



Sustainability 2010 KEY FACTS

Sustainability in a downturn

Whether in growth or recession, creating a sustainable business remains at the heart of the Musgrave business model. In fact we are now three years into a wide-ranging sustainability programme that continues to deliver to tough targets right across our business.

Since 2006 our carbon footprint has reduced by over 20,000 tonnes or 30 per cent – equivalent to taking almost 10,000 cars off the road. In this reporting period January 2008 to December 2009, our fleet emissions dropped by 9,532 tonnes of CO₂ compared with 2006-2007, landfill waste was reduced by a further 17 per cent – that's a massive 72 per cent reduction since 2002, and our Group recycling rate now stands at 83 per cent. And these are just the headline figures.

Some commentators have remarked that as businesses concentrate on tackling the recession, sustainability will

inevitably end up on the back burner. Not for us.

We believe emerging stronger from the current downturn means driving innovation and best practice in parallel with lowering our cost base and developing our brands. A relevant, embedded and focused sustainability strategy is integral to all these objectives.

For Musgrave, sustainability is holistic. It is about how we continue to integrate all the different processes associated with our operations to build a leaner, more efficient and less wasteful business, whilst ensuring we uphold our responsibilities to our stakeholders and our commitments to the communities in which we operate.

As a result, even in recession we continue to focus on ensuring our sustainability programme remains relevant to our business, is fully embedded in our daily activities and delivers measurable results.

Our emphasis on the measurement, management and reduction of carbon is also helping to deliver direct reductions in costs in areas such as building energy use, vehicle fuel consumption and waste management.

We believe organisations that view sustainability in this way are able to enhance the benefits to their businesses, the environment and society. This balance is essential to sustainable operations, which cannot always be measured simply in terms of carbon or euro or pounds, but must also take account of qualitative aspects.

The current climate change debate has its critics. However whether or not as individuals we accept the reality of climate change, there are still abundant reasons why businesses need to work towards a low carbon economy. At a time when the availability of non-renewable fossil hydrocarbon resources is reaching its peak, we are seeing global demand out-stripping supply. As a business, we are determined to secure our future

energy needs by driving efficiency, reducing waste and supporting the shift towards renewables.

Recently, short term thinking, greed and the lack of strong corporate governance have had devastating impacts on the entire global economy and fuelled the current recession. These events have reinforced our belief in the potency of our own values and the manner in which they shape and inform our business.

It is no coincidence that, as a company that has survived and grown for almost 135 years, Musgrave has at its core a set of values that shape our approach to everything we do.

As a family- and employee-owned business, our focus is on supporting other family businesses in communities across Ireland, the UK and Spain. With our retail partners, we employ more than 55,000 people across these three markets. Working sustainably is one of the ways we deliver on our responsibilities to our people and those working with our partners in hundreds of local communities across all our markets.

It's a tribute to the commitment of our teams and that of our retail partners

that there is growing global recognition of our sustainability programme. We were delighted when in 2009, academic researchers placed Musgrave in the list of the top 15 eco-businesses working in the retail sector worldwide.

The report published by Ryerson University's Center for the Study of Commercial Activity involved researchers from Scotland's University of Stirling, France's University of Metz, Japan's Hitotsubashi University and Spain's ESADE. It also involved interviews with 200 businesses in the retail sector to look at best environmental practices and help the industry in adopting sustainable practices that can also enhance their bottom line.

During the period 2008-2009 we have won numerous industry awards, including the Repak Excellence Award, the Deloitte Best Managed Companies Award and the IGD John Sainsbury Award for Learning and Development. We are also proud to have been recently selected as one of Ireland's ten participants in this year's European Business Awards.

Finally, just recently, Musgrave Group was selected to represent Ireland as one

of ten country representatives in the European Business Awards 2010.

I hope that you will enjoy reading this summary and that you will get a clearer understanding of how an integrated approach to sustainability enables us to improve the efficiency of our business.

Our full Sustainability Report will be published September 2010 at www.musgravesustainability.com



Chris Martin
Musgrave Group CEO

This document summarises Musgrave's sustainability performance during 2008 and 2009. In previous years we have created a detailed hard-copy document along with a web-based version. This year, however, we have taken a different approach by deciding to publish the main report online and to use this preview document to give readers an easily-digested advance summary of our current progress.

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New in-cab technology allows drivers to view their **REAL-TIME FUEL EFFICIENCY PERFORMANCE**, and enables managers to identify areas for improvement. In 2010 we installed a new GPRS system on 50 trucks, tailored to help drivers analyse their performance and that of their vehicles.

We have continued to increase the percentage of bio-diesel used to fuel the fleet. In 2009, 5% of truck-kilometres used **RENEWABLE FUELS**. By 2012, we aim to have at least 10% of the fuel used in our fleet from sustainable bio-fuel sources.

All used **TYRES ARE RECYCLED**; either sent back to the manufacturer for use as re-treads, or to a rubber plant as raw material in the manufacture of other items such as mats and running tracks.

The carbon footprint associated with our **FLEET EMISSIONS DROPPED BY 9,532 TONNES** of CO₂ in 2008-2009 (versus 2006-2007). This was made possible by technical upgrades as well as strategic backhaul and dynamic scheduling.

Our tests on various styles of spoilers, visors and lamps continue to deliver **IMPROVED AERODYNAMICS**.

We have made **MODIFICATIONS TO TRUCK AND TRAILER BODIES**, loading and engine size to maximise efficiency.

Regrooving of centre axle tyres on trailers gives us an **EXTRA 30,000KMS OF WEAR**, delivering an overall reduction of about 20% in tyres over the life of a trailer.

Our use of 'double deck' trailers **INCREASES CAPACITY BY 58%**, and where employed equates to a **36% REDUCTION IN DISTANCES**.

Backhaul involves strategic planning to avoid trucks returning to the depot empty. After delivery to stores, vehicles collect goods from suppliers to maximise capacity on return journeys, thereby reducing emissions. In 2009 backhaul equated to a **REDUCTION OF 7.1 MILLION KM**; the equivalent to taking 3,500 cars off our roads annually!

Drivers trained to reach their destination with the **LOWEST POSSIBLE FUEL CONSUMPTION** take pride in their achievements. This requires consideration of temperature, road conditions and load size as well as driving speed and style.



10%
reduction in
vehicle-related CO₂
emissions already
achieved
(2007 v 2009)

Achieving lower emissions

Our **logistics & sustainability** principles centre on the need for reduced emissions, reduced expenditure and reduced carbon footprint associated with our transport fleet.

We are committed to reducing vehicle-related CO₂ emissions by 15 per cent over the five years between 2008-2012 against a 2007 baseline. In the first two years of that timeframe we have achieved an 8 per cent reduction:

emissions of CO₂ were reduced from 0.809 kilograms of CO₂ per kilometre in 2007 to 0.739 kilograms of CO₂ per kilometre in 2009.

We are particularly proud of the achievements of our drivers. Our training initiative (supported by fuel efficiency targets and a collective rewards scheme) has had excellent results thanks to the skill and professionalism of the team.

Tackling climate change through **ENERGY EFFICIENCY AND LOW CARBON DESIGN** is a priority in all new building and refurbishment projects.

We have targeted a **25% REDUCTION IN THE CONSUMPTION OF OIL, GAS AND ELECTRICITY** for the period 2008-2012.

ENERGY USE IN BUILDINGS FELL BY 6,156 GJ BETWEEN 2006 AND 2009. This represents a 4% reduction based on energy use per m2 of Musgrave building stock. Energy use has increased (in absolute terms) from 2007 to 2009 due to a large proportional increase in refrigeration/freezer capacity, as well as some changes in shift patterns.



The amount of waste going to **LANDFILL HAS BEEN REDUCED BY 72%** – from 6,000 tonnes in 2002 to 1,700 tonnes in 2009. This is the result of significant reductions in waste generation, in absolute terms, combined with increased recycling volumes.

Musgrave **WASTE-RELATED CO₂ EMISSIONS FELL BY 2,703 TONNES** (or 65%) between 2006 and 2009, based on waste sent to landfill.

Musgrave **REDUCED WASTE** from 24,810 tonnes in 2006-2007 to 20,678 tonnes in 2008-2009. We have reduced waste by a minimum of 5% year on year since 2005.

Waste generation relative to business output was **REDUCED BY 10%** between 2007 and 2009. This measurement illustrates that we continue to de-couple waste from business growth.

In March 2010 our green electricity contract was extended to provide **100% GREEN ELECTRICITY** to all Musgrave facilities on the island of Ireland. This is also available to all Musgrave staff in Ireland.

2009 saw the introduction of the Food Waste Regulations in Ireland, with the aim of diverting food waste from landfill. Musgrave launched its own food waste recycling programme in 2005 and since that time **WE HAVE RECOVERED 2,200 TONNES OF FOOD WASTE** (to year-end 2009).

We are proud of our Group **RECYCLING RATE OF 83%** in Ireland and the UK in 2009. This is up from 53% in 2002.

100%
target to recycle
recoverable wastes
by 2012

Leading by example

Managing **waste & energy** in our own buildings continues to be a high priority, delivering significant waste & energy reductions year on year.

In our own facilities, we aim to achieve 100% recycling of recoverable wastes by 2012 and are on-target for our five-year waste management programme. Because we

believe that landfilling is not a sustainable option for managing waste, we identify innovative solutions to prevent or minimise waste at source, while maximising opportunities to re-use, recover and recycle. See pages 8 to 9 for examples of how we extend our commitment to best-practice in waste management beyond our own facilities to our retail partners' stores.

Our **buildings & environment** sustainability principles commit Musgrave to reducing energy consumption within the business, using renewable energy sources and lowering our carbon footprint. To this end, we operate a group-wide energy monitoring, targeting and management programme.

All new build and renovation projects undertaken by our retail partners benefit from **CONSTRUCTION AND BUILD RECOMMENDATIONS** designed to maximise energy efficiency.

Musgrave has pioneered the concept of 'one-stop-shop' **REGIONAL WASTE MANAGEMENT CONTRACTS**, which save money for retailers and support recycling targets. The waste management contract model shows that being sustainable also makes good financial sense, particularly crucial during recessionary times.

All new stores built to Musgrave specifications will be more than **30% MORE ENERGY EFFICIENT** than in 2008, with a target of 50% to be achieved by 2020.*

Our revamped stores are 15-30% more **ENERGY EFFICIENT** depending on scale of revamp.

300 retailers in Ireland have participated in Musgrave's 'Energy Map' course, designed to help staff use energy more efficiently. These have been very successful and have helped deliver **ENERGY PERFORMANCE SAVINGS OF BETWEEN 10% AND 20% IN-STORE**. We plan to train a further 200 retailers during 2010.

We are working to ensure that all existing stores **REDUCE THEIR ENERGY CONSUMPTION BY 10%** against energy consumption for the base year 2008.

OVER 42,000 TONNES OF WASTE COLLECTED FROM RETAILERS as part of our 'one-stop-shop' waste management contracts during the period 2008-2009, with an average recycling rate of 67%.

than they were in 2008. A key aspect of the approach is to focus on opening more sustainable stores during 2010 and to communicate the sustainability attributes of these stores more effectively to consumers.

*This does not include stores that are transferring brand name from other groups.



David Knight's Budgens store in West Sussex is set to become the **FIRST STORE IN THE WORLD OPERATING THE NEW SIMPLY AIR ENERGY-SAVING REFRIGERATION TECHNOLOGY SYSTEM** and, in turn, lead the way as one of the most energy efficient stores in Great Britain, as part of a major store development plan. David's store will be **SAVING 105 TONNES OF CARBON YEAR ON YEAR**, even with a 50% increase in refrigeration.

We work with our retail partners to **SOURCE GREEN ELECTRICITY** for stores. In March 2010 we implemented an Ireland wide green electricity initiative with Airtricity.

Musgrave resource **ENERGY CHAMPIONS** to help retailers adopt appropriate technology to best manage their energy consumption.

Our waste management policy requires that more and more **CONSUMER RECYCLING FACILITIES** are provided at our retail partners' stores.



WASTE GENERATION BY RETAILERS HAS FALLEN MORE THAN 30% 2007-2009



7,590 tonnes of food waste diverted from landfill by our retailers since 2005

Strength in numbers

Musgrave has a range of specifications in place to help retailers improve the **sustainability performance** of their stores; through design and construction, energy management, operational standards, energy champions, staff training and more. These are the results of close cooperation between stores, across our regions, working together to share best practice for the wider good.

Musgrave Retail Partners Ireland has recently finalised a 'Register of Opportunities' designed to identify, evaluate and track the implementation of sustainable technologies across Musgrave. This will play a key role in ensuring that by 2012 Musgrave achieves its target of making existing stores 10 per cent more energy efficient than 2008, while new and re-vamped stores be 30 per cent more efficient

Whenever possible we source **BRITISH IN BRITAIN, IRISH IN IRELAND AND SPANISH IN SPAIN** – for example, in Ireland 75% of all products purchased on behalf of all our retail partners is either produced or manufactured locally; these purchases are worth in excess of €2.85 billion every year to the Irish economy and indirectly **SUPPORT 14,000 IRISH JOBS**.

Our business drives **LOCAL EMPLOYMENT** – with our retail partners we support more than **55,000 JOBS**

Operating in the heart of local communities our retail partners attract people and commerce back into the centres of towns and villages. They help **SUSTAIN AND BUILD VIBRANT COMMUNITIES** wherever they operate.



Local stores are the **LIFEBLOOD OF THE COMMUNITY** – during last winter's bad weather, our drivers, warehouse teams and retail partners worked 24/7 to make sure our local communities were served.

All our retail partners **SUPPORT LOCAL CAUSES AND PROJECTS** – from national initiatives like Tidy Towns and the Change4Life programme, to raising funds for a local hospice or school



Since 2002, the SuperValu Triathlon has seen thousands of Musgrave staff, retail partners, suppliers and other supporters take to the waters, roads and running tracks around Farran Woods in Co. Cork to raise funds for the Irish Cancer Society and Our Lady's Hospital for Sick Children in Crumlin. To date the Triathlon has **RAISED MORE THAN €2.7 MILLION**.



Our retail partners usually live and work in the communities they serve. They and their staff are all local people. They know their customers and **UNDERSTAND, ANTICIPATE AND RESPOND TO LOCAL AND INDIVIDUAL NEEDS**. These stores are truly local resources with familiar, friendly faces in an increasingly impersonal retail world.

Because of our scale, retailers operating our brands are able to deliver range and value in a **CONVENIENT LOCATION** – especially important to older people and people without cars who find it difficult to access out-of-town stores. By reducing car journeys local stores also reduce the carbon footprint of consumers.

Good neighbours

The way we work supports local retailers to play a big role in creating and maintaining **sustainable communities**.

Not only do our retail partners provide essential services and help drive local employment, they are also best placed to identify the local initiatives and causes large and small that ensure thriving communities.

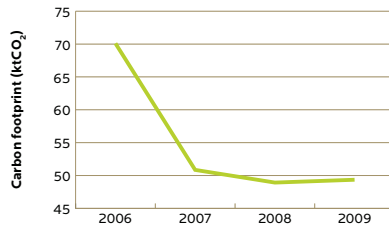
Being a good neighbour is part and parcel of everyday living for our retail partners. These entrepreneurs recruit locally and have strong ties to local producers.

Because they live in their communities, they also spend their profits with other local entrepreneurs, tradesmen and local professionals who are their day-to-day customers.

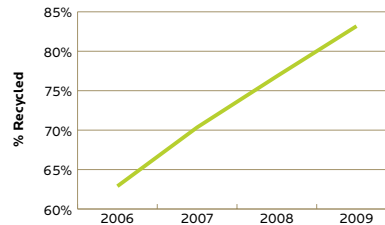
55,000
jobs supported by
Musgrave and its
retail partners

How we are doing

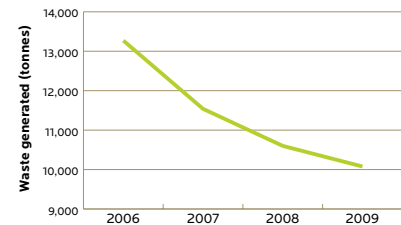
Total carbon footprint



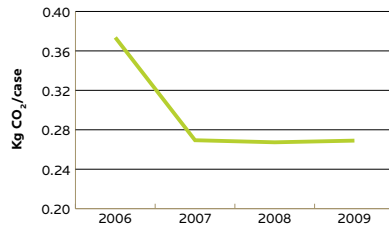
Recycling performance



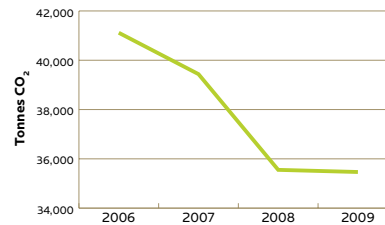
Total waste generation



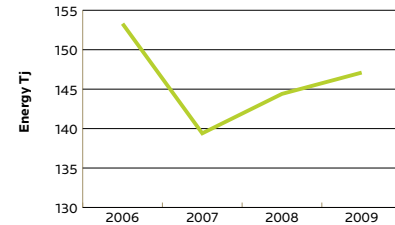
Total carbon footprint vs. business activity



Fleet emissions



Energy use in buildings



Energy use has increased (in absolute terms) from 2007 to 2009 due to a large proportional increase in refrigeration/freezer capacity, as well as some changes in shift patterns.

9,532

tonnes drop in fleet emissions in 2008-2009

12,500

tonnes of waste recycled in regional waste contracts in 2009

75%

of all our products sold are produced or manufactured locally

55,000

jobs supported by Musgrave and its retail partners

83%

Group recycling rate in 2009

€2.85bn

purchases of locally sourced Irish products in 2009 supporting 14,000 Irish jobs