourselves and make business decisions. Our values underpin all our activities. As a responsible organisation, we recognise the need to minimise the environmental 'footprint' of our business activities and are committed to the principles of sustainable development – "development which meets current needs without compromising the ability of future generations to meet their needs". This definition was first put forward in 1987 by the World Commission on Environment and Development (WCED), in a report entitled "Our Common Future", which came to be known as the "Brundtland Report" after the Commission's chairwoman, Gro Harlem Brundtland.

The Brundtland report developed guiding principles for sustainable development, which stated that critical global environmental problems were primarily the result of the enormous poverty of the South and the non-sustainable patterns of consumption and production in the North. It called for a strategy that united development and the environment; described by the term "sustainable development" as defined above.

In 1989, the report was debated in the UN General Assembly, which decided to organise a UN Conference on Environment and Development.

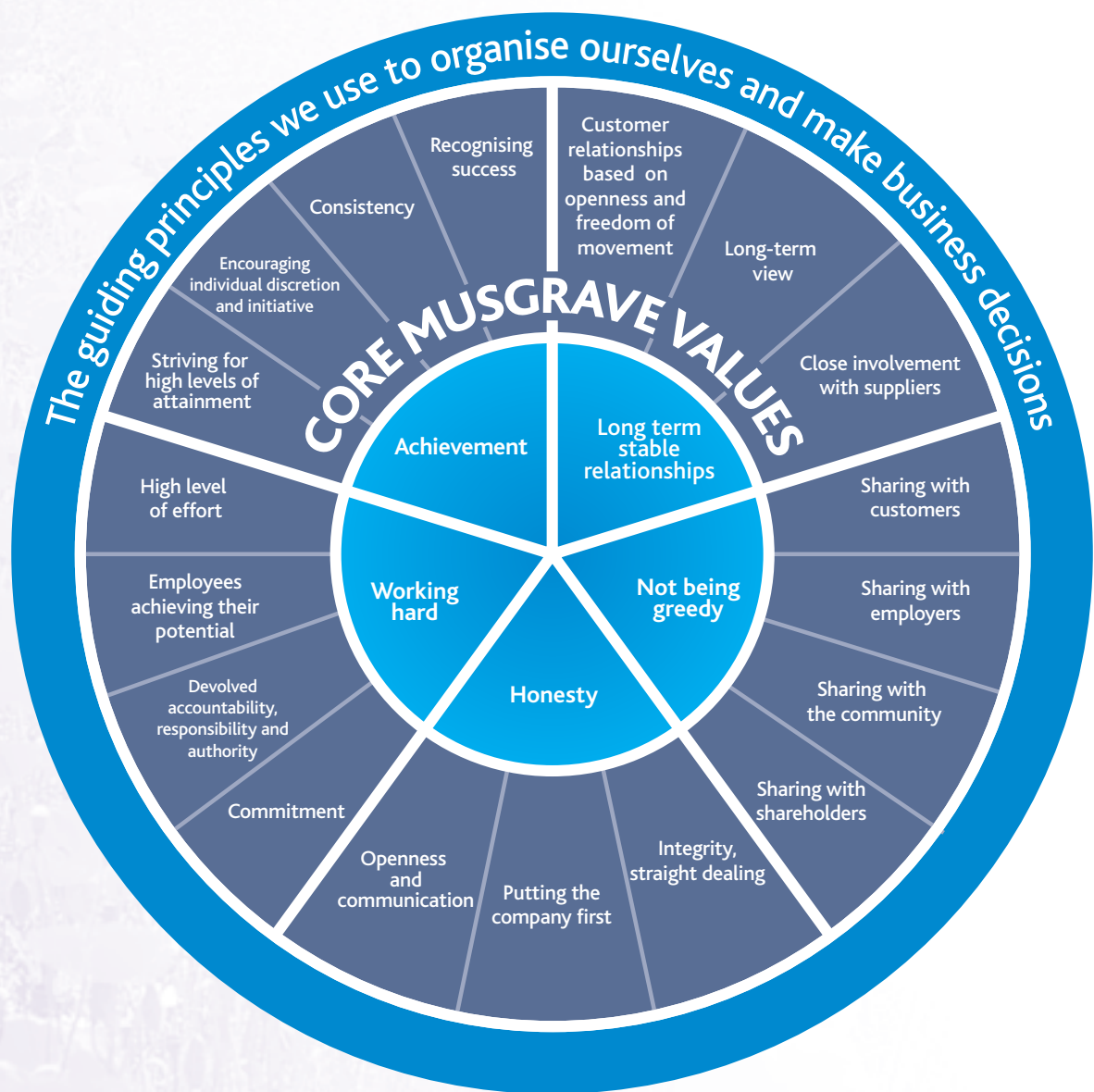
In our first Environmental Policy Charter, we identified six key areas on which we undertook to focus our efforts.

- **Communications**
- **Supplies and Products**
- **Waste Management**
- **Buildings**
- **Transport**
- **Reporting**

We believe that these six areas are equally relevant today, however, experience gained from the implementation of our Policy, along with the evolution of our operations and the development and publication of our Environmental and Social Accountability Reports have helped us to refine our thinking and have highlighted other key areas that also need to be addressed.

This process has led us to conclude that the continued success of our strategy requires that we expand the original six topics to cover some additional areas, most notably the social and societal impacts of our operations. We have reorganised the topics covered in a more intuitive structure, which we feel also complements the layout of our most recent Environmental and Social Accountability Reports.

Figure 1: Musgrave Core Values



In this document, we have determined that there are five key areas for focus as follows:

■ FACILITIES AND LOGISTICS:

WASTE
ENERGY AND EMISSIONS
NUISANCE

■ SOCIETY:

COMMUNITIES
CONSUMERS
LEGISLATION AND REGULATION

■ EMPLOYMENT AND OPPORTUNITIES:

JOB CREATION AND JOB SATISFACTION
TRAINING, AWARENESS
AND EMPOWERMENT, HEALTH,
SAFETY AND WELFARE

■ BUSINESS RELATIONSHIPS:

VALUES AND ETHICS
SUPPLIES AND PRODUCTS

■ COMMUNICATIONS, REPORTING AND DISCLOSURE

DIALOGUE
RAISING AWARENESS
REPORTING AND DISCLOSURE

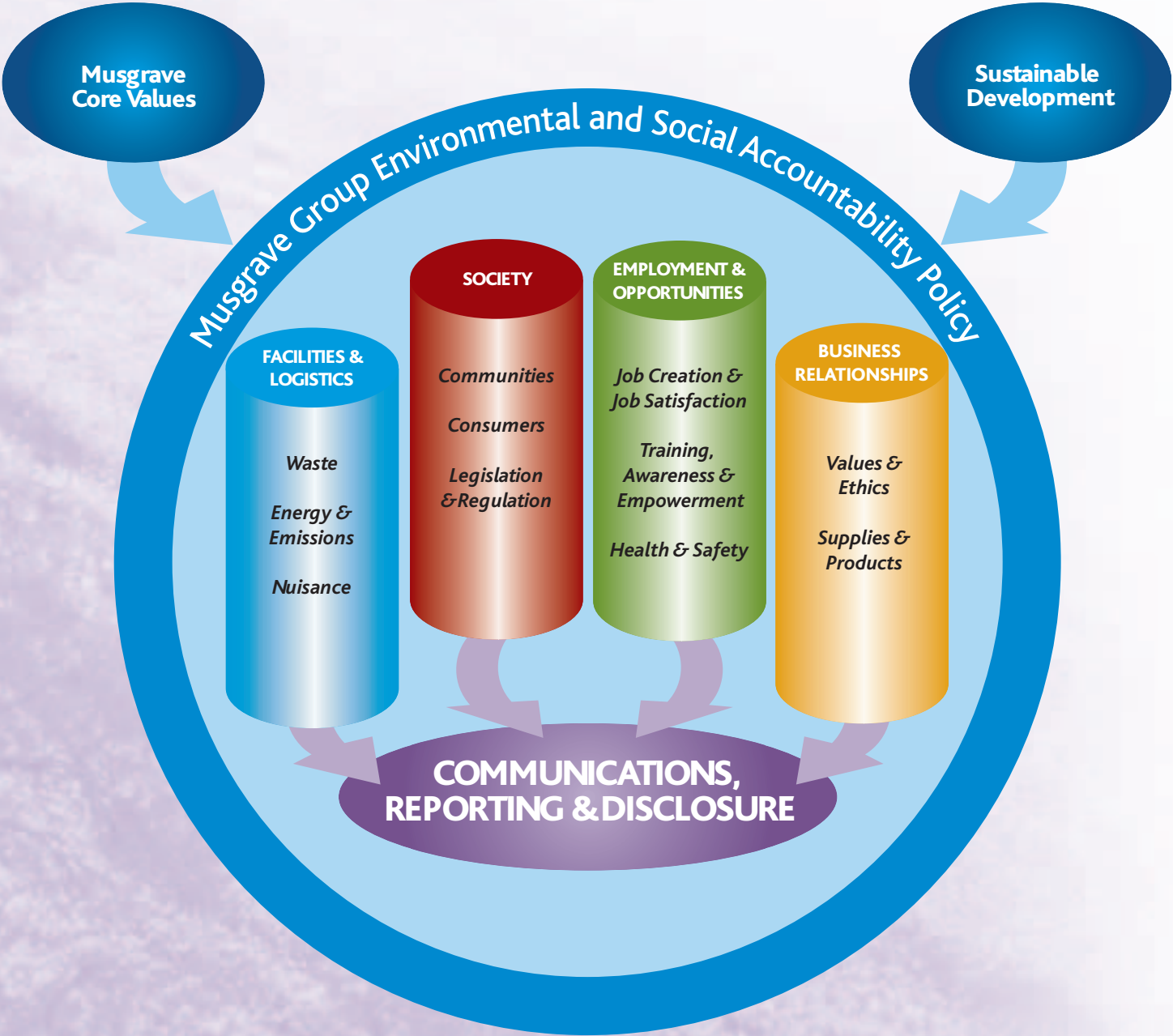
At the heart of this policy are two fundamental drivers; **Musgrave Core Values** and the principles of **Sustainable Development**. In formulating the structure of this document, we have identified what we consider to be four core policy areas; *Facilities and Logistics*, *Society*, *Employment and Opportunities* and *Business Relationships*, as illustrated in Figure 2. These are the pillars which support the policy.

Effective *Communication, Reporting and Disclosure* are also essential requirements of this policy. These mechanisms ensure that we not only share our vision and learn from our stakeholders, but also account for our environmental and social performance in an open and transparent way.

Within this document, each section and sub-section has an introduction and context which identify the aspects and impacts (both positive and negative) associated with our operations.

In our policy principles, we detail our commitment to addressing the impacts identified, and follow this with the actions we will take to implement these principles.

Figure 2: Musgrave Group Environmental and Social Accountability Policy



FACILITIES AND LOGISTICS

WASTE

We recognise that our operations create significant amounts of waste, which can have negative environmental and business impacts. Waste generation contributes to the depletion of natural resources and to increased demand for waste management capacity.

We believe that landfilling is not a sustainable waste management option, and thus we must continue to meet the challenge of identifying innovative solutions to preventing or minimising waste at source, whilst maximising opportunities for reuse, recovery and recycling.

As such, we acknowledge that as our business grows, reducing waste will continue to be a major challenge for us.

Principles

Our strategic principles in relation to management of wastes are:

- To focus on waste reduction/minimisation rather than treatment solutions
- To manage waste more efficiently
- To instil best-practice in waste management at our facilities, at our retail partners' stores and among our consumers.

Implementation Actions

- We will work with our suppliers on research projects which aim to minimise packaging wastes
- We will continually improve our waste management contracts with the aim of growing and optimising them, and utilise improved waste management technologies and infrastructure as they become available
- We will set annual recycling targets and seek to maximise recycling through our contracts and increase access for consumers to recycling facilities, at our retail partners' stores
- We will measure and report performance, on a quarterly basis, and in our Environmental and Social Accountability Reports.

ENERGY AND EMISSIONS

Our business consumes energy, which has both a financial and environmental cost. The larger portion of this energy is produced either directly or indirectly from non-renewable finite fossil fuels. Combustion of fossil fuels for energy creates carbon dioxide and other greenhouse gas emissions.

These emissions have a consequent range of negative global impacts; most significantly climate change.

There is little doubt that, due to a number of factors, the future cost of energy supply will increase significantly; accordingly we believe that reducing energy-usage and conserving natural resources makes good environmental and business sense.

Principles

Our strategic principles in relation to the management of energy and emissions are:

- To reduce our dependence on and consumption of finite fossil fuels
- To reduce emissions, conserve resources and reduce expenditure on energy
- To instil best practice and reduce the lifecycle energy costs of our operations.

Implementation Actions

- We will improve efficiency through monitoring and targeting of energy use
- We will measure and report performance, on a quarterly basis, and in our Environmental and Social Accountability Reports
- We will implement the company vision for energy use as articulated in our Energy and Natural Resources Management Policy.

NUISANCE

The scale of our transport fleet coupled with the size and location of our facilities has the potential to create nuisances, especially in relation to noise and visual impact.

Because of the need to respect the sensitivities of our neighbours and to avoid business impacts through operational restrictions, we must seek to minimise potential nuisances through planning, innovation and technology.

Principles

Our strategic principles in relation to nuisance prevention are:

- To eliminate or minimise nuisances at source, in preference to abatement measures
- To undertake stakeholder dialogue as part of the planning and development process for Group facilities, in order to identify and address stakeholder issues, at a project or operational design stage
- To assist our retail partners in the planning and development process for store designs and expansions, in order to identify and address stakeholder issues, at a project or operational design stage.

Implementation Actions

- We will undertake the identification, management and mitigation of environmental and nuisance risks as an integral part of all project-planning/scoping processes
- Our store design departments will work with our retail partners to ensure the management and mitigation of environmental and nuisance risks as an integral part of all project-planning/scoping processes.



SOCIETY

COMMUNITIES

As a responsible business, we see part of our role as contributing in a positive way to the communities in which we operate.

We achieve this by being a good neighbour, by supporting family businesses which in turn, provide employment and opportunities, thereby stimulating local economies, generating revenue and building prosperity.

We recognise that the wellbeing of communities and society is also defined by quality of life indicators such as health, welfare, nutrition, amenities and environment. Accordingly we, and our retail partners, seek to support projects aimed at delivering improvements in these areas.

Principles

Our strategic principles in relation to communities are:

- To operate a franchise model in which we provide store-formats and retail-offerings tailored to the specific needs of communities
- To provide sponsorship for local projects and efforts which improve the quality of life for communities.

Implementation Actions

- We will maintain our franchise model so that it continues to meet the changing needs of communities and local-retailers
- We will ensure that our support, through sponsorship and charitable donations, is focussed on projects which deliver improvements in 'quality-of-life' for communities and society.

CONSUMERS

The retail marketplace is continually evolving in response to the ever-changing needs of consumers, whose expectations are influenced by factors such as lifestyle, health and nutrition issues.

We strive to understand and predict consumer trends, and by tailoring our offer and building trust, seek to meet their expectations.

Principles

Our strategic principles in relation to consumers are:

- To deliver produce of the highest quality standards, with a preference for locally-sourced products, whenever possible
- To operate a distribution and retail system that maintains the highest standards of hygiene and cleanliness
- To provide attractive shopping environments in a wide range of store formats
- To provide a high-quality retail offer to local communities, regardless of their distance from large population centres and as a viable alternative to the large multiples
- To provide information, education and awareness for consumers on nutrition and healthy-eating
- To broaden our own-brand product range, and deliver healthy, nutritious foodstuffs to the marketplace.



Implementation Actions

- We will continually review purchasing strategies to achieve the highest quality standards in the products we sell
- We will maintain the highest standards of cleanliness and hygiene
- We will maintain store-design departments which provide planning and project management of new buildings and revamps for retail partners
- We will continually research the market with a view to adapting our offer to meet changing consumer needs. We will seek to recruit and retain partners who share our vision of high quality retailing, particularly in areas not serviced by multiples
- We will keep abreast of the findings of new research studies into human health and nutrition, and provide this information to consumers to enable them to make informed shopping choices
- Our own-brand departments will continue to develop rigorous standards in relation to the quality and nutritional value of this produce.

LEGISLATION AND REGULATION

EU and National legislation and regulations are designed to improve the quality of life and the environment. Musgrave acknowledge these important purposes of legislation and regulations, which we address daily in many parts of our business.

Principles

Our strategic principles in relation to legislation and regulation are:

- To comply with legislative requirements, and to exceed these requirements, where practicable, particularly in relation to the prevention of pollution
- To anticipate changes in legislation, and to make provision for these changes in planning our operations
- To participate in formal consultative processes, where possible, and contribute positively to the drafting of applicable legislation and regulations.

Implementation Actions

- We will ensure legislative compliance through the job responsibilities of both our company's Legal Council and Company Secretary
- We will maintain channels of communication with both regulators and legislators
- We will provide input, making best use of company knowledge and expertise, to legislative consultative processes.



EMPLOYMENT AND OPPORTUNITIES

JOB CREATION AND JOB SATISFACTION

In order to sustain growth, Musgrave Group requires an educated, flexible and committed workforce.

We recognise that, to attract and retain these people, we must provide them with sustainable, stable, rewarding jobs, to enable them to achieve their full potential and enhance their quality of life.

Principles

Our strategic principles in relation to Job Creation and Job Satisfaction are:

- To implement employment policies which ensure that we recruit and retain an educated and adaptable workforce
- To implement employment policies to ensure that our employees have an opportunity to share in our success, through competitive conditions, remuneration and benefits packages.

Implementation Actions

- We will maintain and review our employment policies in response to the changing needs of our business and of our employees
- We will gauge employee satisfaction through regular surveys and consultations, which we will use to guide the development of future policies.

TRAINING, AWARENESS AND EMPOWERMENT

As a dynamic business, Musgrave believes that employee competence and ability are crucial to our continued success.

By focussing on career and personal development, through tailored training and education programmes, we aim to retain staff and ensure that the investments we make in employees benefit both the individual and the company.

As an organisation that operates autonomous business units, Musgrave Group recognises that employee empowerment is a key factor in achieving business success and in fostering job satisfaction and personal and professional fulfilment.

Principles

Our strategic principles in relation to Training, Awareness and Empowerment are:

- To design and maintain our training policies to ensure that employee core skills are augmented through professional development programmes, mentoring and education
- To manage a devolved business model through which our divisions operate autonomously and in which empowered employees have authority, responsibility and accountability for decision-making.

Implementation Actions

- We will maintain and review an extensive set of training policies appropriate to the changing needs of our business and of our employees.

HEALTH, SAFETY AND WELFARE

There are human, financial and reputational consequences of accidents at work. Consequently, at Musgrave, the health, safety and welfare of all of our employees are priorities.

Accordingly, Musgrave believes that providing a safe and healthy working environment for all its employees is an essential part of its responsibilities as an employer.

Principles

Our strategic principles in relation to Health Safety and Welfare are:

- To ensure that Musgrave employs best-practice in health, safety and welfare requirements in all aspects of our operations
- To operate risk-based management systems throughout our divisions, which are designed to eliminate or reduce the potential for harm to the health, safety and welfare of our employees, our customers or visitors.

Implementation Actions

- We will promote divisional health, safety and welfare policies at all of our facilities
- We will ensure that, through our divisional systems, all our business-units collate and report health, safety and welfare statistics, to international standards, on a quarterly basis
- We will report these statistics in our Environmental and Social Accountability Reports.

BUSINESS RELATIONSHIPS

VALUES AND ETHICS

Our reputation is an important asset to our business; it derives from our core values and a robust corporate governance system. We must therefore maintain and protect the equity of our brands through proactive risk management.

Our relationships with our 'trading stakeholders' (retail partners and food service operators, suppliers and shareholders) are crucial to sustaining our business, creating prosperity and maintaining our reputation.

- Our services to our retail partners and food service operators are an integral part of their businesses.
- We provide a consolidated marketplace to suppliers for their products and services.
- As a family and employee-owned business, our shareholders are central to our operations.

We recognise, in keeping with the principles of sustainable development, that sourcing products from a wide ranging supply chain creates both environmental and social impacts. As an environmentally and socially accountable organisation, we acknowledge our responsibility to work with our suppliers to ensure that these impacts are minimised.

Principles

Our strategic principles in relation to Values and Ethics are:

- To ensure the continued success of Musgrave, our retail partners' and food service operators' businesses, enhance the equity of our brands and protect our reputation.
- 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.
- To strive to create and share exceptional added value through branded food distribution businesses that are different and better.
- To foster strong, stable relationships with customers and suppliers based on integrity and mutual benefit.
- To remain an Irish-based, family and employee-owned and non-quoted company.
- To ensure that we and our suppliers meet our collective obligations in relation to: protecting the human rights and dignity of all participants in the supply chain, and minimising significant environmental impacts, through the implementation of our 'Ethical Trading Policy'.

Implementation Actions

- The devolved nature of the business means that the implementation of the Musgrave 'business-code' - **'Who We Are, What We Do and How We Do It'** is the responsibility of all managers and employees.
- Musgrave Group's 'Ethical Trading Policy' lays down the principles which govern the management of our supply chains, specifically in relation to the social and environmental impacts of that facet of our business. We will ensure that it is communicated and implemented throughout our trading and supply chain operations.

SUPPLIES AND PRODUCTS

The production and manufacture of all commercial products creates varying environmental and social impacts. We recognise, in relation to our 'own-brand' products in particular, that we have a direct responsibility to manage and minimise these impacts.

Disposable packaging is a feature of most commercial products, accounting for a significant portion of Musgrave, our retail partners' and consumers' waste streams. We acknowledge that a more environmentally-sustainable alternative is an imperative.

Principles

Our strategic principles in relation to supplies and products are:

- To work with manufacturers, through the implementation of joint projects, to develop 'own-brand' products with more sustainable characteristics
- To work with suppliers to ensure that product-packaging meets the requirement to maintain product quality and integrity, whilst being minimal from a materials and energy-usage perspective.

Implementation Actions

- We will proactively develop projects aimed at continuously improving the quality and sustainability performance of our 'own-brand' products
- We will apply 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.



COMMUNICATIONS, REPORTING AND DISCLOSURE

DIALOGUE

In order to ensure that we promote the principles of this policy, and gain an understanding of the views and concerns of our stakeholders, we must communicate effectively.

This also requires that we actively listen to our stakeholders and incorporate their views in the formulation of strategic and operational plans. Our stakeholders include:

- our employees
- our shareholders
- our retail partners
- consumers
- our suppliers
- society
- communities
- legislators and regulators
- non-governmental organisations (NGOs).

RAISING AWARENESS

We will raise awareness of the aims of the Musgrave Group Environmental and Social Accountability Policy among our stakeholders, and ensure the distribution of the document through the most effective communication-channels, including the Musgrave Group website.

We will ensure that issues relating to our environmental and social performance are communicated, regularly, to Musgrave Group and Divisional Boards.

We will embed the principles of this policy within all of our daily activities, through a co-ordinated approach to training and education, supported by the work of the Environmental Action Teams (EATs) in setting and reviewing environmental objectives and targets, managing specific environmental issues and instilling 'best practice' at departmental level.

REPORTING AND DISCLOSURE

Honesty is a Musgrave core value, and as an organisation with a long and successful trading history, we understand the importance of building trust. Accordingly, we believe that we have an obligation to our stakeholders to report and account for our environmental and social performance. Our Environmental and Social Accountability Reports, which are independently verified and assured by specialist third-parties, will continue to detail our performance on a periodic basis.

By reporting our environmental and social performance, to the highest international standards, we believe that we create trust among our stakeholders, enhance our reputation and differentiate our brand.



Musgrave

G R O U P

Musgrave Group, Ballycurreen, Airport Road, Cork, Ireland
Phone + 353 (0)21 452 2222 *Fax* + 353 (0)21 452 2244

www.musgrave.ie