



Sustainability Report 2008



ESTD 1876 **MUSGRAVE**
GROUP



“We look at sustainability differently to other businesses. For us, sustainability means living up to the core responsibilities that any good business should have: to look after its people and customers, to minimise its impact on the environment, to produce sustainable wealth so that it benefits all its stakeholders in the long term – and not just for short term financial gain. Above all, it’s about making a positive contribution to people’s lives, to their communities and to society as a whole.”

CHRIS MARTIN, MUSGRAVE GROUP CEO

IN THE REPUBLIC OF IRELAND AND NORTHERN IRELAND

SuperValu – our 234 independently owned SuperValu stores differentiate through strength in fresh food, a consistent keen value offer, relationships with local suppliers and the expertise and customer service of our retail partners.

www.supervalu.ie
www.supervalu.co.uk

SuperValu
Real Food, Real People

Daybreak – 135 independently-owned convenience stores in the Republic of Ireland.

www.daybreak.eu

Daybreak

Musgrave Cash & Carry – we provide delivered retail and cash & carry services to more than 34,000 customers from locations in both the Republic of Ireland and Northern Ireland.

www.musgravecashandcarry.ie

Musgrave
CASH & CARRY

Centra – the number one independent convenience retail chain in Ireland – 551 stores delivering fresh food, food-to-go and innovative services to busy consumers.

www.centra.ie
www.centra.co.uk

Centra
For the way we live today

Mace – 192 independent retailers switched on to the local needs of communities across Northern Ireland.

www.maceni.com

MACE

Musgrave Foodservices – we provide a full multi-temperature range of products for the professional caterer across the 32 counties of Ireland.

www.musgravefoodservices.ie

Musgrave
FOODSERVICES

IN GREAT BRITAIN

Budgens – 183 independently owned local food stores in England and Wales providing real food for today's communities.

www.budgens.co.uk

Budgens

Londis – 1,864 independently owned, local stores across Britain providing all you need for everyday living.

www.londis.co.uk

Londis

IN SPAIN

Dialsur, SuperValu, Dialprix and Dicost – the Group's Spanish operation consists of 21 SuperValu stores as well as cash & carry outlets and convenience stores.

www.dialsur.com www.supervalu.ie

SuperValu **dialsur**
dicost **dialprix**
SUPERMERCADO

About us

Musgrave is partner to entrepreneurial food retailers and foodservice professionals in Ireland, the UK and Spain. The company was founded in Cork in 1876 and is now one of Ireland's largest and most successful companies. We are a family business that supports and helps develop other family businesses to bring consumers a retail food offer that is different and better. Our business model encourages vibrant, sustainable communities in all the markets in which we operate.

In 2002, we introduced our unique way of working with independent retailers to Great Britain, with the acquisition of the Budgens convenience store network and the purchase of Londis in 2004. All of our Budgens stores are now in the hands of independent retailers. In September 2007 we completed the acquisition of Northern Ireland business J&J Haslett. This acquisition gives us the opportunity to partner with 200 Mace and 70 XL Stop & Shop retailers and brings to 3,400 the number of independent food retail stores we now support in Ireland, the UK and Spain.

In addition to partnering entrepreneurial food retailers we also operate a network of cash & carry outlets across the island of Ireland and Spain that have been specifically developed to meet the changing needs of the independent food retailer and foodservice professional.

In 2007 we saw turnover of €4.9 billion – an increase of six per cent on the previous year.

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SuperValu **Centra** Budgens **Londis** **Daybreak** **MACE**
 Musgrave
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ESTD 1876
MUSGRAVE
 GROUP

A different view of sustainability

In Musgrave, we see sustainability as our core responsibility. For us it's about minimising our environmental impact and making a positive contribution to people's lives, to their communities and to society as a whole.

Throughout this report, you will notice how we work hand-in-hand with our retail partners to manage the challenges of sustainability in a unique and grounded way. The continuous improvement in our performance detailed throughout the report does not happen by chance. It is as a result of our commitment to embedding sustainable practices across our business, the implementation of robust management systems and the measurement and analysis of performance. It is also a commitment to core values and to ensuring that sustainable development remains a key aspect of the successful operation of our business brands.

In 2007 we developed and implemented a new five-year sustainability strategy, through which we have strengthened and harmonised our approach across key sectoral sustainability issues. These include:

- Reducing energy consumption, particularly electricity use, in our business and those of our retail partners, in terms of lowering emissions of CO₂ and other greenhouse gases;
- Reducing the distances travelled by our truck fleets through logistics planning, while also delivering greater vehicle fuel efficiency;

- Increasing recycling and reducing waste at our facilities and those of our retail partners;
- Ensuring that we meet consumer expectations in respect of the provenance and nutritional value of our own-brand foods;
- The optimisation and reduction of consumer packaging.

These and other topics are fully developed throughout the report.

Through the implementation of consistent policies and clear targets for every aspect of our business, as well as a mechanism to continuously measure and report performance, we are ensuring that sustainability forms a core part of our business strategy well into the future.

This report details our performance for 2006 and 2007. Over that period we have focused on rigorous accountability, which is reflected in the technical foundations of this report. Stakeholder dialogue is fundamental to our sustainability programme and is reflected in our approach to both our policy and our reporting. This report has been drafted in accordance with the Global Reporting Initiative (GRI) G3 Framework. **csrnetwork** has independently audited selected data

behind our report for accuracy; a copy of their statement is printed on page 54.

Our continued commitment to sustainability and to transparent reporting was recognised when our last report won the Association of Chartered Certified Accountants (ACCA) (Ireland) Sustainability Reporting Awards in 2006. We were equally pleased to be awarded the 'President's Award for overall outstanding achievement in Corporate Social Responsibility' at the 2007 Chambers Ireland Awards. Similarly, our retail partners have been prominent winners of a number of high-profile trade awards in the areas of sustainability, quality and food hygiene. Details of these awards appear throughout this report.

We are ensuring that sustainability forms a core part of our business strategy well into the future

In this report we have invited five experts to comment on an area of the sustainability agenda, which is of particular interest to them. Our aim in inviting these independent contributions is to provide a barometer of real sustainability issues and as a means of benchmarking our own focus and performance. We are grateful to Professor Leigh Sparks of Stirling University, Georg Kell of the



In our Sustainability Report 2006, we targeted... the setting of further quantitative performance improvement targets at a Group level for aspects of energy and waste

management. Quantitative targets have been fully integrated into our recent environmental policy documents; supporting data management systems have been established. ●

United Nations Global Compact, Dr Elizabeth Arnett of the Irish Government's Change Campaign, Paul Spain of Sheppard Moscow and dietician Sarah Keogh of the Albany Clinic in Dublin for their important and insightful perspectives.

We are, as ever, indebted to the numerous individuals from across our business and among our retail partners for their contribution to our performance and for their assistance in providing information for this report. It is their continued commitment and effort that is helping to bring our sustainability strategy to life.

We hope you will enjoy reading this report and gain an understanding of the broad-ranging efforts we are making to incorporate sustainability into every aspect of our business activities. If you have any views or suggestions please let us know: group@musgrave.ie

**JOHN CURRAN,
MUSGRAVE GROUP
ENVIRONMENTAL EXECUTIVE**



Group environmental executive statement

Supporting local business, consumers and communities

Group CEO Chris Martin explains how sustainability is integral to the Musgrave business model



● HOW IMPORTANT IS SUSTAINABILITY TO MUSGRAVE?

Chris Martin For us, sustainability is part of the DNA of our business – but it's also important to me personally. Thinking back, the link between our business model and how it supports and underpins local economies was one of the things that attracted me to Musgrave in the first place. Before I joined the business my experience was of companies that adopted corporate responsibility agenda as a nice-to-have add-on rather than a core strategy. This was the first business I'd come across where sustainability and being a good neighbour were literally integral to success. Without our commitment to sustainable communities, we simply wouldn't have a business.

Working with our retail partners, this is precisely what we are able to contribute to. In fact this is the only retail model I know that simultaneously supports entrepreneurs, consumers and local communities.

● HOW IS SUSTAINABILITY PART OF MUSGRAVE'S DNA?

CM Our community pledge is 'Working with our local partners we are committed to helping people participate in building vibrant communities'. Let's think about what this means. If you go back to the origins of the Musgrave business, it was our hard work, commitment and fair dealings as a family-owned company that enabled us to develop many enduring relationships with local communities that survive today.

And right now we continue to support communities by supporting local entrepreneurs – retailers, suppliers and other businesses. Because our retail partners are committed to their local communities, they share

our focus on a long-term commitment to delivering sustainable value.

These are the people at the heart of local communities, competing head to head everyday with the multiples. We don't dictate how they serve their communities: we use our experience and expertise to support them in their locally focused initiatives – whether it's ensuring the survival of local post offices or investing in the kind of flagship stores that fundamentally transform local economies.

So you could say that we have been committed to sustainability for 130 years now.

● HOW DO YOUR RETAIL PARTNERS APPROACH SUSTAINABILITY?

CM 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.

Let's be clear: *many* of our retail partners take this community-focused approach because it's the right thing to do – they have a real commitment to their neighbourhood, to the people they've grown up with and so on. But *all* of them focus on real community needs because they know it's a key point of difference with their competitors – the multiples. Because they understand how to address the unique needs of their own communities, our retail partners are able to build successful businesses. And these stores have a long





track record in helping to sustain and build vibrant retail environments in the towns in which they operate.

With our retail partners, there's also a strong tradition of local giving and support – to schools, local sports groups, local hospitals, youth clubs and charities: in Ireland, the SuperValu or Centra store is invariably the first stop for such institutions and groups – they know and trust in their retailer's commitment to the community.

● HOW DOES THIS DIFFER FROM OTHER RETAIL MODELS?

CM All our stores are in the heart of the communities they serve. This is something I feel passionate about. Rather than draining trade away from towns and villages, this is about channelling business back into the centre of town where people want to shop. I'm thinking about Denis Smith's SuperValu in Navan, Larry O'Brien's store in Kells – these are both stores kick starting business right in the heart of their local communities.

It's no coincidence that some of our most community-active retailers in Great Britain are also recognised for their roles as entrepreneurs – at the 2008 Retail Industry Awards, Budgens retailer Guy Warner won *Independent Entrepreneur of the Year*, while Andrew Thornton, another Budgens retailer in North London, won *Environmental Retailer of the Year* and *Independent Retailer of the Year*. These are local business people who recognise that the community-focused store is a potent business model that puts people first. Unlike the multiples, these entrepreneurs have a vested interest in working with other local retailers, suppliers and consumers to create a thriving business community in the middle of town.

I'm always struck by the fact that people invariably say that having a great neighbourhood store is right up there with good local schools and accessible GPs as a factor that helps them decide where they want to live. Working with our retail partners, this is precisely the kind of community asset we're able to deliver.

● HOW SUSTAINABLE IS YOUR BUSINESS MODEL?

CM Our responsibility to our shareholders and our people is clearly to maintain and develop a sustainable business. We're obviously a leading player in the Irish economy, facilitating enterprise, nurturing literally thousands of entrepreneurs – be they retailers or suppliers. In Ireland our business helped create more than 2,000 local jobs in 2007 and as a Group we generated sales of €4.9 billion. We now support more than 3,200 stores across four territories owned by retailers who collectively employ 56,000 people and generated sales of €7.2 billion in 2007.

Clearly, this all adds up to a successful business. But what's important here is that it's a success story founded on partnership and collaboration and this is the model in which we'll continue to invest going forward.

● WHAT ABOUT YOUR ENVIRONMENTAL TRACK RECORD?

CM We lead the field as an actively good neighbour – because it's good for business but also because, once again, it's integral to our business model. For example, we've long applied our expertise in the creation of efficient systems and logistics to create a more sustainable business. This in turn helps our partners –

both retailers and suppliers – create more sustainable businesses. And working with our retail partners, we're systematically reducing packaging, encouraging recycling and consumer choice.

Personally speaking, I'm proud that we have initiated a targeted approach to sustainability. Rather than taking a scatter-gun approach, as a business we focus on key areas that include minimising waste, reducing energy consumption and greenhouse gas emissions, reducing packaging and facilitating consumer choice and ethical trading. This enables us to turn ambition into the kind of targets that stand up to both independent and Board level scrutiny. And it's delivering real, quantifiable results – for example, to minimise waste in 2007 we exceeded our target of 66 per cent recycling. You'll find plenty of other success stories elsewhere in this report.





We pride ourselves on our **involvement in the community**. Stores are the lifeblood of local communities, because independent owners care

about their customers and the towns of which they are a part.



If you're serious about vibrant, sustainable towns and villages, community retailing has to be a priority

By sourcing local produce we're not just offering customers fresh food with low food miles. We're also supporting other local businesses, which affects employment and the wider local economy.

"I've heard people say 'communities don't exist in London', but I believe Budgens in Crouch End has proved them wrong. There are four areas in which we set out to distinguish ourselves from our competitors – local sourcing, service, the environment and community.

Community issues are at the heart of it all because without the support of local people, our other initiatives wouldn't succeed. Take the Crouch End Project – an organisation we've set up with 35 other independent retailers. The project has an environmental focus, encouraging people to shop within walking distance. It's helped people discover shops they might have passed 100 times before but never visited. But the community is the thing that drives it, both in terms of retailers wanting to get involved, and locals choosing to change their habits.

The decisions we've taken have had a ripple effect across the community. By sourcing local produce we're not just offering customers fresh food with low food miles. We're also supporting other local businesses, which affects employment and the wider economy. Obviously not every supplier can be that close, but it's the principle that's important; the best produce, as local as possible.

We're always looking for new ways to support the community – directly or through fundraising. Unsold food is given to local charities and any food waste is turned into biomethane to generate electricity. Only two to three per cent of our waste ends up in landfill.

Another of our unique initiatives 'Pennies for Plastic' has been a big success too – raising money for three children's charities by donating 1p every time someone doesn't use a carrier bag. We've raised more than £14,000 and saved 1.4 million bags. People support

the campaign because they believe in environmental issues, and they're keen to support local charities. It's the community that make these initiatives successful."

ANDREW THORNTON,
BUDGENS, CROUCH END, LONDON
*Environmental Retailer of the Year and
Independent Retailer of the Year*



Rugby summer camp

Centra retailers were out in force during summer 2008, representing sponsor Centra at Ulster Rugby summer camps across Northern Ireland, where 1,700 local children took part in five days of non-stop fun while learning new skills. The Munster, Leinster and Connaught rugby summer camps were supported simultaneously by Centra in the South.



Transforming communities, transforming lives

"I had it in mind from the start that my store was going to be different. I wanted to develop a business that would help kick-start the regeneration of Kells as a vibrant place to live and work. Before we opened the new SuperValu in November 2007, a lot of Kells people were travelling outside town for their weekly shop. Since we've opened I feel we've curtailed a lot of unnecessary travel.

If you give people the option, they'll invariably support their local stores.

We're all proud of the store we've created. We worked closely with Musgrave's design team to create a shopping environment that's spacious, open and clutter-free. But the design is equally important behind the scenes. My sister-in-law has real flair for interior design, and together we've created much friendlier staff areas than you'll find in most stores. Having attractive, good-sized cloakrooms and leisure areas for employees means people can make the most of their breaks, socialise – it just makes for a happier team. And for me, having a strong, friendly, local

team with links to the community is key to the success of my business. Many of our employees have known each other for years and have a real bond with our customers.

There's a wide range of produce on offer and we pride ourselves on keeping people informed – and not just about special offers. In this store we highlight what fruit and vegetables are in season, and we let our customers know about sourcing and about quality assurance. Customer choice is another big theme. Healthy options, organic and fair trade choices are all part of our offering. And, of course, there are locally supplied foods.

I've also made every effort to ensure SuperValu Kells is a very eco-friendly store. For example, the heating system in the shop uses waste heat from the refrigeration units. There are solar panels on the roof, which can heat up to 1,200 litres of water. It's economically beneficial too – heating the shop costs on average a mere €23 a day – that's a carbon saving of 15,500 kg per annum!"

**LARRY O'BRIEN,
SUPERVALU, KELLS, CO. MEATH**



Safe sun in Portadown

James Taylor, owner of the Centra store on West Street, Portadown allows local school children to get some practice in applying sun cream, while Action Cancer puppeteer John Haveron and puppets Wally and Wise look on. Northern Ireland charity Action Cancer's Health Action programme, sponsored by Centra and supported by Centra retail partners in Northern Ireland, incorporates the Wally and Wise puppet show and aims to educate young people in healthier lifestyles, cancer prevention and detection.

→ Our vision

Musgrave started with a very strong partnership. Two brothers, Stuart and Thomas, opened a grocery store on North Main Street in Cork back in 1876. What's changed since then? The truth is everything and nothing.

We remain an independent family business that forges enduring partnerships with other family businesses – retailers and suppliers – to serve and help maintain vibrant local communities. We continue to stick to our values, which emphasise long-term stable relationships, not being greedy, honesty, working hard and achievement. We like to think these resonate with the families using the stores associated with our brands.

And like most family businesses, we tend to think long-term, which is why we continue to have close relationships with many of the companies and communities that have helped make us what we are today.

A focus on sustainable communities is certainly what defines our retail partners. They own their own stores and are major stakeholders in their own communities, uniquely positioned to provide a tailored offer and to understand and meet specific local needs.

This is a key point of difference, which goes beyond mere commercial transactions and sees our retail partners playing a central role in the life of towns and villages.

Local ownership and the positioning of our stores at the heart of local communities is key to the delivery of a genuine community active retailing model. Secure local employment, along with support for myriad community focused initiatives are integral to both our unique business model and our vision for a sustainable business.

→ Our future

In a tough economic climate, like any successful business we aim to play to our strengths. This means using our experience to ensure our retail partners are able to maintain a competitive edge by continuing to improve the range and value they offer. We do this partly by continuing to drive efficiencies across our business.

Over many years we've gained the trust of our retail partners through, for example, the delivery of sophisticated retail logistics, including the first central distribution network for chilled, fresh and frozen goods in Ireland. Allied to this are significant group buying synergies, as well as cutting-edge technology and support systems.

But investment in systems is only part of the story. We believe we must also continue to invest in our communities by ensuring the survival of the jobs, businesses and high streets at the heart of local life. This means we'll continue to support the local suppliers that bring quality and distinctiveness to a neighbourhood store. It also means working with local entrepreneurs to make sure a community gets the type of store it deserves – one that offers range and value, complements other local businesses and revitalises shopping in the heart of town to ensure vibrant, sustainable communities.

In short, we see it as our commercial and corporate responsibility to deliver sustainable value end-to-end – a rounded approach to progressive retailing that encompasses communities, consumers, retailers, suppliers and other businesses.

And we do so with minimum impact on the environment.



Cash for schools

In 2007, Woods' SuperValu Comber, Co. Down, raised £3,000 through the innovative Cash for Schools loyalty scheme. Special bar-coded key rings were issued in the three participating schools in the local area and in-store. Shoppers accumulated points for their school by presenting the key rings at the till in Woods' SuperValu. The promotion saw the total points accumulated converted into cash which the schools can now use to buy whatever equipment is needed to enhance their facilities.



Building sustainable communities in Kenya

Maria Kidney is a member of our innovations team based in Cork. For the past eight years she has worked to develop sustainable solutions for children in the Kenyan community of Londiani. Friends of Londiani has had company-wide support from Musgrave.

Friends of Londiani (FOL) works with rural communities focusing on health, education and water. FOL has developed links with the Kenyan Ministry of Health, Ministry of Education and Ministry of Water.

THE CHARITY'S FOUNDATIONS

Maria established FOL following a climbing expedition to Kenya in 2000. Since then the programme has gone from strength to strength, including the biennial Harambee projects – the Kiswahili word meaning 'togetherness'. This is what FOL volunteer projects are all about – Irish people and Kenyans working together on community development projects. 'Development through participation' is promoted as part of the projects, by enhancing the skills and resources of individuals, groups and communities.

These partnerships ensure that projects undertaken are sustainable and avoid dependency on the NGO in the long term.

FOL works with a community until the following services are in place for all members of that community:

- Primary health care
- Primary education
- Support for secondary and further education
- Provision of care for vulnerable groups (orphans, elderly, lone parents)
- Development of strong community groups
- Implementation of the Kenyan model of 'A Healthy Village'.

SUSTAINABILITY IN HEALTH:

- The Maternal Healthcare programme includes training traditional birth attendants and community health workers and provision of essential obstetric care courses for health professionals.
- The Bethel Medical Clinic provides access to primary healthcare for everyone, with additional support for vulnerable groups.
- Through Public Health Field Days, FOL provides preventative healthcare in areas including water and sanitation, vitamin A, de-worming, HIV/AIDS, nutrition, mother and child health screening, malaria and dental health.
- FOL is working on implementing the 'Healthy Village Concept' in all villages in which it operates.

SUSTAINABILITY IN EDUCATION:

- Peer Education is a life skills programme. This has led to the creation of numerous community self-help groups.
- Education bursaries are open to members of all communities in which FOL operates, and encourage investment in the future.
- Adult literacy courses create local community trainers.
- FOL also supports infrastructure projects through the provision of classrooms in schools and local training centres.

SUSTAINABILITY IN WATER:

- FOL supports many water programmes in Kenya. The water schemes involve an initial investment by the NGO together with local partners. Once this partnership is formed a Local Water Association is created which manages the ongoing project.

SUSTAINABILITY THROUGH INCOME GENERATION:

- FOL supports sustainable communities through training and financial assistance.

See www.friendsoflondiani.com for further information.



A new lease of community life

Kilnaboy, Co. Clare, is a parish of a few hundred households, with only a school and a church by way of civic amenities. How to retain a sense of belonging, how to include incomers, how to support local youth?

In an attempt to address these questions, supported by SuperValu and the Arts Council, Dromohar artist Deirdre O'Mahony re-opened the village's disused post office as a community centre.

Local people immediately embraced the X-PO project and its first archive exhibition: a tribute to a great local character, genuine gentleman and postmaster of many years, Mattie Rynne. There followed exhibitions, talks and presentations dealing with the transformation currently having an impact on so many rural parishes.

Local interest groups have now taken ownership of the X-PO for local history and mapping projects. They use X-PO computer resources to scan and reprint old photographs gathered in the community for a regional archive.

The old building has also become a valued meeting place at the heart of the parish.

The heart of the matter

"Earlier this year I was honoured to receive the *Crosshaven Person of the Year Award*, which recognises contributions made to village life. In many ways, this is simply a reflection of Centra's role within our communities today. I would like to give you some background to my store in Crosshaven and the contribution the store makes to the local community.

Crosshaven is a small coastal village in South East Cork and its location along Cork harbour means tourism, sailing and maritime-related activities are key to the village economy.

As a business, we recognise the store's significance for local people, and strive to meet their needs in every way possible. For example, this year the annual Centra Crosshaven Triathlon raised €75,000 for local charities, sports and voluntary organisations. In fact, we are committed to sponsoring a wide range of local events – in particular, we play an active role in many sailing regattas that take place in Crosshaven during the summer months. We provide a 'meals-on-wheels' service to the local St Vincent de Paul Society, and we run a free home delivery shopping service, which is especially valuable to the elderly.

We actively support and promote local suppliers. We host food festivals displaying the wide range of produce available from the store and the locality. We spearhead a Centra Wine Club, which already has 60 members and meets bi-monthly. We plan to incorporate a new organic farmers'

market and a post office into the store later this year. In addition to these local initiatives, I am a crew member of the Crosshaven Lifeboat, which obviously plays a key role in a maritime community. As Chair of the Centra Retailer Council, I'm committed to pushing a sustainability agenda that touches every part of our business. For example, extensive research on the whole area of energy reduction and sustainable technologies has been completed and trialled in stores. Refrigeration management systems have effected 20 per cent electricity savings in store trials.

I would like to see the pressure for future cost reduction in such areas maintained. Having established a target of an additional 10 per cent reduction, I'm confident from

We recognise the store's significance for local people, and strive to meet their needs in every way possible

speaking to members of Musgrave's store development team and the council that this will be the case in the year ahead.

What's clear to growing numbers of Centra retailers is that taking a more rounded and sustainable approach to retail benefits our communities, our businesses and the environment."

**BERNARD LYNCH,
CHAIR, CENTRA RETAILER COUNCIL**





Expert view

Corporate responsibility and retailing

BY LEIGH SPARKS, PROFESSOR OF RETAIL STUDIES AT THE INSTITUTE FOR RETAIL STUDIES AT THE UNIVERSITY OF STIRLING, SCOTLAND



Over recent years the need to be aware of issues to do with climate change, environmental impact and sustainability has climbed up the public and business agendas. Corporate responsibility as a topic has exploded. Expectations of

consumers, businesses and other stakeholders have risen accordingly. It is no longer a question of whether companies should get involved, but the extent and depth of that involvement. Increasingly it will become a question of how companies can help others do the right thing, as well as continuously improving their own environmental performance.

Companies that operate as intermediaries in the consumer value chain are in a particularly problematic, challenging, but interesting position. Retailers and wholesalers operate at particular points in the supply chain. They deal with manufacturers and suppliers and receive products and services from them. Yet they also have to meet the needs of consumers and thus have an involvement with, and an impact on, their attitudes and behaviours. As such their position means that they have to contend with, but can also influence, a larger variety of activities than many other businesses. While they thus come under great pressure from a large variety of directions, they can also help produce solutions for themselves and for others:

- As with any business, each company's own activities need to be examined critically. Retailers and wholesalers operate a variety of premises that need to have their environmental impacts minimised. Linkages amongst facilities and premises, eg. transport between distribution centre and stores, are also important. How offices are built and operated can also clearly affect sustainability. Businesses themselves have a responsibility to examine and improve their own activities, and reduce waste and energy consumption and improve efficiency;
- Retailers and wholesalers however are involved in obtaining products from a variety of suppliers and manufacturers. As such their responsibility can not be limited to their own activities. How suppliers send products in, and how manufacturers produce, should also be of concern. This is because retailers and wholesalers can have considerable influence on such matters. For example, decisions about transport modes, efficiency and packaging affect the amount of energy expended. Similarly the origin, derivation and content of products are important in terms of the claims made, eg. traceability, sustainability, food miles, localness, etc. Partnerships, often on a local level with smaller firms may be key elements of improving performance in this regard;
- Retailers and wholesalers are of course dependent on consumers and customers. They have to react to, but can also lead, demand. As consumers' beliefs and actions change, so those supplying them have to respond. Thus, as more consumers have become more concerned about environmental issues, and these have moved mainstream, so their expectations of business have increased. Retailers and wholesalers have to show consumers that they are aware of the issues that concern them and are taking suitable actions in their own operations, and increasingly beyond. Wholesalers have to show that they are concerned how their customers behave and help their retailers to take informed action. But increasingly consumers also want retailers to supply them with useful information and to help them do the right things in their choices and lives. Many consumers are genuinely in a quandary about what the best course of action is. Anything that helps them make appropriate choices will be seen as beneficial and helpful.

So, retailers and wholesalers are beginning to play a critical role not only in improving their own position, but also in helping their partners in the value chain. The required actions may vary from situation to situation and indeed consumer to consumer, but the important point is that options are considered and incentives are used to help change behaviours. As a result, retailers



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and consumers have become clearer about what they need to do and the impacts that can be achieved. There has been an improvement in waste recovery, recycling levels, reduction in energy use and a focus on efficiency in operations amongst other things. Product purchase behaviour has begun to alter. Such activities and opportunities will only intensify.

What might be the main issues/approaches in the future? These might include:

- A sharper focus on sustainability including resource reduction and re-use. It will become less acceptable to 'consume energy' as we have done. A focus on efficiency across the channel will be vital;
- A fuller consideration of the impacts of all activities in a business, and not just those that are in the direct control of the organisation. It will be expected that retailers will be doing the right thing by themselves (e.g. reducing miles travelled reduces costs as well as having energy benefits) but the bigger question is how can they become a broader force for good through working with others;
- A much greater concern for locality, place and localness. There are many good reasons for this, but localness has symbolic, economic and environmental

benefits: 'local' may be one example of how new ways of doing things will emerge, as it represents a break from the recent macro trends of the past, such as maximising global sourcing;

- Information will also play a greater role in the value chain and supply channel. Information can replace product movement and improve efficiency. It is not only about operational information however. Consumers and other stakeholders are increasingly going to demand that they understand what retailers are doing and that there is evidence about activities. New measurements and communications will be required as we all better understand environmental issues.

Retailers and wholesalers, like other businesses and consumers themselves, face challenging times. The evidence of these challenges is everywhere and includes global warming, rising energy prices, food scarcity and access to resources. Scarcity and cost increases will drive efficiency and reduce consumption, though in the short term there is a delicate balancing act to achieve in terms of consumer prices. The best businesses will see that doing the right thing is good for themselves, their consumers and the planet as a whole, and will reap rewards as our system of consumption, production and distribution is re-priced and re-thought.





Community is the filter through which we define our responsibilities – from making sure we help look after the local environment, to enabling local families to have access to great food and

services at good value, and contributing to local activities that lie behind thriving and vibrant communities.

We continue to focus on long-term relationships

We've grown together

"My brother and I started Salad Fayre five years ago. We were small but ambitious. We hoped that within 10 years or so, we'd be thinking about moving to bigger premises. As it turns out, we moved to a site twice the size in October 2007.

We started the business with six people and now we employ 25. The great thing about our growth is that it's been gradual – it's felt right for us every step of the way. It's very satisfying to think how far we've come. You hear a lot of negative stories about how the big distributors treat their suppliers but it's never been like that for us. Although we're a small, local supplier, through our relationship with Musgrave, our market has got much bigger; our products are now in shops throughout Northern Ireland, via one central delivery point.

An example of our close partnership approach with Musgrave is if we're thinking of introducing a new product, we'll talk it through together. That's great for us as we don't have to take too many risks, and that keeps people's jobs safe."

**MICHAEL DUKE,
CO-FOUNDER SALAD FAYRE**



Ted Carty runs Oliver Carty Ltd, a firm started by his father in 1960. Today the entire operation is exclusively based on Irish bacon and, because traceability is important, each packet of rashers carries the name and address of the individual pig producer. We have supported Ted's business from the early days and helped turnover grow from €792,000 in 1995 to an expected €45m in 2008, of which around €30m is Musgrave sales. Staff numbers have jumped from 11 to 145 in the same period.



Caron Howe started baking cakes for her small family-run coffee shop in Chichester in 1992. In 2004 she attended a Budgens 'Meet the Buyer' event where her innovative recipes and handmade products won her a contract to supply a small range to a handful of local Budgens stores. Caron's company More Foods now supplies more than 80 of our stores. More Foods has a turnover of £2.5 million and employs 43 local people.



Our relationships with local suppliers have helped raise the standard of community shopping



While our primary mission is to make sure our retail partners can deliver freshness and value to their customers, we've always tried to do this by supporting local businesses that help drive employment and build vibrant sustainable communities.

This is not just about making available niche products like specialist cheeses and jams – it's about the everyday produce we all expect from our weekly shop.

In fact, 75 per cent of everything we source on behalf of our retail partners in SuperValu and Centra, is either produced by or sourced from Irish suppliers. This represents a commitment of more than €2.6 billion to Irish suppliers. As a consequence, we support more than 600 Irish supplier companies and more than 10,000 jobs

indirectly. Likewise, in Britain our Budgens stores support a wide range of local food initiatives – the Taste of Sussex programme alone has introduced more than 100 local product lines into regional stores.

Our focus is always on long-term relationships. This is why we're working with Enterprise Ireland on the First Sale programme to enable start-up food companies to understand the requirements of large food retailers, thereby enabling them to develop sustainable businesses.

First Sale has already borne fruit for the companies involved, with €2 million in sales to SuperValu and Centra in 2007 and more than 35 different products ready for launch by the companies in 2008. This helps us extend our range, and new suppliers to grow their businesses.

SHARON BUCKLEY,
GROUP COMMERCIAL DIRECTOR,
MUSGRAVE GROUP

Londis retailer, Jim Leese, has entered into an interesting partnership with local farmers at his store in Charlton Down. He has invited a group of farmers that was selling and delivering meat direct to the public to sell from his store instead. They now offer a farmers' market 'in-store' and sell up to £700 of meat during a weekend. Recipe cards are handed out too, giving ideas of how to cook the various meats. And, of course, all the meat is locally reared and slaughtered.

600

suppliers are supported directly by Musgrave businesses

10,000

Irish jobs are supported indirectly by Musgrave through suppliers



Action

It's important to us that our core values are embedded in our trade with direct suppliers. We believe, as a responsible organisation, that we must ensure the goods we source are produced in a sustainable way.

This is why we've signed up to the principles of the United Nations Global Compact (UNGC), the world's largest voluntary corporate responsibility initiative. In fact we were the first company in Ireland to do so.

As a participant of UNGC, our annual *Communication on Progress* details our progress in implementing UNGC principles and is available at www.musgrave.ie.

Our sustainability principles relate to the promotion of locally-sourced, seasonal products thereby reducing food miles. We also ensure that the products we source have the lowest possible sustainability impacts.

Plans

Our sustainability programme will require that all our suppliers sign up to the principles of our ethical sourcing policy. Similarly, all our trading directors and their teams will be fully trained in ethical sourcing. We will also develop strict codes of conduct to inform and guide them on the ethical sourcing of all goods and services.

Our aim is that all our products comply with our ethical sourcing policy. Our management systems will guarantee the provenance of the products we source and help address ethical issues we identify within our supply chain.

Regular risk assessments of suppliers will be conducted and specialist resources employed to conduct ethical audits of those suppliers deemed to be 'high-risk'. Where ethical issues are identified, a decision on whether or not to continue to trade with that supplier will be made on a case-by-case basis. Where improvement targets are set for suppliers, their compliance and performance will be monitored and recorded.

We have committed to increasing the sale of local, seasonal, energy-efficient and ethically-branded products to five per cent of category sales by 2012.

1st

company in Ireland to sign up to the United Nations Global Compact

100%

of our suppliers will be required to sign up to the principles of our ethical sourcing policy

Expert view

Corporate responsibility trends – 2008

BY GEORG KELL, EXECUTIVE DIRECTOR, UN GLOBAL COMPACT



The United Nations entered the corporate responsibility (CR) realm in 2000 by launching the Global Compact. The initiative asks companies around the world to voluntarily commit to internalising principles in the areas of human rights, labour, environment

and anti-corruption, and to enter into partnerships that help advance UN goals, such as the Millennium Development Goals.

Since launching, the Global Compact has become the largest and most global corporate citizenship initiative in the world with over 5,000 signatories – 4,000 from business and 1,000 from civil society and other non-business groups. Participants are based in 125 countries. The CR movement has grown extensively in the past decade. But can we say what difference it has made? Has it produced significant change? There are, indeed, a number of very important developments and trends that signify real advances.

First, today CR is global. Starting in the 1970s and 1980s, important drivers came from the US and then UK. Today, corporate responsibility has gone global; all over the world, businesses and stakeholders, big and small, are joining CR networks and entering into partnership initiatives.

Second, global integration has triggered convergence around values and principles. More interesting than global growth is that in an integrated world, corporations – irrespective of their own past and background – seem to converge around values and principles the international community has long legitimized. Consider:

- The increase in the number of companies that have human rights specific policies – this was practically unheard of ten years ago.
- Some of the most effective and comprehensive examples of corporate responsibility can now be found in emerging markets.
- The need for cooperation to fight collective challenges – such as corruption and climate change – has brought corporate competitors together in ways not previously imagined.
- The cooperation between NGOs and companies is unprecedented.
- And, across the world, business schools are incorporating CR into research and curriculum development.

Third, CR is filling governance voids. All too often, governments fail to or lack the capacity to provide for essential public goods, such as health, education, security and protection of the environment. Business has adapted significantly to this dynamic – often finding pragmatic and collaborative approaches. Through principled corporate practices and public-private partnerships, businesses are building trust and social capital, ultimately contributing to broad-based development and sustainable markets.

Fourth, the nature of enterprise risk and reward is changing. Global integration and value chains have changed the nature of enterprise risk. No longer can companies turn to and take refuge behind a single home government. A fundamental rethinking of how to evaluate exposure to environmental, social and governance risks is underway. The mainstream capital markets – including major institutional investors – have begun ground-breaking efforts to recalibrate their investment

strategies and models. Indeed, a new term has entered the lexicon of finance: 'ESG', for environmental, social and governance issues. It recognises the materiality of and the interplay between these issues – be they related to climate change, human rights or anti-corruption.

Fifth, non-financial reporting is on the rise. Companies around the world are increasing efforts to publicly disclose ESG information. In 2005, the Global Compact instituted our Communication on Progress (COP) policy which requires participants to communicate annually on their actions to implement the ten principles. More than 3,000 COPs reside in our database for public vetting.

These five developments provide evidence that a fundamental shift has occurred over the past decade. Today a company's ability to compete, gain trust and ensure long-term financial viability can more clearly be linked to issues of responsibility and public disclosure.

Building principles into the marketplace is helping to support modernising forces in many countries. CR is helping to accelerate the diffusion of international soft law. As hoped, it is providing opportunities for spreading the values and principles that the international community has long considered to be fundamental to peaceful cooperation and prosperity.

We have an historic opportunity at hand. Our world is facing enormous challenges for which there are no easy answers. Serious imbalances between economic, political and social worlds necessitated the modern CR movement. This is still the case today. We must not lose sight of our goal: global markets must contribute to a world where all people can live in societies that are prosperous and peaceful.



Local suppliers – the facts & figures

We are 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 production. We want also to ensure that those with whom we trade share our principles and are committed to ensuring that:

- All Terms of Trading are fair and honest
- The rights of all workers and human rights in general are protected
- Workers have freedom of association and the right to collective bargaining
- Hours of work are in compliance with the laws of the country where workers are employed
- No forced or compulsory labour (bonded labour) will be used
- Child labour will not be used
- Discrimination in respect of employment and occupation will not be permitted
- Health, safety and welfare of employees is protected
- Overseas trade will not be permitted to support oppressive regimes
- Measures are taken to prevent damage to the environment
- Corruption, including extortion and bribery, will not be tolerated

We support a number of regional initiatives aimed at encouraging local suppliers to develop sustainable businesses in all the markets in which we operate:

- **First Sale:** In partnership with Enterprise Ireland and assisted by Bord Bia, we continue to support Ireland's First Sale programme, a highly practical industry-led programme that has already opened doors for early-stage Irish food companies. The initiative consists of a combination of workshops and one-on-one mentoring. First Sale has already benefited a wide

range of innovative startups. We are looking forward to facilitating more Irish food companies in getting their products and their businesses off the ground.

- **Plough to Plate:** This project is a cross-industry group set up to explore the corporate responsibility challenges facing food and drink companies in Great Britain. As part of our ongoing work with Business in the Community, we have continued to support the 'Plough to Plate' project during 2006-2007.

The group identified four areas of particular interest: sustainable food and farming; ethical supply chain management; product safety and marketing; diet and health. The working group holds seminars across Great Britain to engage with more stakeholders and to distil recommendations arising from the project's initial report research and findings.

- **British Food Fortnight:** An annual celebration of the diverse and delicious range of food produced in Britain. Musgrave Retail Partners Great Britain won best consumer initiative in the Grocer Gold Awards 2007 for its sponsorship of British Food Fortnight. Events, which included local produce samplings and in-store promotions, helped to boost sales of products offered for tastings by 50 per cent.

Says Alexia Robinson, British Food Fortnight's organiser: "Budgens is an excellent example of how retailers can play a powerful role in making quality local food and drink easily accessible to the consumer. British Food Fortnight is all about encouraging retailers and producers to be proactive in educating the public – and in particular young people – about the diverse and delicious range of food in Britain. This is something that Budgens stores champion within the communities they serve and they are therefore a perfect partner for the national celebrations."

75%

of everything we source on behalf of SuperValu and Centra is produced by or sourced from Irish suppliers

24%

fewer carrier bags were issued in Quarter 1 2008 versus the same period of 2007 in Great Britain

35%

recyclate content in our carrier bags across all of our brands



Local suppliers



Best Consumer Initiative in the Grocer Gold Awards 2007 for Musgrave Retail Partners GB



Childhood obesity has been described as a ticking time bomb. It's our responsibility as a business to ensure the ready availability of a

strong range of **affordable healthy choices** and to work with our retail partners to promote healthy eating in local schools and communities.



The bigger your market share, the bigger your impact on people's health

Kids know about healthy food. The challenge is to get them to choose it.

"As a SuperValu owner in Clonakilty, I am involved in many local initiatives, as well as a number of national community focused sponsorships including Tidy Towns and SuperValu Kids in Action. We always throw ourselves whole-heartedly into these projects, but the minute we saw the Kids in Action programme we knew it would be something special. It's an initiative that is well thought through to deliver genuine benefit to our customers, their children and our local schools.

However, it is important to realise that Kids in Action stands out, not just because of the attraction of gaining sports equipment for the school, but by the way it is used to deliver a healthy eating message, in a very tangible way.

During the promotion, sales of fresh fruit and vegetables earn double vouchers. It's a simple thing but it works. We get a lot of feedback from Mums who enjoy watching their children get enthusiastic in the grocery section! One Mum told me that her son was fascinated by sweet potatoes. She'd never bought them before because

she didn't think the children would like them, but because it was their idea to buy them, they were equally enthusiastic at meal times.

Of course you can't be sure what the long term impact will be, and you can't keep the promotion running forever, but we're happy to support anything that helps families enjoy shopping for fruit and vegetables. The programme is focused on children aged between five and 12 years and we know for a fact good habits formed at this time have a long term impact.

Over the past three years of the programme, my fellow retailers in SuperValu and I, with the help of our customers, have gifted over €4 million worth of sports equipment to Irish Primary Schools and we are particularly proud of the fact that this year Scally's SuperValu Clonakilty will be gifting €10,000 worth of sports equipment to our local schools."



EUGENE SCALLY
SUPERVALU, CLONAKILTY, CO. CORK



SuperValu Just Cook Range

SuperValu's Just Cook brand is a range of pre-prepared, added-value family meal solutions that enable the consumer to easily cook great, wholesome meals.

"As a working mother, I care about the food we're giving to our local community. That's why I like to work here."

Grainne, Centra Good-to-Go employee

We can make it easier for consumers to make healthy choices



We're not in the business of telling people what they should and shouldn't eat. But we do have a responsibility to ensure that the products we offer are as healthy as possible. To that end, we've been working hard on a policy that will make it easier for everyone to eat good food

every day, and feel good about the choices they make.

The development of a company-wide health and wellbeing strategy has involved all Musgrave departments, as well as highly qualified external experts. The latter have been really valuable in helping us understand what health and wellbeing means to our consumers – real people, juggling busy lives.

With our own-brand product ranges at the heart of the strategy, we've focused on four areas. The first is ingredients. We are all bombarded with information about food and health but far from feeling well informed, most people just feel confused. We want to take some of the mystery away. We don't expect consumers to be food experts or have time to read every label so our message must be simple; you can trust all of our own-brand products. We will be removing all unnecessary additives across the ranges. We are currently reviewing every product ingredients list on our way to achieving this. Our suppliers have been very supportive and we've

recruited the services of an independent manufacturing specialist to support and advise them.

The next two areas – nutrition and product range – are closely linked. We've concluded that if we genuinely care about consumers' wellbeing, then it doesn't make sense to limit nutritional improvements to 'healthy eating' ranges. This policy isn't about tapping into a niche market; it's about helping more families eat good food every day. There is still a place for specialist ranges but the key point is that certain nutritional values should be applied across the board, driven by our regard for our consumers.

The final area is communication. Ultimately we want people to know that they can trust all of our products to meet our standards but labelling should always be clear and easy to understand for those who want more detailed information. Beyond labelling, we want to communicate positively with consumers in-store to help them feel good about their choices, and convey that you don't have to make big life changes to enjoy a better diet. Families who enjoy tucking into spaghetti bolognese shouldn't be discouraged from doing so, but we can help them to understand the benefits of shifting to wholewheat pasta and adding a couple of veggies. We need to communicate messages such as 'Five-a-Day' and 'live well' in a positive way. There is plenty of information out there to help people who want to improve their health; the Live Well section of www.supervalu.ie website has tips and ideas for healthier eating for people who choose to engage with it,

but this policy is about showing we care about the health of all consumers, making it easy for them to make healthy choices, every day.

EDEL RUSSELL,
HEAD OF INNOVATION,
MUSGRAVE RETAIL PARTNERS IRELAND

Healthy eating Mediterranean style

The integration of Musgrave España stores into their local communities has resulted in a number of local and regional initiatives with an emphasis on sport, healthy eating, culture and charity.

Since 2005, Musgrave España has been a sponsor of the Elche Sports Foundation, which subsidises local clubs and athletes with national or international sporting aspirations.

We are very proud to have been involved with 'gastronomic days' in Elche, which aim to promote the Mediterranean diet among children and young people of school-going age. 'Bocato de jamón serrano' (cured ham rolls) were provided for all children in attendance!

For the past five years, we have also supported summer camps promoting sports and outdoor activities among school children during the summer holidays.





→ Action

Across our business we have developed detailed sourcing policies for all own-label products. In Great Britain, we are continuing our work with the Food Standards Agency on a 'Traffic Lights' scheme. We are also expanding this area into the Food Standards Agency policies on salt reduction and saturated fat reduction. All of our own-label products in Great Britain have had hydrogenated fat removed and replaced with palm oil which is produced from sustainable sources.

In Ireland our focus is on ensuring that as an absolute minimum, all of our products are safe and comply with the law. We are going further, however, to develop an ingredients and nutrition policy that sets out the optimal nutritional composition and ingredients that now form part of the set of criteria – quality, taste, price – that determine the choice of our own-brand foods. The policy guides our suppliers about the ingredient and nutritional compositional requirements for our own-brand products.

We are particularly proud of the achievements of our SuperValu brand. Positioned as 'Real Food, Real People', the brand is differentiated from its competitors with its focus on fresh food, customer service and involvement in the local community. The combination of this offering alongside a focus on price and value has delivered a different and better offer to consumers and has contributed to above-average market share growth. SuperValu has superb food credentials, with butchers present in all stores and an exclusive bakery offering rolling out across the network. Fresh food continues to be an absolute focus in terms of developing our business with health and wellbeing at its core.

→ Plans

Our policy in this area is shaped from two sides. Firstly, it is our aim to respond to the changing needs of consumers. Secondly, it is important to identify areas where we can positively influence consumer activity, where it is in the interest of people's health and wellbeing. By understanding and predicting consumer trends in areas such as health and wellbeing, nutrition and lifestyle, and by tailoring our offer accordingly, we hope to build trust with consumers and meet their expectations in a fast-changing marketplace.

Our work in Ireland, focusing on nutrition, ingredients, ranges and communication, will continue to be a priority. The intention is that this will rollout across the entire Group, with adjustments to suit particular markets.

- We will communicate the findings of new research into sustainability, human health and nutrition, 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 sustainability characteristics of our own-brand products.
- We will partner relevant health bodies in order to shape and enhance our own-brand range and offering.
- We will work with expert agencies and suppliers to develop our understanding of the feasibility, meaningfulness and value of embedded carbon and product carbon labelling.
- We will explore options to encourage consumers to make 'green' purchases.

An apple a day

Jonathan James invites pupils from the local primary school to his Budgens store in Cambridgeshire to learn more about the basics of healthy eating. The school was recently granted 'healthy eating school status' by the British government. As an active supporter of British farming and local producers, Jonathan marks the official launch of the apple season with a delivery of English apples from a local grower. School children were invited to come and join in the fun with a lesson in apple varieties and healthy eating direct from the experts.



Expert view

Healthy communication

BY SARAH KEOGH, DIETICIAN



It's true for the vast majority of people that the variety and quality of food available to us has never been better. At the same time, people are spending less on food, as a percentage of their income, than ever before.

A huge range of factors contribute to this phenomenon, and it is certainly helped by the competition that exists between supermarkets. But alongside this very positive outlook there persists a common misconception that eating healthily is an expensive option. I regularly meet patients who are surprised to find that their weekly shopping budget is lower once they settle down into a new, improved diet routine.

The bottom line is that good, nutritious food does not have to be expensive; you can eat well on a low budget just as easily as you can eat badly on a high budget. In the same vein, there are some very good convenience foods which shouldn't be dismissed.

To make improvements in the typical family diet, it is time, rather than money, that needs to be spent. This means, for example, finding recipes that use seasonal products, then finding those products rather than imported alternatives, and cooking from raw ingredients where possible.

The supermarkets stock food for all tastes and purses. But it's not enough to give a full range of options. Supermarkets have an opportunity to make it easy for people to make healthy choices. So the issue becomes one of communication; labels, shelf tags, flags, recipes – ways to engage with the customers at the point when they are actually deciding what to put in their basket.

Of course other agencies have a responsibility too – government bodies carry out an important information role, and this has been effective with policies like 'Five-a-Day'. But on top of the useful information there is a huge amount of misinformation. I've had clients at my diet clinic almost ready to give up through sheer confusion. It is not uncommon to meet people who are damaging their health precisely by following advice they have heard. For example, 75 per cent of teenage girls in the Republic of Ireland are not consuming enough iron and this is partly as a result of listening to, and acting on, advice they've heard. They associate dairy products with 'fat', which they label 'bad'. By cutting it out of their diet, they are putting themselves at risk.

In order to help consumers navigate the sea of so-called 'advice', and differentiate the good from the questionable, it is important to be very clear from where the information is coming. Currently, no legislation exists in the Republic of Ireland or the UK to restrict people

claiming to be experts in diet and nutrition. This situation is due to change, and that change can't come too soon. Good advice is getting lost, and consumers are becoming confused. This leads to a disinclination to follow any advice, and that is a worrying trend indeed.

There are two key ways in which supermarkets can help to reassure customers that healthy eating doesn't have to be complicated or expensive. One is to make it easier for people to make healthy choices by ensuring that the appropriate products are not confined to specialist ranges. The other factor is communication – easily digestible, supportive, and credible information from people with real experience and knowledge. Ultimately, it's in the supermarket that people make their choices, hence supermarkets have a crucial role to play in demystifying healthy eating.

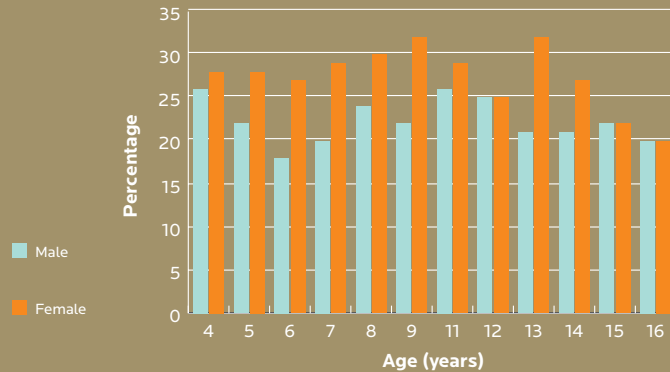
Sarah Keogh has a degree in Human Nutrition and a Masters in European Food Regulation. She has been working in clinical practice for 12 years.

Hygiene inspections

As food retailers, we are subject to regular, independent hygiene inspections (eg. by DAFF, FSAI and environmental health officers). There were no incidents of non-compliance with regulations or voluntary codes concerning health & safety impacts of our products during the reporting period.

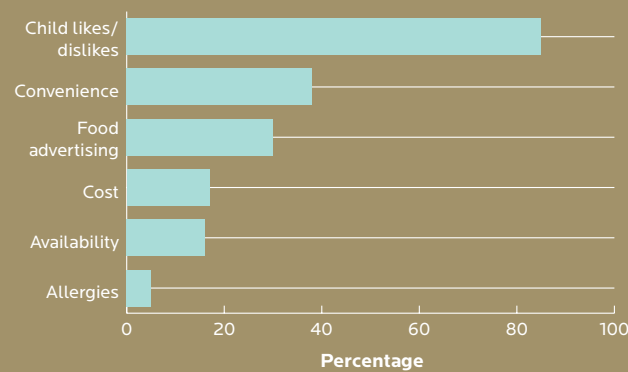
Healthy eating – the facts & figures

Percentage of overweight Irish children



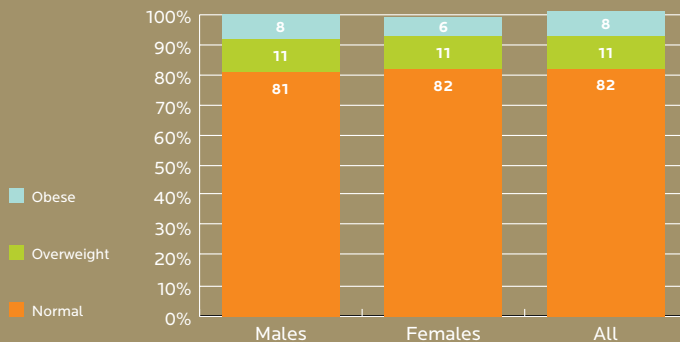
Source: North South Survey of Height, Weight and Body Mass Index in Ireland 2002

Parents' perceived barriers to the provision of a healthy diet for children



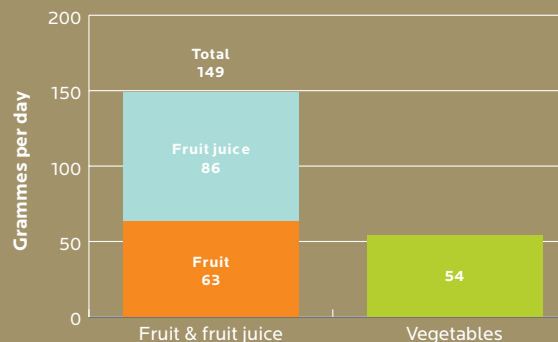
Source: IUNA National Children's Food Survey 2005

Prevalence of overweight and obese Irish teens aged 13-17 years



Source: IUNA National Teen Survey 2008

Fruit and vegetable intakes of Irish teens



Recommendation: five a day, approx 400g

Source: IUNA National Teen Survey 2008

Kids in Action campaign results

83%

of schools in Ireland got involved with the Kids In Action campaign

>€4m

value of sports activity equipment supplied to primary schools in Ireland

Our sustainability principles:

- To provide healthy, nutritious products of the highest quality standards
- To operate distribution and retail systems that maintain the highest standards of product freshness
- To provide information, education and awareness for consumers on nutrition and healthy eating as well as on the sustainability impacts of their shopping choices
- To simplify product information labelling



Healthy eating



In our Sustainability Report 2006, we targeted... the divestment of all Budgens stores by the end of 2008. This was achieved ahead of schedule. & The rollout of an energy auditing programme in the Republic of

Ireland, Northern Ireland and Great Britain. Energy audits have now been completed at the majority of our facilities and all locations have been included in our Energy Monitoring Programme. & To reduce annual CO₂ emissions

from our Head Office building by approximately 124 tonnes per annum or 32 per cent. We are pleased to report that the actual reduction was 211 tonnes, or an impressive 62 per cent. ●



New or legacy, the energy efficiency of every building is a priority

It never occurred to us to call it Ireland's first eco store, but we're thrilled that's how it's seen!

"Challenging ourselves to minimise the environmental impact of our new store is what made this project exciting. It's quickly become a key factor informing every decision we make.

The first big issue was selecting the right site. We chose brownfield, in town, with underground parking to minimise the visual impact. The construction materials used have a lifespan in excess of 40 years, compared to the usual 20-25 years of many 'warehouse designed' retail buildings. We took a long-term view when investing in insulation and building fabric to avoid future additional and unnecessary energy consumption costs.

All the time you have to focus on results – whether you're looking at architecture, materials, suppliers – everything. Maximise natural light. Minimise heat loss. Maximise insulation. Source locally. Working with Musgrave store design teams we've learnt a lot, and we're proud of what we've achieved.

Take the air conditioning system: we extract the 'waste' heat from the fridges (as a by-product it's usually directed straight out of a vent) and recycle it to provide air con in the summer and heating in winter. The bottom line is that it substantially reduces the energy we need to regulate the temperature in the shop. It's good for the environment and good for our heating bills!

At the other end of the spectrum, you have to remember the details that make people feel good. Outdoor seating and flower beds for instance – it gives staff a relaxing place for a break, and it's attractive to customers. And to us. Everyone's happy.

Sure, the capital costs are higher, but long-term there'll be savings, and we can hold our heads high."

**GERRY FITZPATRICK,
SUPERVALU, ENNISTYMON, CO. CLARE**



Tramore Road building

Inspired by the success of our sustainable HQ, we've adopted a similarly green ethos in our new premises in Tramore Road in Cork. The building incorporates a geothermal system, solar water heating technology and lighting control systems, including occupancy detection sensors and daylight compensation auto-dimming systems. The new building was ready for occupation in November 2008.

Everyone knows they should turn the lights off when they leave a room. We just take it a bit further



Energy efficiency in new buildings is one thing – and Musgrave HQ is a great example of that – but legacy buildings bring a different set of challenges. Clearly, it's easier to achieve energy efficiency in new buildings, but the important point is to make every one as

good as it can be, on its own merits.

To take a recent example: following the completion of energy surveys at each of four Musgrave warehouse sites, new light fittings were installed. In the first year, more than 1 million kilowatt hours were saved. The cost saving

was in excess of €125,000 and the CO₂ reduction was more than 625,000kg; a very worthwhile project.

Musgrave is proactive in reviewing all assets to maximise energy efficiency and, crucially, in enabling and encouraging retailers to do the same. Take the Centra store in Griffeen, Co.Dublin. Energy metering equipment was installed, allowing energy consumption to be itemised and monitored, day by day.

The result is the virtual elimination of unnecessary usage, with energy consumption down by around 14 per cent in the first three months alone.

BRIAN SCANNELL,
SENERGY CONSULTANTS, *advisers to the Musgrave Group*

Sustainable HQ: progress report

Musgrave House, our HQ in Airport Road, Cork, was initially occupied in June 2006 and became fully operational in early 2007. Daily monitoring of energy consumption combined with regular reporting has significantly improved awareness of energy use. Energy consumption figures show the facility performing far better than expected. The actual energy performance for the building in 2007 was 108kWh per m², nearly half of the expected benchmark and a mere 27 per cent of the initial conventional design load.

Our recent deal with Airtricity means that the building's emissions will effectively be zero, saving a further 130 tonnes of CO₂ per annum. Overall when compared with the typical CO₂ emissions based on conventional office design, this equates to a reduction of some 341 tonnes CO₂ annually.

Further energy and CO₂ saving measures are being undertaken with the aim of improving the energy performance of the building and reducing its energy consumption to below 100kWh per m².



Green energy supply deal

In 2007 we negotiated a €2.6 million contract with Airtricity to supply renewable energy to 13 of our sites in Dublin, Cork, Limerick, Galway, Waterford, Donegal and Kildare.

Airtricity generates electricity at its 14 wind farms throughout Ireland and Scotland, with a combined capacity to generate nearly 400 megawatts.

Energy usage, and in particular electricity consumption, is a significant feature of the retail and distribution business. This green energy deal contributes to our carbon emissions reduction targets and saves us money.

Airtricity confirmed that the contract has the potential to reduce our CO₂ emissions by 21,000 tonnes a year – the equivalent of taking more than 5,200 cars off the road.

21,000 tonnes

of CO₂ emissions will be saved annually as a result of our Airtricity contract

Energy conscious Guy Warner's refrigeration system at Budgens, Moreton-on-Marsh, Gloucestershire, employs a range of clever technologies to keep energy use to a minimum. Twin air screens protect the refrigerated air space with a secondary ambient air curtain that reduces air spill and cold aisle effect. Smart controllers reduce energy consumption by up to 30 per cent and low energy fan motors use 40 per cent less energy than a standard motor.





→ Action

Like most homes and businesses, much of the energy consumed in our buildings is produced either directly or indirectly from non-renewable fossil fuels. Such fuels create carbon dioxide and other greenhouse gas emissions, which contribute to climate change. We also know that the future cost of energy supplies will increase significantly.

This is why reducing energy-usage and conserving natural resources makes good environmental and economic sense.

Our sustainability principles in relation to energy and emissions from buildings are to:

- reduce the consumption of energy within our business
- reduce emissions, conserve resources and reduce expenditure on energy
- reduce our dependence on finite fossil fuels through the use of viable alternative renewable energy sources
- reduce our carbon footprint.

→ Plans

We are committed to reducing the consumption of oil, gas and electricity per case (used as a metric for our business), by five per cent annually over the period 2008-12, leading to an overall reduction in building energy consumption of 25 per cent over the next five years.

We aim to improve our energy efficiency through a programme that monitors and manages energy consumption in our own facilities and those of our retail partners. We have targeted the expansion of the use of sustainable energy sources. We aim to reduce greenhouse gas emissions by switching to 100 per cent green electricity in all our own facilities. Green electricity will also be sourced on behalf of retail stores.

We will make tackling climate change through energy efficiency and low carbon design a priority in all new building and refurbishment projects. We will source appropriate technology to help retailers manage their energy consumption. And where we can demonstrate an environmental and financial benefit, our buildings will exceed building energy efficiency regulations.

Finally, we recognise the contribution of operators of our stores and premises in managing and minimising energy use. Energy champions will be appointed, fully educated and resourced in every facility and retail store.

Energy performance in our buildings will be reported and analysed on a quarterly basis, with summary information made available in our sustainability reports.

625 tonnes

of CO₂ avoided as a result of lighting projects
at four of our distribution centres



Energy efficiency: buildings

Expert view

Ireland's plan of action on climate change – part one



BY ELIZABETH ARNETT, CHANGE CAMPAIGN DIRECTOR

Climate change is real. It is taking place at an alarmingly fast pace and we all have a part to play in tackling it. The scientific evidence is unequivocal. Climate change is caused primarily by man-made emissions of greenhouse gases. If these emissions are not reduced, they will have potentially catastrophic worldwide effects.

By 2050 Ireland will have a very different environment, with more rainfall, more diseases in animals and humans, fewer potato crops and a coast dramatically eroded compared with that of today – all as a result of climate change.

Reducing our carbon footprint and doing everything we can to make the Earth sustainable now, today, is central to our existence and to that of future generations. The biggest contributor to climate change is CO₂ which mostly comes from burning fossil fuels (coal, oil, gas and peat). Much of our energy, heat and transport is generated through these fossil fuels. So, the way we live, work and travel has a huge impact on climate change.

From showering in the morning, to checking your emails, or boiling a kettle – many of the activities that we engage in on a daily basis lead to carbon emissions that contribute to climate change. Many of our daily carbon emissions come from the burning of fossil fuels for personal transport and to power and heat our homes. Other greenhouse gases are emitted indirectly, from the way in which we live our lives, such as through food production and processing, the manufacture of electronics and plastics, and through the construction of roads and new buildings. By changing our behaviour, we can each help to reduce carbon emissions, save money, and contribute to the shared effort to act on climate change.

The total impact of all of these activities – how we heat our homes and workplaces, how we travel, what we consume – is called our carbon footprint or carbon number. Reducing our overall carbon number is, the challenge we face in order to reduce greenhouse gas emissions and, in turn, reduce the impact of climate change.

To find out what your carbon count number is visit www.change.ie and make a commitment to tackle climate change at home, at work and in the community.

Energy efficiency: buildings

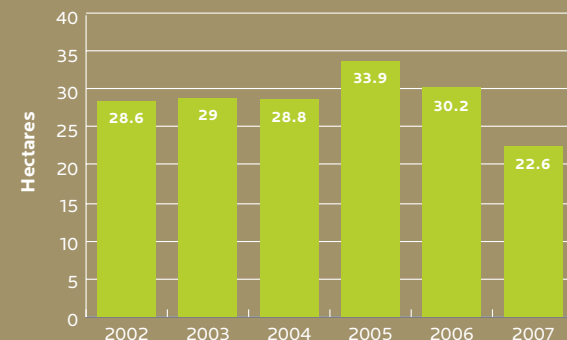
In the past six years there has been a net 21 per cent drop in the area of buildings we directly own or operate. New distribution premises have been built or acquired by Musgrave Retail Partners Ireland, Musgrave Retail Partners NI, Musgrave Retail Partners GB and Musgrave Wholesale Partners. The major change since 2002 has been the divestment, to independent retailers, of the individual Budgens stores in Great Britain.

Our energy monitoring and targeting programme has been further developed since the publication of our last Sustainability Report. We now operate a centralised data capture and management system to record the amount and type of energy used throughout our building stock, namely thermal energy (generally, natural gas used for central heating) and electrical energy (both traditional fossil-fuel based and, latterly, electricity from renewable energy sources).

Since 2002, the total electricity requirement of our buildings has fallen by nearly 35 per cent. This drop has occurred mainly in Musgrave Retail Partners GB (a 50 per cent reduction has been noted), with the divestment of the supermarket premises, but increases in building energy requirements, with additional building stock, have been seen in the other three business units.

The carbon emissions associated with our buildings have fallen by nearly 50 per cent since 2002. This very significant environmental benefit, seen mainly in Musgrave Retail Partners Ireland and Musgrave Wholesale Partners, has been due – in the main – to the purchase of renewable electricity in the Republic of Ireland (in 2007), leading to a reduction in building-related carbon emissions of nearly 80 per cent in our Irish businesses.

Area of Musgrave buildings 2002-2007

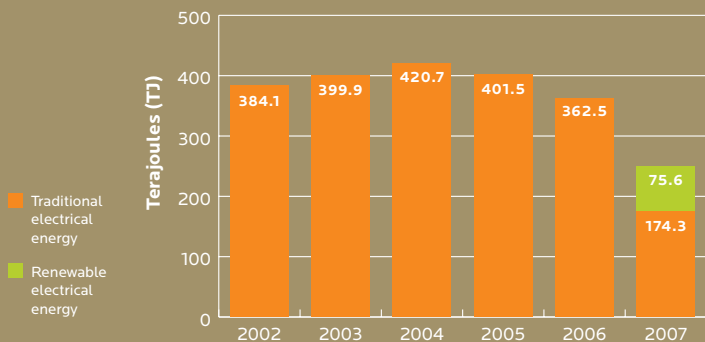


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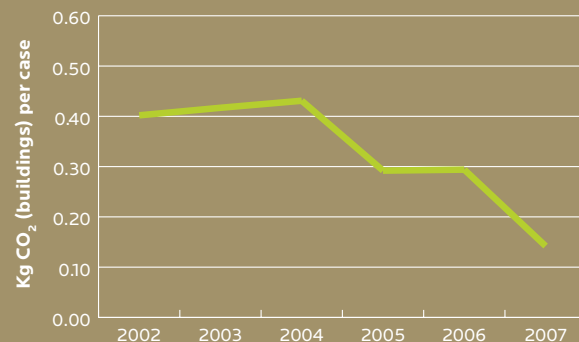
Our retailers and store design teams are leading the way in the design and construction of environmentally-sustainable stores (see pp11-12, 31-32).

We are very encouraged by the significant reductions seen in relation to our CO₂ emissions indices. In 2007, the company sold more than 189m cases, an increase of nearly 43 per cent on 2002. In 2007, emissions per case sold (used as a metric for our business) were only

Energy use Musgrave buildings 2002-2007



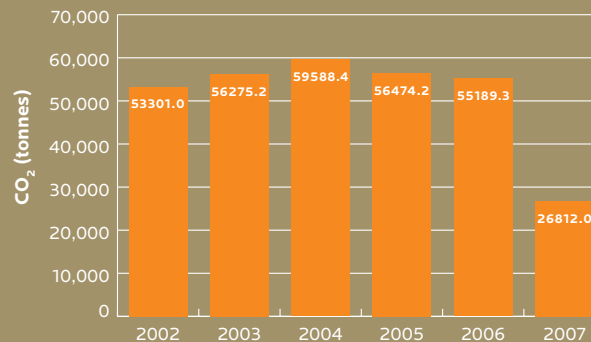
CO₂ emissions index Musgrave buildings per case



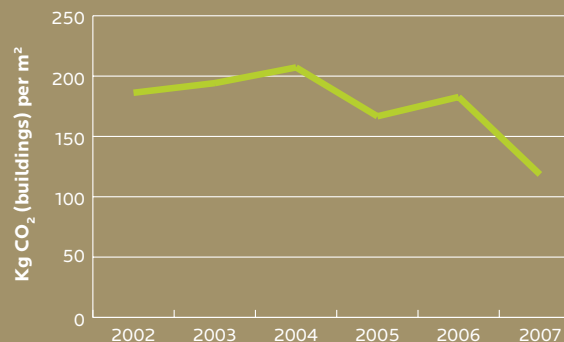
35 per cent of those during 2002. This can be attributed to: the increase in use of renewable electricity; increases in building efficiencies attributable to the company monitoring and targeting programme; and the divestment of the retail stores in Great Britain.

This is also how we have been able to record a reduction in average emissions per square metre from 186 kg/m² in 2002 to 119 kg/m² in 2007.

CO₂ emissions from Musgrave buildings 2002-2007



CO₂ emissions index Musgrave buildings per m²



50%

drop in carbon emissions, associated with our buildings, since 2002

35%

drop in electricity requirement of our buildings, since 2002

30%

of all electricity used in our business is sourced from renewable supplies

Energy monitoring and targeting programmes have been implemented at all our facilities



Energy efficiency: buildings



In our Sustainability Report 2006, we targeted... the trialling of bio-diesel in vehicles at our Thamesmead distribution centre near

London. The trial was completed and deemed a huge success. We are now rolling out a company-wide sustainable fuel target of 10 per

cent over the next five years. & To recycle 64 per cent of our waste. By 2007 the actual recycling rate for our owned facilities was 70.4 per cent. ●



We have to be prepared to change the way we do business

I didn't think I had anything to learn about driving. How wrong can you be?

Driving trucks used to be about getting from A to B as quickly as possible. These days, getting it right means doing the job with the lowest possible fuel consumption. The company delivers the training and it's up to us to deliver the results. It's completely changed the way we approach our work.

Being assessed on fuel consumption is a big incentive, but it's also become a personal challenge. The lads are fairly competitive about it now and rightly so: it's a real skill, and you've got to think about all the factors, all the time. It's not just about speed or driving style – you've got to consider the temperature, the state of the road, your load – everything.

It's a lot more challenging but a lot more rewarding too.

*Eugene Canna,
SuperValu driver*



In 2008 we were delighted to receive the Repak Excellence Award in recognition of our 'outstanding environmental performance' and, in particular, for our:

- Energy and Natural Resources Management Initiatives
- Contribution to, and support for Repak best practice and packaging prevention initiatives
- Company-led packaging optimisation and minimisation initiatives
- Proactive Environmental Management System
- Development of a Sustainable Head Office Building
- Support for Tidy Towns
- Participation in the EPA Cleaner Greener Programme



We now operate a strategic backhaul system as part of our logistics operation. This means that when goods from loaded vehicles are delivered to our stores, the empty vehicles are used to collect goods from suppliers before returning to the depot. Thus vehicle capacity is maximised at all times contributing to a positive environmental impact.

1.6million km

will be saved through dynamic scheduling in our GB distribution operations in 2008



There's no quick fix – it's about chipping away at emissions from every angle



As operators of the largest transportation fleet in Ireland, our incentive to increase fuel efficiency and reduce emissions couldn't be higher. To achieve worthwhile results we've had to tackle every angle, and engage staff throughout the organisation.

Experience has taught us that the top two factors that influence truck fuel efficiency are application and driving style. Our logistics and fleet management team have fine-tuned the application factors to maximise efficiency over recent years. Modifications have been made in relation to the truck and trailer body, loading and engine size. We have even completed tests on various styles of spoilers, visors and lamps to improve aerodynamics. It all makes a difference.

In relation to driving style, we invest heavily in driver training and have implemented a fuel efficiency target

and collective rewards scheme. Our drivers view their real-time fuel efficiency performance through in-cab technology and group performance is advertised weekly on noticeboards. We've learnt that it's a real challenge to change people's driving habits, but we've seen excellent results.

No matter how conscientious the driver, if the truck hasn't been well matched to the job in hand, wastage can occur. The same is true of scheduling. We're very proud of our achievements at Kilcock, Co.Kildare distribution centre – now among the most efficient in Europe. Logistics have been systematically improved through sophisticated scheduling between our Kilcock, Cork and Galway distribution centres, decreasing mileage, increasing trailer utilisation and increasing backhaul.

We've set ourselves challenging targets; we need to do everything we can to ensure we meet them.

DONAL O'REGAN
FLEET MANAGER,
MUSGRAVE RETAIL PARTNERS IRELAND

15%

target reduction in transport
fleet emissions by 2012

10km per hour

reduction in truck speed as a result of driver training





Action

We are committed to reducing our dependence on, and consumption of, finite fossil fuels. Our operations are subject to constant scrutiny; we're always searching for new ways to reduce emissions, conserve resources and reduce expenditure on energy. This will not only lower our carbon footprint, but also reduce the energy costs of our operations.

Some of the ways we are currently addressing this issue include:

- Our choice of fleet vehicles: we are testing alternative fuel vehicles as new technologies become available
- The fuel we use: our diesel-powered vehicles now use five per cent bio-diesel
- The way we drive: all drivers undergo training to maximise fuel efficiency and reduce emissions
- The way we plan: trailer utilisation, backhaul and scheduling developments have had a major impact on fleet activity
- How much we travel: business travel is being reduced through the increased use of video, web and teleconferencing.



Plans

We believe that the energy emissions goals in place are necessarily some of the toughest targets we have to meet. To have a real chance of achieving our goals, we believe that much closer co-operation is needed between business, government and the community. By working together, we can make a real difference.

Our strategic plans combine setting challenging targets with a commitment to research and technological development. For example, in order to meet our emissions reduction targets, we will continue to trial alternative-fuel vehicles, such as those powered by electricity (hybrid), hydrogen fuel cells and bio-ethanol as these technologies become more available.

Our targets include using new technologies and 10 per cent bio-diesel from sustainable sources to reduce the carbon footprint of our diesel powered fleets over the next five years. We're determined to reach our target of reducing vehicle CO₂ emissions per case delivered by 15 per cent, and to reduce business air travel by 30 per cent over the next five years.

Refrigeration is another area on which we hope to report significant advances in the next 12 months. Carbon neutral cryogenic units may well be the way forward.

50%

of fleet now using a five per cent
bio-fuel blend

>1million km

fuelled by sustainable sources in 2007

Expert view

Ireland's plan of action on climate change – part two

BY ELIZABETH ARNETT, CHANGE CAMPAIGN DIRECTOR

Ireland is one of the world's largest producers of greenhouse gas emissions per capita. If we are to effectively reduce emissions of greenhouse gases, fundamental changes are required. We need to review the way energy is produced and consumed in all aspects of our lives; how we work, our leisure activities, travel habits, how we heat our homes and how land and forests are managed.

The Irish government has committed to playing a full part in the effort to tackle global climate change by agreeing to the EU target of reducing greenhouse gas emissions to at least 20 per cent below 1990 levels by 2020. The government has a *Climate Change Strategy* (published in 2007) that sets out all its targets regarding climate change and its policies to tackle it. In addition, an awareness campaign – 'Change' – has been established across all government departments to encourage people to change their behaviour.

The most recent figures available (January 2008) indicate that Ireland's total greenhouse gas emissions in 2006 were 25.5 per cent above 1990 levels, compared with our target of 13 per cent. The sector causing most concern is the transport sector with a 165 per cent increase since 1990 due to the increased

use of private cars. It is expected that greenhouse gas emissions from transport could increase to 19 million tonnes of CO₂ – equivalent to a 265 per cent increase on the 1990 levels.

Greenhouse gas emissions in the country are not showing any downward trend toward meeting our Kyoto target. To help Ireland reach its target by 2012, the government has set aside €270 million for investment in flexible mechanism projects allowing Ireland to purchase 3.6 million other units for each of the five years in the Kyoto period 2008-2012.

Based on the EU goal to reduce emissions by 20 per cent of 1990 levels by 2020, Ireland will have to play a greater role in the new 'effort sharing' agreement that was presented in January 2008 for consultation.

Ireland will need to ensure close partnership between government departments, business, industry and the community in order to meet its targets.

For further information and advice visit www.change.ie or email info@change.ie

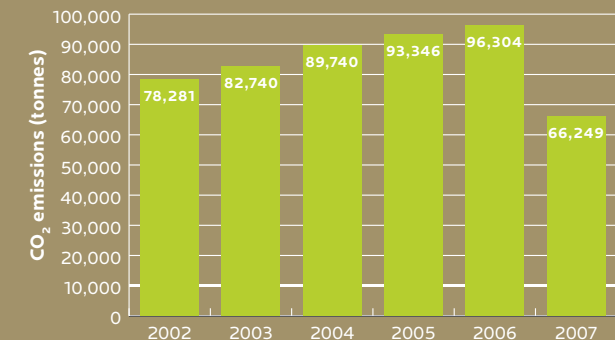
Energy efficiency: logistics

MUSGRAVE GROUP CARBON FOOTPRINT

Musgrave Group measures the carbon footprint of the business attributable to electricity, transportation and other sources. The Group significantly reduced its company carbon footprint in the period 2002-2007, though most significantly in 2007.

In 2007 Musgrave Group succeeded in reducing the company's carbon footprint by more than 30,000 tonnes of CO₂ equivalents, comparative with 2006 figures. The company attributes this success to three main factors: a switch to renewable electricity in Ireland, the divestment of retail stores in Great Britain and the results of the implementation of a company-wide building energy monitoring and targeting programme.

Carbon footprint



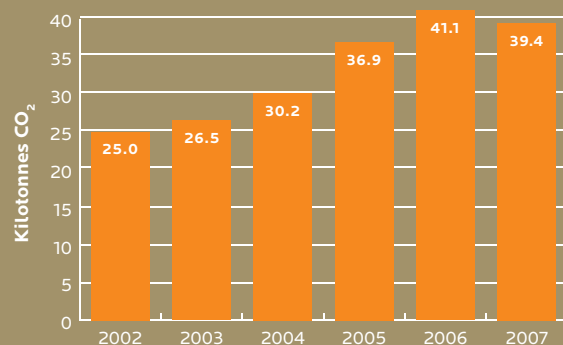


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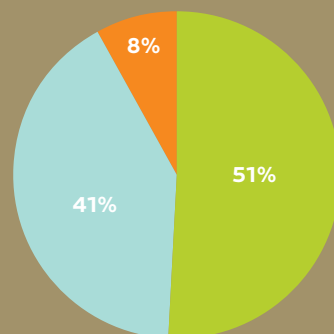
Truck fleet (km)



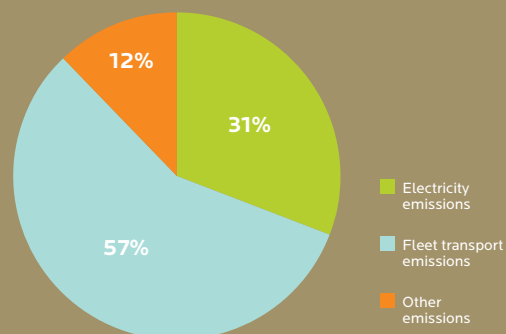
Total truck fleet emissions (kt CO₂)



Carbon footprint 2006



Carbon footprint 2007



Fuel efficiency measures

We have implemented a range of practical fuel efficiency initiatives through our driver training programmes. Drivers are expected to:

- Know the average kilometres per litre, against which to benchmark fuel efficiency
- Skip-shift (block-shift) gears where it is safe to do so
- Always carry out systematic pre-driving and daily checks
- Address defects promptly
- Take care filling fuel tanks. Never leave a fuel nozzle unattended and avoid filling to the brim
- Park so as to avoid early morning manoeuvring with a cold engine; this wastes fuel
- Pull away in the right gear
- Use cruise control
- Use the engine's 'sweet spot' (the speed at which fuel economy is at its best)
- Follow the vehicle manufacturer's recommendations.





In our Sustainability Report 2006, we targeted... the development of our integrated waste management contracts for the distribution business, the administration functions and our retail partners based on the

'one-stop-shop' concept. This has been fully implemented across the Republic of Ireland and Northern Ireland, and is on schedule for Great Britain in 2009. & The diversion of the organic fraction of our waste from landfill.

& The development of our food waste management systems during 2006 and 2007 has been very successful, resulting in the diversion of significant tonnages of biodegradable waste from landfill.

The question we have to ask ourselves is what's stopping us from doing more?

Minimising and managing our waste started as policy but now it's a mindset

"As the largest grocery distribution centre in Ireland, thousands of pallets pass through Kilcock every month. Our priority is to minimise waste in the first place, but you can't let that distract you from addressing disposal issues in their own right. We have rigorous targets to meet, and in the last two years we've achieved a 90 per cent improvement in waste management performance.

I believe the only way to tackle waste effectively is to micro-manage it. It's not just about sustainability – there are serious contamination issues to consider if our standards are not sufficiently high. We segregate all waste streams to facilitate efficient recycling and recovery. This approach has become part of standard operating procedures for all involved.

Audits and checks aren't occasional events to keep us on our toes – they're an integral part of our day-to-day operations. We're ISO9000 and EQA accredited, and we're externally assessed every quarter. To ensure

we keep meeting targets we self-impose additional challenges and checks right across the site. For example, we have regular improvement meetings and every month we focus on a specific area of the site. We can always find new initiatives. Our warehouse undergoes a waste management audit bi-weekly. We have a strict deep-clean schedule. We check every pallet space every week to make sure it's in good shape, and segregate all wastes for recycling.

We're currently in the process of massively increasing site capacity, and we welcome the new challenges that will bring."

FINTON BRADY,
WAREHOUSE LINE MANAGER, KILCOCK



& The expansion of the use of returnable transit items (RTIs), also known as reusable crates, in place of single-use cartons. We are pleased to report that usage of RTIs has increased during the reporting period, avoiding the use of

20,000 tonnes of additional transit packaging per year. & To reduce excess packaging on own-brand products. We have started a packaging optimisation project which will be ongoing during the forthcoming reporting period. ●

We need to make it easy for our retail partners to do the right thing



The big difference between the Musgrave business model and that of the multiples is that our retailers have autonomy – we don't force waste management policy on them. It's part of the culture of our organisation. The same principle allows them to

experiment with stocking soup from a local supplier, or initiating a neighbourhood campaign to reduce carrier bag usage.

From that perspective it's impressive to see how much we've already achieved. Some people will recycle no matter what the regulatory landscape. We've got retailers disposing of food waste through composting or biomethane production – projects they've developed independently. But it's up to us to help all retailers see that managing operations in a sustainable way makes good business sense. When we appointed a contractor for the Londis business we worked hard to get a deal that would allow us to minimise the cost to retailers – it's about leveraging our influence to make it easy for them to do the right thing. Virtually all Budgens stores separate and flat pack card and plastic for collection and recycling, and have been doing so for a few years now. We take it away free of charge, which has a direct impact on the bottom line of their business – the alternatives all cost money.

In legislative terms, Ireland is seven or eight years ahead of us. Higher landfill levies were a great incentive for retailers to recycle more of their waste, and of course it was the ones who recycled least that had the most to gain. We carried out an analysis of waste streams to identify where savings could be made, and that translated into direct cost savings that no retailer could ignore.

In our efforts to reduce waste in Great Britain, we were inspired by examples such as Down's SuperValu in Ballincollig, Co. Cork. At the start of 2003, waste disposal was costing the business about €6,500 per month, and the retailer was only recycling around 16 per cent of total waste. With consistent effort he turned that around. In 2007 his average monthly cost was just €2,000 and he was recycling around 78 per cent. In retail terms, this was a small operational adjustment delivering significant financial savings. In the case of Great Britain, if legislative changes happen to coincide with rising costs elsewhere in the business, the results would be just as impressive.

We can be sure that landfill costs will continue to rise and the breadth of opportunities for recycling will grow. We'll be there to support our retailers every step of the way.

JASON STANLEY,
HEAD OF SUPPLY CHAIN OPERATIONS,
WELLINGBOROUGH DEPOT, NORTHAMPTONSHIRE

Carrier bags

Carrier bag usage continues to be an important retailer issue in Great Britain. Although there is no levy on plastic bags in Great Britain, our retailers have introduced a number of initiatives to reduce carrier bag usage, while benefitting local causes.

Musgrave Retail Partners GB offers a number of carrier bag options to our retailers. Some initial work has shown that during the first quarter of 2008 we issued 24 per cent fewer giveaway carrier bags than in the same period in 2007.

Additionally, we issued to our retailers 18,000 large size jute bags and 7,700 small jute bags in the first quarter of 2008. A number of our retailers have commenced their own initiatives as well.

For example, the Pennies for Plastic campaign to reduce the use of carrier bags, championed by Andrew Thornton at Budgens Crouch End and Belsize Park, is also taking place at all five sites owned by Guy Warner and at Dee Patel's store in Woodbridge.

Budgens Sawbridgeworth is working with the community to raise money for six local schools in the area by selling jute bags printed with the schools' names. All funds raised go to the schools.

Recently we became the first business to use 35 per cent recycle content in our single use carrier bags, further reducing their sustainability effects.

98%

recycling rate achieved at our Kilcock distribution centre. We've found ways of recycling almost all waste generated



Action

Waste generation contributes to the depletion of the Earth's natural resources. It is a significant cost for businesses and also for consumers. We know landfill is not a sustainable option and are therefore committed to meeting the challenge of identifying innovative solutions to prevent or minimise waste at source, while maximising opportunities for reuse, recovery and recycling.

Waste management became a focus of our environmental strategy in the mid-1990s. We sought to offer our retail partners a value-for-money waste management service, while addressing our own goals of increasing waste recovery, diverting waste from landfill and thereby reducing carbon emissions. We are also committed to maintaining an exemplary waste data management and record-keeping system. Successful initiatives include:

- In 2002 we established regional 'one-stop-shop' waste management contracts. The approach was the first of its kind in Ireland and has generated a significant amount of interest from like-minded multi-site organisations. The contracts ensure that our premises and our retail partners achieve cost-effective rates for recycling and waste management for the full range of waste types generated by our business.
- Our food recovery programme is well underway – 95 per cent of all food collected is recovered for the pet food, animal food and bio-diesel industries.
- All our products undergo regular Packaging Needs Assessments.
- In 2007, we revised our packaging policy and began a technical evaluation to 'traffic light' packaging on individual products.
- We continue to increase access to recycling facilities for consumers at our stores.
- We encourage and support our retailer partners in setting up their own initiatives, based on their knowledge of the local community.

27,000 tonnes
of waste was managed through our waste contracts in 2007

Plans

In relation to waste, we have two key strategic aims. The first is to employ improved waste management technologies and infrastructure to maximise diversion of waste from landfill – our aim is to achieve 100 per cent recycling of recoverable waste by 2012. Second, we aim to introduce mechanisms to recognise better waste management performance across our business. These aims are supported by our Sustainability Principles, which are to:

- Focus on waste prevention/minimisation at source rather than treatment solutions;
- Manage our waste more efficiently;
- Instill best-practice in waste management at our facilities and at our retailers' stores;
- Inform our consumers regarding best-practice in waste management.

We will continue to develop and build on our achievements, including the expansion of our 'one-stop-shop' waste management contracts in all of our business locations. We will ensure that all company-owned facilities meet challenging waste management targets up to 2012 and beyond. We will encourage and help our retailers to become part of the waste programme and we will reward them for meeting waste management targets.

- We will challenge branded suppliers to reduce the volumes of secondary and tertiary transit packaging associated with their goods by 12.5 per cent.
- We will work with our suppliers to achieve 30 per cent utilisation of Reusable Crates (RTIs) in own-brand and produce while ensuring full crate-space utilisation within the next five years.
- We will work with branded suppliers to achieve five per cent utilisation of RTIs in branded goods within the next five years.
- Our target is to reduce the weight of packaging on our own-brand products by 10 per cent by 2009 and by 25 per cent by 2012.
- We aim to reduce shrinkwrap usage by 12 per cent by 2009 and by 30 per cent by 2012.

18,500 tonnes
of waste recycled through our waste contracts in 2007



Expert view

783 tonnes of food waste diverted from landfill in 2007

BY NIAL J. LORD, SALES & MARKETING DIRECTOR, FOOD SURPLUS MANAGEMENT



During 2006-2007, Musgrave trialled a recovery programme for food waste that presented an unparalleled opportunity to recover 95 per cent of all waste food collected. The ground-breaking programme has proven hugely successful and it will continue to be a major focus going forward.

As biodegradable waste decomposes within landfill sites, it generates leachate and methane, both of which require complex environmental controls in order to prevent pollution. Methane is a greenhouse gas far more powerful than carbon dioxide. It is estimated that 1 tonne of food waste in landfill generates 4.5 tonnes of CO₂-equivalent emissions.

We should all be conscious of the chronic problem of wastage of food at consumer level. WRAP (the UK's Waste & Resources Action Programme) recently published staggering results on the amount food that is wasted: in the UK, one third of food bought is thrown away. The most common reason for food being wasted is that it's left unused – 61 per cent could have been eaten. Householders also cook and prepare too much, resulting in an additional 1.6 million tonnes of food waste a year.

Musgrave Group is a signatory to The Courtauld Commitment, brokered by WRAP in 2005, which commits it to working towards reducing consumer food waste, as well as packaging. The company is also taking a leading role, in conjunction with the Department of Environment, Heritage and Local Government, to develop a similar commitment in Ireland, with a focus on packaging waste minimisation.

In order to address food waste generated at Musgrave's facilities and those of its retail partners, it contracted Food Surplus Management Limited (FSM) to further its food waste diversion targets. FSM now manages the recovery and recycling of short-dated and out-of-date products and packaging, including meat products, yogurt, milk, butter, cheese, soups and cereals.

FSM's state-of-the-art plants enable 95 per cent recovery of all food collected for the pet food, animal food and bio-diesel industries. Unlike many other food waste management options, such as composting, there are no low-grade residues that need to be consigned to landfill.

Waste management

Between 2002 and 2007 we increased the amount of waste diverted from landfill by 20 per cent. This equates to a decrease of 2,500 tonnes landfilled. Overall, the business diverted 69 per cent of total waste generated from landfill in 2007, compared with 53 per cent in 2002. This was all the more noteworthy because of the 'removal', through divestment, of the significant tonnage recycled by our British retail businesses. Particular credit must be given, in this regard, to the Musgrave Retail Partners Ireland business, which increased its recycling performance four-fold.

2006 and 2007 also witnessed further growth of our 'one-stop-shop' waste management contracts in our wholesale, distribution and retailer businesses, with related environmental benefits for managing our range of waste streams and furthering our recycling and recovery targets. We increased the total amount of waste handled under the contracts from 3,989 tonnes in 2002 (for 112 participating premises) to more than 27,000 tonnes by the end of 2007 (316 participating premises). The average monthly tonnage of waste generated per facility participating in the one-stop-shop waste contract reduced from 7.7 tonnes in 2006 to 7.4 tonnes in 2007.

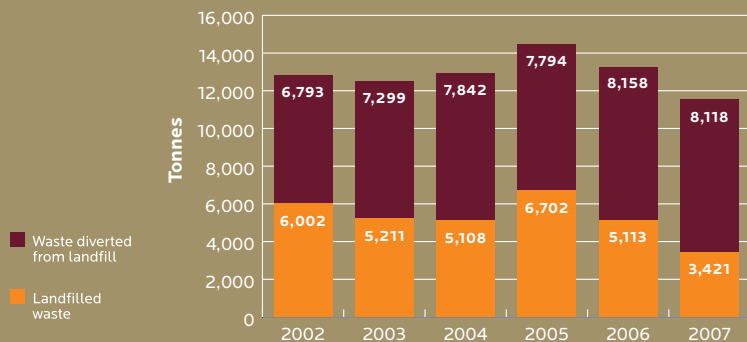
We have seen significant decreases in the waste generated, from 97g per unit turnover in 2002 to 61g in 2007 – an impressive 37 per cent reduction in waste generated per unit turnover.

We are very proud of our overall landfill diversion rate for our one-stop-shop waste contracts, which delivered a recycling rate a full 2.8 points above the corporate target. This related to improved waste management practices and the introduction of our biowaste diversion programme.

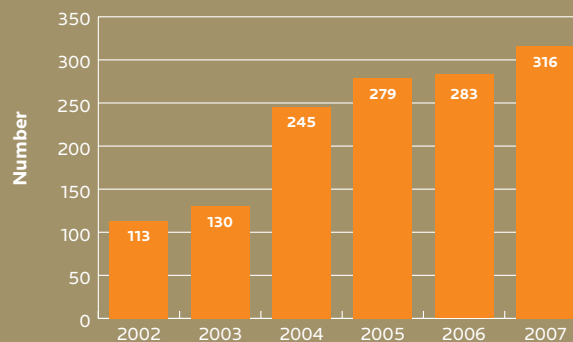


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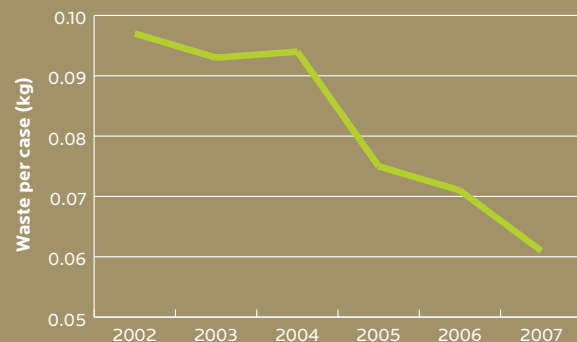
Waste management



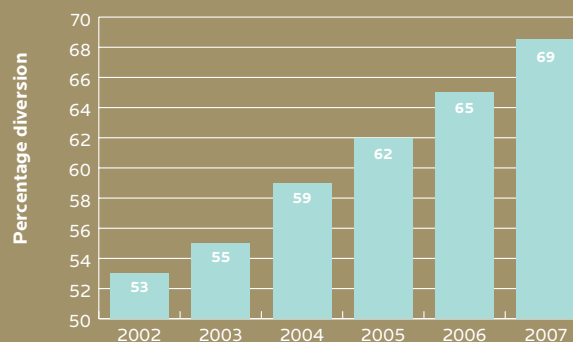
Number of premises participating in Musgrave 'one-stop-shop' waste management contracts



Waste index



Waste diversion from landfill for Musgrave 'one-stop-shop' waste contracts



10%

Though our turnover has increased by more than 40 per cent in the last five years, our waste generation is down by nearly 10 per cent over the same period

37%

Reduction in waste generated per unit turnover between 2002 and 2007

69%

Our landfill diversion rate has increased from 53 per cent in 2002 to 69 per cent in 2007





To attract, develop and retain a **motivated and committed workforce**, we must provide our people with sustainable, stable, rewarding jobs and enable them to achieve their full potential.



Our people are our business

Initially I was attracted to the company because of the job security. This was back in 2004. Musgrave had just invested €35 million in the new distribution plant at Kilcock, so it was clear that as a business they were thinking long-term.

What I found when I started was that there's a real commitment to bringing people on in the job. I think this is partly because it's still a family business – there's a real sense of loyalty to people who take pride in their work. But I think they also believe it's good for the business – they feel they invest in people and so it makes sense to take them as far as they can go.

At Kilcock there's a constant focus on personal development and everyone's encouraged to get involved in the training. It took me about 15 months to train up from an operator to a line manager and there are opportunities here whatever level you come in at.

I don't feel constrained by working at Kilcock – there are opportunities coming up across the Group and I'd think about moving to another site for the right job.

**RORY BYRNE, LINE MANAGER,
KILCOCK DISTRIBUTION
CENTRE**



It's incredibly rewarding when members of my team move on up through the business

Right from my first graduate interview, I had the impression that the opportunities at Musgrave were real. Once you deliver and prove yourself in any role, you're awarded a level of responsibility that may take years to attain elsewhere.

Within months of starting my graduate training, I was given real responsibility. This made me ever more determined to prove myself. The graduate scheme is one way in, but however you enter the business, and at whatever level you find yourself, there are continuous opportunities to develop. At all levels of management there are strategic development plans and leadership plans – learning never stops in this organisation.

My team and I are responsible for all the budgeting, forecasting and the five-year strategic planning for Musgrave Retail Partners Ireland. But an equally important part of my role is to ensure that my team have real opportunities for development, just as the chances were there for me.



While it's always tempting to try to hang on to great staff, the culture of merit-based development runs through the heart of our business. It creates an energy that benefits all of us as employees, as well as being great for the company.

**KERRIE LUCEY,
FINANCIAL CONTROLLER,
MUSGRAVE RETAIL PARTNERS IRELAND**

76%

of Musgrave Retail Partners Ireland employees are covered by collective bargaining agreements

4,656

people are employed directly by Musgrave

Investing in our people strengthens our business



An effective 'people experience' is one that rallies our people internally and establishes our identity as an employer. Our Musgrave People Experience programme is built on the company's values and is the means by which we attract, motivate and retain

both current and potential employees. It is our 'employer brand'.

Putting energy and commitment into the things we do every day at work will continue to build our business. We are aiming to be the best in everything we do; in delivering for our retailers and foodservice partners, and we are tenacious in pursuit of our business goals. Our people are the strongest part of our business – and vital to our continued success.

Bringing the Musgrave People Experience to life is a shared commitment with everyone who works with us. We expect our people to take responsibility for their actions, and to respect the values that make us the company we are today. We want our people to stay with us – to grow with us and be successful. Therefore we're committed to working with each of our people, to understand their aspirations, and to plan their development step-by-step.

How can we do this? Well, first and foremost, by putting personal development in the hands of the people who work here – the Musgrave People Experience has been defined by the people that work here. It's a real reflection of what working for Musgrave is like on a day-to-day basis. To date we have worked with teams across the business to get their views and inputs on what the real experience is like and what needs to be achieved to make it even better.

But it's more than just the way we are with each other at work. Real partnership is built day-by-day – on the outside and on the inside. And even small acts can make a big difference. Our real strengths as a people business come to life in a shared conversation between colleagues, going the extra mile and lending a helping hand for our retail partners, volunteering in local communities, being prepared for meetings – all contribute to the people experience.

Through ongoing engagement sessions we are continuously evolving the People Experience as we continue to work in partnership. Our work ethic means it's vital that all our people are clear on what our company stands for, our role in supporting local retailing and what we expect them to deliver.

SANDRA LOONEY,
HEAD OF TALENT & STRATEGIC RESOURCING,
MUSGRAVE GROUP

56,000

people employed by Musgrave and its retail partners

"Relationships are a key part of our business and our success, the company recognises the value of the people in the Musgrave team to the overall success of the business."

Musgrave Group employee, Great Places to Work Institute survey



Action

Commitment to our people means supporting job satisfaction and creation through the maintenance and review of our employment policies and by conducting and taking account of regular employee surveys and consultations.

We support training, awareness and empowerment through the maintenance and review of an extensive programme of training policies. We are committed to providing a safe and healthy working environment for all employees by promoting health, safety and welfare policies at all our facilities, collating performance statistics to international standards and reporting on that performance on a regular basis.

We are committed to providing equal opportunities for those applying for or in employment, regardless of individual differences such as gender, ethnic origin, disability, sexual orientation, age, social background, religion and beliefs. It is our policy to advertise all employment opportunities that arise; all vacancies are advertised on our company website.

Our commitment to the highest standards of people management has helped some of our sites achieve the Excellence Through People Standard Award as well as the Gold Award and the '50 Best Companies to Work for in Ireland' Award. Musgrave Retail Partners NI also won the Business in the Community NI Company of the Year Award in 2007.

Plans

People are an important part of our commercial success – in the eyes of our suppliers, our retail partners and their customers they represent our business and all it stands for.

The right attitude is a key ingredient in our continued success as a business. It is important we continue to attract, develop and retain an ambitious, motivated, flexible and committed workforce, which means we must provide our people with sustainable, stable, rewarding jobs and, through development opportunities, enable them to achieve their full potential. This is why we have developed the Musgrave People Experience Programme, the Musgrave Professional Development Programme and the Musgrave Leadership Programme, all of which place a premium on personal development.

All of the development opportunities at Musgrave are designed to support better business understanding and the personal development to use it. Specifically, we focus on the individual, because we believe the individual should be the starting point for improving organisational effectiveness and we focus on teams, because we know that to be effective we must work together and learn from each other.

We like to think of Musgrave as a close-knit community – one where opportunity is wide open. This has always been the key to our success. It means we can face future challenges with confidence, knowing we are working together.

We continue to invest in the future growth of our business by investing in our people. For example, in the latter part of 2008, when many other organisations are reassessing their resource plans in the economic environment we find ourselves in, we will bring 30 new graduates into the business. This represents a significant investment where the two-year rotational programme is seen as a major part of our larger programme to develop future talent.

As the retailer relationship is at the centre of how we do business on a daily basis, every graduate begins the programme with a store placement, working with our retail partners in their local communities for up to three months.

Everything we do as a business is linked to the retailer who is working at the heart of the communities in which they operate. Our induction programmes and our development programmes are built around the role that we, as employees, have in making the retailer successful in those communities.



100%

of our employees are covered by benefits

100%

of our employees are consulted on operational changes, either directly or via their representatives



Expert view

People matter



BY PAUL SPAIN, SHEPPARD MOSCOW,
ORGANISATIONAL DEVELOPMENT CONSULTANTS

Relationships are at the heart of business. Not just interpersonal relationships, but the relationships that can be forged between teams, between divisions, between other organisations and between a business and its customers.

All these relationships are critical for the success of enterprise and successful businesses recognise the need to sustain and manage such partnerships, as opposed to taking them for granted.

In our work with companies, a first step is always to encourage a business to identify the key relationships critical to success, then to assess the effectiveness of these relationships. Trust is clearly an important element in these interactions. This is often a function of establishing mutual expectations at an early stage and then each party delivering on their side. This is especially important in the context of leadership.

Best practice requires that leadership development initiatives are closely connected to the leaders' own work, and designed to achieve results that are aligned with the organisation's strategy and that will last the test of time. To achieve best practice therefore, organisations must work closely with their leadership development providers in order to ensure strategic alignment and relevance to managers.

Our experience of working with Musgrave has been very positive. We worked together to gain a detailed insight into the company's needs and then worked together to design a world class programme for talented middle managers from across the business. Senior leaders in Musgrave contributed to the programme as guest speakers, and participants' line managers got involved in three-way coaching sessions and provided ongoing support to the participants' learning throughout the life of the programme. Meanwhile, we worked closely with our client to review each stage of the programme, checking in on participant feedback and hearing the stories our client gathered about the changes being experienced on the ground. We worked together to identify the small but critical adjustments that were made throughout the duration of the programme to ensure its success.

We have been particularly impressed by the coherence and integrated nature of the Musgrave Leadership Pathway, which provides development opportunities across all management levels and brings all divisions together to create a learning community.

Our values

Our corporate culture places real emphasis on our core values – and our people are encouraged to live up to these values on a daily basis.

LONG-TERM STABLE RELATIONSHIPS

We believe in investing in our people, and that means building relationships based on mutual trust and respect. We want our people to stay with us – and grow with us. We're committed to working with each of our people, to understand their aspirations, and to plan their development step by step. And our passion for partnership means that our commitment to our customers is reflected in the promises we make to our people.

NOT BEING GREEDY

This is vital to forging strong bonds with our people. Greed is a hallmark of short-termism. We think the success of the company should be shared with the people who help to achieve it. At Musgrave we work as a team. That means sharing our knowledge and expertise with each other and acknowledging and recognising the contributions of our people.

HONESTY

We don't compromise on integrity. Our reputation for honesty starts within the company. It is the bedrock of all our partnerships and we cannot function without it. We expect our people to take responsibility for their actions, and to respect the values that make Musgrave the place it is. Talking honestly is one of the ways we can help each other to be successful. And honest, quality conversations are built into our everyday working lives.

WORKING HARD

This got us where we are today. Hard work isn't just about success, it's about survival. There will always be someone waiting to take our place in life. It is the nature of business and life in general. If our people work hard here, we do everything we can to support them and they will succeed.

ACHIEVEMENT

This is what we're aiming for through the creation of the best possible teams right across the Group. No-one has to go it alone – we're out to achieve together. We have a history of success. Long may it continue.

Developing people – the facts & figures

DEVELOPING OUR STAFF

The company is committed to the development of all of our employees and operates several learning and development programmes in support of its business and individual employee development, including the Musgrave Professional Development Programme and the Musgrave Leadership Programme.

We provide a comprehensive Performance Management Programme to give employees the opportunity to discuss their career aspirations and training needs with their line managers. It is the company's policy to review employee performance at least annually; some employees at a more senior level are reviewed at six-monthly intervals. We also provide an out-placement service to employees who are managing their career endings.

We offer a range of training programmes appropriate to skills requirements at all levels within the organisation.

GRADUATE OPPORTUNITIES

We developed the Musgrave Graduate Development Programme in 2004, as a flexible, project-based placement system. It has been designed to fit around a real role in a functional area of the business. We assist graduates in taking on the responsibility for their own development whilst making the transition from student life to a professional working environment.

The duration of the graduate programme is generally two years.

We provide our trainees with a comprehensive development plan and encourage them to tailor this to their own needs. In the course of the programme the graduate will have the opportunity to gain new skills, both technical and personal and develop and increase his or her business and commercial knowledge.

We look for ambitious, hard-working and achievement-orientated graduates. Across the group we have aggressive growth targets, so opportunities for graduates to progress will become available. We expect our people to seize these opportunities as they arise.

In 2006 we became the first company in our sector to receive Ireland's Excellence Through People Gold Award.

In 2006 we became the first company in our sector to receive Ireland's Excellence Through People Gold Award



Developing people



Sustainability
Reporting
Award
Winner 2006



Independent Assurance Statement

SCOPE AND OBJECTIVES

Musgrave Group (Musgrave) commissioned csrnetwork to undertake an assurance engagement, with the scope limited to the environmental information and data within the Musgrave 2008 Sustainability Report ('the Report'). The objectives of the assurance process were to check claims and the systems for collection of reported data. Data types covered by the assurance process included: cases sold, energy use and associated emissions, transport, incidents, waste and carbon footprint calculations. The scope of the assurance process did not include consideration of the AA1000 Assurance Standard principles, and we have not reviewed any forward looking statements, targets or commitments. Any financial information contained within the Report is also excluded from the scope of this assurance process.

RESPONSIBILITIES OF THE DIRECTORS OF MUSGRAVE AND THE ASSURANCE PROVIDERS

The directors of Musgrave have sole responsibility for the preparation of the Report. In performing our assurance activities, our responsibility is to the management of Musgrave. However our statement represents our independent opinion and is intended to inform all Musgrave stakeholders including the management of Musgrave. We were not involved in the preparation of any part of the Report. We have no other contract with Musgrave. This is the fourth time that we have acted as independent assurance providers for Musgrave. We adopt a balanced approach towards all Musgrave stakeholders and a Statement of Impartiality relating to our contract with Musgrave will be made available on request. The opinion expressed in this assurance statement should not be relied upon as the basis for any financial or investment decisions. This assurance engagement with Musgrave was undertaken by Jon Woodhead. Further

information, including a statement of competencies can be found at: www.csrnetwork.com

BASIS OF OUR OPINION

Our work was designed to gather evidence to obtain a limited level of assurance on which to base our conclusions. We undertook the following activities:

- We conducted interviews with a selection of directors and senior managers responsible for relevant areas of management covered by the Report. The objective of these discussions was to understand Musgrave's governance arrangements and management priorities;
- Subject to the exclusions set out below, we reviewed data collated at the corporate level for accuracy and completeness, and against claims made in the Report. This process included a review of the systems and processes for data collection and analysis. Specific data were checked for consistency against these systems and processes. The scope of our work did not include visits to operational sites. Selected performance data at site and divisional level were reviewed as part of our review of consolidated corporate data;
- We reviewed subsequent drafts of the Report to check that claims and data within the scope of the assurance engagement could be supported by the evidence gathered.

OBSERVATIONS

A new set of targets and indicators covering a range of sustainability issues, including those within the scope of this assurance engagement, have recently been introduced. It is understood that this approach includes increased responsibility at the Divisional level to ensure accuracy of quarterly reporting against these targets and indicators.

On the basis of the method and scope of work undertaken and the information provided to us by Musgrave:

- For data on energy used and associated emissions, nothing came to our attention to suggest that these data have not been properly collated from information reported at divisional and site level. The monitoring and targeting programme introduced during the reporting period is resulting in some improvements in the energy requirement of the company's buildings, although the greatest reduction is due to the divestiture of premises held by Musgrave Retail Partners (GB).
- For waste and environmental incidents data, nothing came to our attention to suggest that these data have not been properly collated and reported from information at divisional and site level. Further improvements to the management of packaging data are expected through the proposed introduction of a new database.
- For data on distance travelled by Musgrave fleet, systems are in place to gather data. Nothing came to our attention to suggest any systematic issues with the collection of these performance data.

- For carbon footprint data, nothing came to our attention to suggest that these data have not been properly calculated. The majority of the reduction achieved between 2006 and 2007 is due to the purchase of electricity generated by wind.
- For data on number of cases sold, nothing came to our attention to suggest that these data have not been properly collated and reported from information at divisional level. In our assurance statement for the 2006 Report, we identified different measurement methods between these systems. A consistent approach to gathering these data has since been introduced and aligned with financial accounting systems, and these data are now reviewed by Divisional and Group management on a regular basis.

Csr network Ltd
UK June 2008



Jon Woodhead
Director

Csrnetwork is an international corporate social responsibility consultancy organisation.
www.csrnetwork.com

csrnetwork™
making csr a reality



GRI Index

STRATEGY AND ANALYSIS

- [1.1]** Pages 8-9
- [1.2]** Pages 6-7

ORGANISATIONAL PROFILE

- [2.1]** Page 8
- [2.2]** Page 4
- [2.3]** Annual Report & Review 2007, Pages 17-19
- [2.4]** Back Cover
- [2.5]** The Sustainability Report 2008 covers all countries where Musgrave Group operates as per 2.3.
- [2.6]** Annual Report & Review 2007, Page 64
- [2.7]** Musgrave Group operates in the Republic of Ireland, United Kingdom and Spain (further details as per 2.3).
- [2.8]** Employees, Page 49
Net Sales, Annual Report & Review 2007, Page 53
Quantity of products/services provided, Annual Report & Review 2007, Page 53
Total Assets, Annual Report & Review 2007, Page 51
Ownership, Annual Report & Review 2007, Page 64
Additional information provided in Annual Report & Review 2007, Pages 50-64
- [2.9]** Annual Report & Review 2007, Page 6 & 60
- [2.10]** Page 53

REPORT PARAMETERS

- [3.1]** Page 5
- [3.2]** Page 5
- [3.3]** The sustainability reporting cycle is biennial.
- [3.4]** Page 5
- [3.5]** Page 6-7
- [3.6]** As per 2.5
- [3.7]** No particular limitations are noted
- [3.8]** As per 3.7
- [3.9]** GRI protocols were used for carbon calculations
- [3.10]** No restatements made
- [3.11]** As per 2.3

- [3.12]** Pages 56-58
- [3.13]** Pages 54-55

GOVERNANCE, COMMITMENTS, AND ENGAGEMENT

- [4.1]** Board consists of a non-executive chairman, a non-executive vice chairman, four non-executive directors, a chief executive officer and eight other executive directors. The Group CEO's objectives take account of the corporate strategy and divisional strategy in the case of divisional directors. Such divisional directors include the Group Finance Director and the Group Commercial Director who assumes responsibility for environmental and social performance; performance is further monitored by the Group Environmental Executive.
Annual Report & Review 2007, Pages 44-45 (Group Commercial Director, not pictured).
- [4.2]** The Chairman is a non executive officer.
- [4.3]** As per 4.1
- [4.4]** Page 51
- [4.5]** All company objectives take into account future plans of the organisation as well as corporate strategy. Such long-term plans are directly related to an individual's remuneration package. Non-financial targets are also included in the remuneration package as is the case for the Group Commercial Director who oversees environmental and social accountability goals.
- [4.6]** Internal processes are implemented to ensure conflicts of interest are avoided.
- [4.7]** External assessment processes are employed for determining the required qualifications and expertise of Musgrave directors. Such processes are continuously updated and vary for different individuals.
- [4.8]** Pages 6-7
- [4.9]** So that compliance with internationally agreed standards is ensured as well as maintaining

economic, environmental and social performance, the Group Environmental Executive prepares an environmental paper for every Board and Executive Meeting. This paper is then presented by the Commercial Director who represents the Environmental Executive at such meetings.

- [4.10]** Performance is evaluated through the establishment of strategic plans, strategic targets and deliverables in addition to the key performance indicators, which are used throughout the organisation. Outcomes are documented in the Musgrave Annual Review/ Sustainability Report.
- [4.11]** All of our sustainability principles adopt a precautionary approach to the management of issues facing the business.
- [4.12]** Page 21
- [4.13]** Musgrave Group is a member of a number of local and national business networks and participate in select focus groups on environment and business issues.
- [4.14]** Musgrave Group has identified our stakeholders as our employees, our shareholders, our retail partners, consumers and suppliers; and those who are external to Musgrave Group, ie. society, communities, legislators and regulators and non-governmental organisations (NGOs).
- [4.15]** From a business and sustainability viewpoint, we clearly define our stakeholder groups, ie. those individuals or entities that can reasonably be expected to be affected by our activities, products and services; and whose actions could affect the success of our strategies.
- [4.16]** Our sustainability principles relate to awareness-raising and communication among our stakeholders of our sustainability aims and policies. We also seek to ensure that issues relating to our sustainability performance are communicated regularly to our stakeholders.
- [4.17]** Page 6-7

ECONOMIC

- [EC1]** Annual Report & Review 2007, Pages 50-64
- [EC2]** We are aware of the likely introduction of carbon taxes and potential financial implications of same for Musgrave Group. We consider that our efforts to manage and minimise carbon emissions associated with buildings and logistics will have positive implications for the environment and for the business.
- [EC3]** Annual Report & Review 2007, Page 58
- [EC4]** No significant financial assistance was received from government.
- [EC5]** Wages are generally higher than the local minimum wage, eg. the average entry-level wage in our Musgrave Wholesale Partners division is approximately 21 per cent above the national minimum wage.
- [EC6]** Pages 20-23
- [EC7]** A proportion of senior management roles are occupied by individuals from the local community
- [EC8]** Page 20
- [EC9]** Page 23

ENVIRONMENTAL

- [EN1]** Not relevant to any Group divisions.
- [EN2]** Not relevant to any Group divisions.
- [EN3]** Page 35
- [EN4]** Page 35
- [EN5]** Pages 32-41
- [EN6]** Page 32
- [EN7]** Pages 32-33
- [EN8]** Musgrave are not intensive water users, and have not collected data on water use at our facilities during 2006-2007.
- [EN9]** Water supplies at Musgrave Group facilities generally come from local authority mains supplies, with the exception of MWS in Ballymun, Dublin, which, in addition to the use of local authority supply, also uses an on-site well. Water volumes are not recorded.
- [EN10]** Water is recycled at truck washes at depots. New buildings are designed with sustainable

features in mind, including water conservation methods.

- [EN11]** In Musgrave Retail Partners Northern Ireland, 10 acres of land is located adjacent to a bird reserve (Dargan, Belfast). In Musgrave Retail Partners Great Britain, 8.7 acres of land adjacent to Thamesmead RSC is classified as a Site of Special Scientific Interest (SSSI).
- [EN12]** There are no major impacts on diversity associated with activities and/or products and services in terrestrial, freshwater, and marine environments, as the majority of sites are in industrial/commercial locations. In cases where sites are adjacent to protected areas every effort is made to minimise the impact of operations on these areas.
- [EN13]** As per EN11
- [EN14]** For any new buildings or any substantial refurbishments, the impacts of operations on biodiversity are considered as part of the planning process.
- [EN15]** As per EN14
- [EN16]** Page 41
- [EN17]** Other greenhouse gas emissions are not considered significant.
- [EN18]** Page 41
- [EN19]** All of our group refrigeration systems are ammonia-based. Ammonia has no ozone depleting or global warming potential, characteristics which result in a highly energy efficient refrigerant with minimal environmental problems. There are no emissions to atmosphere from our sealed trailer units of distribution vehicles.
- [EN20]** NO, SO and other air emissions are not considered significant.
- [EN21]** All emissions to surface water/sewerage systems hold the required permits from the relevant regulatory body that controls the quality and quantity emitted.
- [EN22]** Page 47
- [EN23]** No significant spillages were reported during the reporting period.

- [EN24]** Musgrave Group does not produce significant volumes of hazardous materials as part of its operations, but incidental items generated as part of day-to-day activities, are carefully stored prior to collection by permitted and licensed waste contractors at each facility in accordance with relevant European and national legislation.
- [EN25]** No water sources and related ecosystems/habitats are significantly affected by discharges of water and runoff.
- [EN26]** Page 21
- [EN27]** This data is not currently recorded.
- [EN28]** No environmental fines were incurred during the reporting period.
- [EN29]** Page 41
- [EN30]** The annual environmental expenditure for the Group is in the region of €2 million.

LABOUR PRACTISES AND DECENT WORK

- [LA1]** Workforce is 4,116 permanent and 540 temporary. Total workforce is 4,656.
- [LA2]** Total turnover is 8.9 per cent (not available by region).
- [LA3]** Benefits are provided to all employees whether temporary, part time or full time in accordance with relevant legislation and requirements.
- [LA4]** The percentage of employees covered by collective bargaining agreements is variable depending on the group division, eg. in Musgrave Retail Partners Ireland it is 76 per cent while in Musgrave Wholesale Partners it is 62 per cent.
- [LA5]** The minimum notice period regarding operational changes are generally site specific, however, employees and/or their representatives are consulted on all operational changes and provided with a notice period appropriate to the change being contemplated.
- [LA6]** Each site has elected safety representatives whom are consulted over matters relating to employee health & safety. These representatives are encouraged to make representations to management on issues pertaining to employee health & safety.

- [LA7]** Reporting of rates of injury, occupational diseases, lost days varies across the Group depending on national reporting requirements. Absenteeism is approximately 5 per cent across the whole Group (excl. Spain). There were no work related fatalities during the reporting period.
- [LA8]** Musgrave Group operates an employee assistance programme, which covers all illnesses.
- [LA9]** As per LA6
- [LA10]** Page 53. The average number of training hours in Musgrave retail partners Ireland for 2007 was 23 hours for office based staff and 14 hours for operational staff.
- [LA11]** Page 51. We provide an out-placement service to employees who are managing their career endings.
- [LA12]** We provide a comprehensive Performance Management Programme to give employees the opportunity to discuss their career aspirations and training needs with their line manager. It is the company's policy to review employee performance at least annually; some employees at a more senior level are reviewed at six-monthly intervals.
- [LA13]** The composition of the Board is detailed in 4.1. There are no specific diversity indicators.
- [LA14]** Remuneration information not available

HUMAN RIGHTS

- [HR1]** There has been no significant investment agreements that included human rights clauses or that have undergone human rights screening.
- [HR2]** There are no formal agreements or supplier screening, however all of our suppliers are required to comply with our ethical trading policy.
- [HR3]** No specific training in the area of human rights takes place, however, the company does at all times fully respect the human rights of all of its employees and through the use of company values and policies ensure that they are met.
- [HR4]** There were no incidents of discrimination reported by the Musgrave divisions during the reporting period.

- [HR5]** There were no incidents of violations of freedom of association and collective bargaining reported by the Musgrave divisions during the reporting period.
- [HR6]** Page 23
- [HR7]** Page 232
- [HR8]** No specific training in the area of human rights is provided, however, the company does at all times ensure human rights are fully met.
- [HR9]** There were no incidents involving rights of indigenous people reported by the Musgrave divisions during the reporting period.

SOCIETY

- [SO1]** No formal programmes are in place to assess and manage the impacts of operations on communities, including entering, operating and exiting, however traditional community values are at the core of the Musgrave Group.
- [SO2]** The board and its executive, audit, remuneration and shareholder committees are committed to continuing to develop a culture of effective corporate governance across the group.
- [SO3]** No specific training in relation to anti-corruption takes place.
- [SO4]** There were no incidents of corruption during the reporting period.
- [SO5]** Musgrave Group considers public policy positions on a case-by-case basis.

- [SO6]** There were no donations made to any individual political party during the reporting period above €5,079 in aggregate value.
- [SO7]** There were no legal actions for anti-competitive anti-trust or monopoly practices.
- [SO8]** There were no significant fines or non-monetary sanctions for non-compliance with laws and regulations.

PRODUCT RESPONSIBILITY

- [PR1]** Page 27
- [PR2]** Page 26
- [PR3]** Page 27
- [PR4]** Page 27
- [PR5]** Customer satisfaction surveys are completed at divisional level.
- [PR6]** Procedures are in place to ensure that all advertising, promotions and sponsorship adhere to laws, standards and voluntary codes and are managed by the use of a marketing advertising forum that approves all activity prior to release.
- [PR7]** No breaches of advertising and marketing regulations.
- [PR8]** There were no breaches of customer privacy or loss of customer data during the reporting period.
- [PR9]** There were no significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.

REPORT APPLICATION LEVELS

		2002 In Accordance	C	C+	B	B+	A	A+
Mandatory	Self Declared							
	Third Party Checked							
	GRI Checked							
Optional	Self Declared							
	Third Party Checked							
	GRI Checked							





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OUR VALUES

Long-term stable relationships

Not being greedy

Honesty

Working hard

Achievement

ESTD 1876
MUSGRAVE
GROUP

SuperValu

Centra

Budgens

Londis

Daybreak

MACE

Musgrave
CASH & CARRY

Musgrave
FOODSERVICES

dialeur

dialprix

dicost
SUPERMERCADO