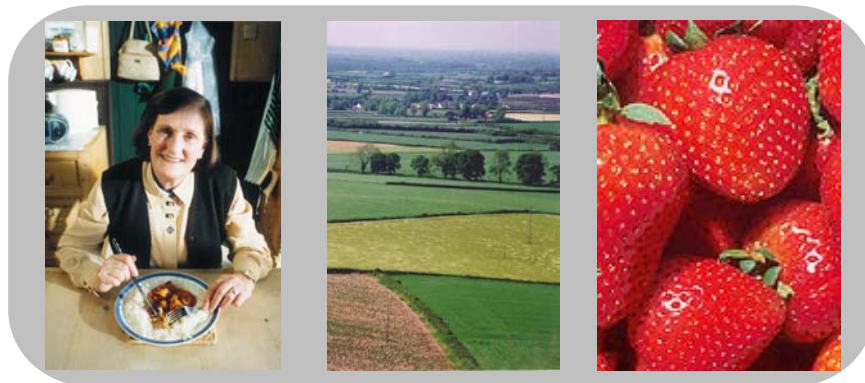




## Environmental and Social Accountability Report 2002



people

places

products



MANAGING OUR ENVIRONMENT

# Our Vision

---

**Musgrave** mission is to strive to create and share exceptional added value through:

- ✧ *Food distribution businesses, which are different and better*
  - ✧ *Working closely with customers and suppliers*
  - ✧ *Giving employees autonomy to take responsibility*
-

# Contents

<b>Group Managing Director's Review</b>	<b>4</b>
<b>Independent Assurance Statement</b>	<b>6</b>
<b>Summarised Environmental Indicators</b>	<b>8</b>
<b>About this Report</b>	<b>10</b>
<b>People</b>	<b>16</b>
<i>Economic</i>	18
<i>Environmental</i>	19
<i>Social</i>	29
<b>Places</b>	<b>34</b>
<i>Economic</i>	36
<i>Environmental</i>	39
<i>Social</i>	47
<b>Products</b>	<b>49</b>
<i>Economic</i>	50
<i>Environmental</i>	52
<i>Social</i>	59
<b>GRI Content Index</b>	<b>60</b>

---

# Musgrave

G R O U P

Environmental and Social Accountability Report 2002

# Group Managing Director's Review

---

Dear Reader

This is Musgrave Group's second environmental report and I am pleased to report on the progress we have achieved across our trading divisions. At last, we can see the fruits coming through into our day-to-day business and operational functions, particularly in identifying the true benefits of proper environmental management across the board. Although this process has not been as rapid as I first imagined, substantial progress has been made. This report has been prepared in accordance with the 2002 Global Reporting Initiative (GRI) Guidelines. It represents a balanced and reasonable presentation of our organisation's economic, environmental and social performance.

The GRI process and guidance for us has been of critical importance, giving us a solid reporting structure, which can be easily understood and judged across international boundaries. We herald this as a particular watershed for Ireland as we are the first commercial business on the Island to take this step. This report is of particular importance to Musgrave Group, having recently completed the acquisition of the UK grocery retailer, Budgens. This is a significant milestone for us, as we have now entered into a major competitive UK marketplace this year.

This report has provided us with measurable targets to our contribution to environmental performance, it has shown us where we have excelled and where we have failed to meet targets, particularly on taking the long term message outside of our own organisation - this is identified in our section on retailer training. However, I have to couple this with saying that our single and most important and underlying approach this year was to get our own 'house in order'. I can be proud to say that we have now made major steps toward

achieving this and the benefits to us are clearly evident in this report. For this years report, we have also moved toward providing a document that instils more credibility, following the commissioning of an independent assurance examination of the report's contents.

To help us achieve our goals now and in the future, we have recently strengthened our dedicated team - the Environment Action Team (EAT) to drive our environmental agenda. This team is our single biggest strength in this regard, and we are confident that it will successfully drive environmental issues and continue to identify areas where further progress is required throughout our business.

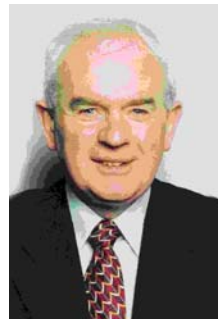
As we get firmly established in the whole area of environmental management a number of critical themes have come to light that are not directly related to operational experiences on the ground in our business, but focus on our external influences and impacts outside of our immediate jurisdiction. These are the broader issues of supply chain management and ethical trading - both are highly relevant and significant to our business sector. Although we have close relationships with the majority of our suppliers, we were pleasantly surprised at the level of support we received from suppliers when we organised the Republic of Ireland's first 'Greening the Supply Chain Conference' this year. To my mind a number of very key issues came to the forefront; if we can get all the major suppliers together under one roof, we can discuss and raise fundamental issues relevant to our sector, and our country. Furthermore, we can progress and work with some of our major suppliers to achieve better environmental management standards and products, particularly in packaging and distribution efficiencies.

---

We hope to be in a better position to report real progress in this area to you in our next report.

One outlining theme and a major part of the discussion from the conference was the issue of ethical trading. This was raised by a number of delegates and came to light really when we closely examined the number of food products which were sourced, purchased, stocked and sold by the supply chain, including our suppliers, the Musgrave Group and our retail partners. I have taken further steps to this effect and have asked our EAT to prepare a briefing paper for the Musgrave Group Board on ethical trading and I hope to report to you again in future about our own actions, decisions and investment on this issue.

Finally, I would like you thank you in advance for taking time to read this report and say that we accept that we are at the very early stages of embracing the needs of our society from our own environmental impacts, and those of our suppliers and these can stretch well beyond our boundaries. However, I would like to assure you that we are an organisation taking a firm stance and making a public commitment to forge ahead, set an example to others and contribute to a global economy that is equitable, sustainable and economically viable.



Seamus Scally  
Group Managing Director

---

## Your Views Matter

The point of contact for information pertaining to the contents of this report or any related matter, is the Group Environment Action Team leader, Mr. Liam O'Connor. His contact details are included at the end of the report.

We would be most interested to receive your views or suggestions on any aspect of this report.

# Independent Assurance Statement

## Objectives

**csr network** was commissioned by Musgrave Group to provide independent assurance on the Environmental and Social Accountability Report 2002. The objectives were to check claims and review the arrangements for the management of social and environmental issues and the systems for collection of data. We were also asked to comment on the completeness of the reporting and on the company's environmental and social accountability programme.

## Responsibilities of Musgrave Group and the Assurance Providers

The directors of Musgrave Group have sole responsibility for preparation of the Environmental and Social Accountability Report. This statement represents our independent opinion. We were not involved in the preparation of any part of the report and have no other contract with Musgrave Group.

## Method & Scope

The independent assurance process was conducted through meetings at Musgrave Group's premises in Cork, Ireland, with managers at Group and business unit level responsible for collating the data and information on which the report text and data was based. During these meetings, claims were discussed and data substantiated. We did not directly witness any stakeholder dialogue. In addition, we visited the Musgrave SuperValu Centra (MSVC) distribution centre at Tramore Road, a Cash and Carry centre, and two retail stores (all located in or near Cork, Ireland), where local management arrangements were discussed. The assurance process included checking that the report was prepared 'in accordance with' the July 2002 Global Reporting Initiative (GRI) guidelines.

## Opinion

### *Accuracy and Completeness of the Report*

In 2001, Musgrave Group produced an environmental report. This year, the scope of the report has been extended to include social issues. Performance indicators and data collection systems for both social and environmental issues are at an early stage of evolution. For the areas that the report covers, we found the information and claims to be an accurate representation of Musgrave Group's performance. The completeness of the report is enhanced by the use of the core indicators from the GRI guidelines.

The geographic boundaries of the report are limited to the Republic of Ireland and Northern Ireland, and for certain areas of performance such as transport, utilities and health and safety, data sets are not fully complete. However, there is evidence that data collection systems are improving, and this report is a significant step forward from last year. The Group's environmental impacts include the use of ozone depleting substances in refrigeration systems, and future reports should include further information and data on this issue. In areas such as training, waste management and customer relations, the report is to be commended for the inclusion of transparent data and information regarding progress.

## Recommendations for Future Reports

Musgrave Group should now review the benefits of its use of the GRI framework, and should seek to strengthen data collection against the core indicators. For the report to be more complete, the geographic scope of future reports should be extended, for example to include Budgens' UK operations.

Assigning responsibility for collection and reporting of specific data to named staff including EAT team members will improve the accuracy and completeness of future reports. Where appropriate, introduction of a system of a more regular collation and internal reporting of key data would be a valuable support to the annual reporting process.

The development of key performance indicators is a positive step, although the current set are skewed towards waste management. The scope of these indicators should now be extended, to represent a wider range of impacts. In particular, Musgrave Group should seek to develop relevant indicators of social and economic performance, for example group-wide health and safety, and the positive impacts on local (rural) communities through indirect job creation and support to social infrastructure.

In future reports, we recommend that the output of stakeholder dialogue with suppliers and employees be summarised, and included within the scope of the assurance process.

## Musgrave Group Environmental and Social Accountability Programme

Musgrave Group is a unique service organisation in Ireland, given the geographic spread of its stores and its potential to support enterprise and employment at a local level. There is evidence that the principles of social accountability have been inherent in the values of the company since its earliest beginnings. Local retailer 'councils' are in place in all regions, and these should be encouraged, and expanded to further develop mechanisms for dialogue with suppliers and local communities. The challenge now is to retain a co-ordinated approach to local dialogue whilst operating on an international level.

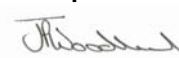
Social and environmental goals will most likely be achieved where there is a clear relationship between group-wide objectives, specific targets and individual performance indicators. Musgrave Group should seek to develop these elements, building on the baseline established this year in specific performance areas. The development of objectives, targets and indicators should include all relevant business functions such as training, logistics and human resources. Arrangement of common waste disposal contracts for retailers is a positive development for environmental management within Musgrave Group. Efforts should now be directed towards promoting uptake across Ireland, and checking that legal obligations to ensure appropriate disposal are being met. Expansion of Musgrave Group will create significant management challenges. For the Environmental Action Team to remain effective, its resources and capacity should be kept under continual review. Musgrave Group should now consider how to evolve its management and governance arrangements, to allow continued progress towards an integrated approach to social, environmental and economic issues.

**csr network ltd**

**UK September 2002**



Mark Line, Director



Jon Woodhead, Director

**csr network** is a business focused, corporate social responsibility consultancy organisation.  
[www.csrnetwork.com](http://www.csrnetwork.com)

## Some Highlights from 2001-2002

Environmental	<ul style="list-style-type: none"> <li>✧ Rollout of the first 'One-Stop-Shop' retail waste management contracts in the Republic of Ireland.</li> <li>✧ Hosting of the first 'Greening of the Supply Chain' conference in the Republic of Ireland.</li> <li>✧ Winning the first Irish ACCA Environmental Reporting Award.</li> <li>✧ Substantially reducing electricity use at our distribution centres – a 4% decrease in kilowatt hours used, despite the fact that business throughput at each depot has increased significantly.</li> <li>✧ Reducing truck road journeys by almost 5 million kilometres via 'backhauling'.</li> </ul>
Economic	<ul style="list-style-type: none"> <li>✧ Solid growth in sales, profits, and market share in all trading divisions in the Group, encompassing the Republic of Ireland, Northern Ireland and Spain.</li> <li>✧ Group turnover of €2.48 billion, an increase of 12.8% since 2000 (excluding the Musgrave share of Budgens plc turnover). Group profit before taxation was €47.1 million (€33.2 million after taxation).</li> <li>✧ The acquisition of Budgens plc in the UK and the launch of Musgrave Foodservices, an innovative new offering to the hotel and catering sector.</li> <li>✧ 70% of our suppliers are based in the Republic of Ireland.</li> <li>✧ Significant further additions of new SuperValu and Centra franchisees to the Group.</li> </ul>
Social	<ul style="list-style-type: none"> <li>✧ Publication of a book entitled "The First 125 Years", in recognition of the 125<sup>th</sup> Anniversary of the founding of Musgrave in 1876.</li> <li>✧ Launching our management development programme 'Managing for Success'.</li> <li>✧ Making improved steps toward involving our stakeholders in environmental projects.</li> <li>✧ Employment of some 15,000 people by our retail franchisees, with an additional 3,672 in the Musgrave Group.</li> <li>✧ Investing in national and community-based initiatives such as the National Tidy Towns Competition and the National Road Safety Campaign.</li> </ul>

## Summarised Environmental Indicators

We are extremely pleased to be able to report that we are achieving improvements in our key environmental indicators as a result of implementing our Environmental Charter. We developed our key environmental indicators in 2000, primarily to relate our environmental effects (associated with climate change) to our major business activities, which are product sales (units: cases) and travel (units: kilometres).

We have reported the data in Table 1 based on all information obtained from Group companies in 2001 - it is thus a more complete picture of our environmental impacts than that reported last year. With the expansion of Musgrave Group in 2002, our next set of data is likely to be even more extensive, though we will also compare our 2001 data with the next information gathered. The scope of business included in the report is outlined on page 13.

In Table 2, we have compared these indicators measured in 2001 against those measured in 2000. Because we were not able to collect data from all our Group companies in 2000, we have created the comparison in Table 2 based on the same data sources - we are proud to say that we have achieved positive changes in all four indicators.

We have not reported on waste data arising in the company in these indicators this year - we have not been able to collect related information of a quality comparable to that reported here in relation to waste. We are confident, with our progress in waste management (as reported in this document) that we will have good quality data in relation to waste in our future reports.

Table 1: Summarised Environmental Indicators, 2001

Sector	2001	Group Divisions Included (2001)	Annually Calculated Indicator, 2001
<b>Sales &amp; Distribution</b>			
Kilometres (million)	18.64	MSVC (RoI and NI) fleet and MSVC (RoI) and MC&C (RoI) company cars	0.156 kg CO <sub>2</sub> /case
Cases (million)	95.68	MSVC (RoI and NI) and MC&C (RoI and NI)	0.799 kg CO <sub>2</sub> /km (fleet and company car kilometres)
Fuel Consumption (terajoules)	201.80	MSVC (RoI and NI) fleet and company cars and MC&C (RoI) company cars	1.102 kg CO <sub>2</sub> /km (fleet kilometres only)
Emissions (kilotonnes CO <sub>2</sub> equivalent)	14.89	MSVC (RoI and NI) fleet and company cars and MC&C (RoI) company cars	
<b>Buildings</b>			
Area (km <sup>2</sup> )	0.13	MSVC (RoI and NI) and MC&C (RoI and NI)	0.162 kg CO <sub>2</sub> /case
Electricity Consumption (GWh)	19.9	MSVC (RoI and NI) and MC&C (RoI)	119.2 kg CO <sub>2</sub> /m <sup>2</sup>
Emissions (kilotonnes CO <sub>2</sub> equivalent)	15.47	MSVC (RoI and NI) and MC&C (RoI)	

MSVC = Musgrave SuperValu Centra  
RoI = Republic of Ireland

MC&C = Musgrave Cash & Carry  
NI = Northern Ireland



## Summarised Environmental Indicators, 2001 and 2000

Table 2: Summarised Environmental Indicators, 2001 versus 2000

Sector	Group Divisions Included (2001)	2001	2000	Group Divisions Included (2000)	Annually Calculated Indicator	
					2001	2000
<b>Sales &amp; Distribution</b>						
Kilometres (million)	MSVC (RoI and NI) fleet and MSVC (RoI) company cars	16.71	12.61	MSVC (RoI and NI) fleet and MSVC (RoI) company cars	0.249 kg CO <sub>2</sub> /case	0.277 kg CO <sub>2</sub> /case *
Cases (million)	MSVC (RoI and NI)	58.17	54.37	MSVC (RoI and NI)	0.867 kg CO <sub>2</sub> /km	1.196 kg CO <sub>2</sub> /km *
Fuel Consumption (terajoules)	MSVC (RoI and NI) fleet and MSVC (RoI) company cars	195.90	204.22	MSVC (RoI and NI) fleet and MSVC (RoI) company cars		
Emissions (kilotonnes CO <sub>2</sub> equivalent)	MSVC (RoI and NI) fleet and MSVC (RoI) company cars	14.48	15.08 *	MSVC (RoI and NI) fleet and MSVC (RoI) company cars		
<b>Buildings</b>						
Area (km <sup>2</sup> )	MSVC (RoI and NI)	0.06	0.05	MSVC (RoI and NI)	0.126 kg CO <sub>2</sub> /case	0.139 kg CO <sub>2</sub> /case *
Electricity Consumption (GWh)	MSVC (RoI and NI)	9.23	9.56 **	MSVC (RoI and NI)		
Emissions (kilotonnes CO <sub>2</sub> equivalent)	MSVC (RoI and NI)	7.33	7.76 *	MSVC (RoI and NI)	122.17 kg CO <sub>2</sub> /m <sup>2</sup>	155.2 kg CO <sub>2</sub> /m <sup>2</sup> *

\* Using GHG (Greenhouse Gas Protocol Initiative)-corrected CO<sub>2</sub> emissions

\*\* Last year we included gas and oil central heating fuel in total energy consumption, with a total energy use value of 12.73 GWh. For comparative purposes, this data has been omitted from the indicator this year

# About this Report

---

This annual report is a compilation of Musgrave Group actions for the environment and the community initiated in 2001-2002, as defined in the scoping statement (page 13).

September 2001 saw the publication of our first Annual Environmental Report. Following on from the baseline findings of that report, we have taken steps to improve the quality of our reporting and encourage the participation of a larger number of individuals and Group departments.

Our report deals with three of our major sustainability issues: people, places and products. The indicators used to report on these issues are based on environmental, economic and social criteria.

The 'people' section communicates human resources data for the year 2001, including: Musgrave Group management, office personnel, and retail partner training; Group-wide and public communications and public attitudes; employment statistics and policies; and sponsorship of non-corporate and governmental initiatives.

The 'places' section communicates distribution and facilities data for 2001, including: climate change and pollution contributors; resource usage; waste output; procurement policy; transport; buildings; fixtures and fittings; health & safety issues and national emergency issues such as foot & mouth disease.

The 'products' section communicates trading operational data for the year 2001, including: supply chain initiatives, environmentally responsible production and supply, regulatory compliance; financial input and output; procurement policy and ethical trading.

The information included is based on statistics for the calendar year 2001, unless where specified. We have also included a number of environmental and social initiatives undertaken up to August 2002.

## A Reporting Framework and Standard

We have prepared this report in accordance with the 2002 Global Reporting Initiative Guidelines.

The Global Reporting Initiative (GRI) is an international, multi-stakeholder effort to create a common framework for voluntary reporting of the economic, environmental and social impact of organisation-level activity.

By following the Guidelines, we believe we are raising the standard of our reporting and allowing Musgrave Group operations and environmental actions to be compared with the efforts of other companies worldwide.

Due to the complexity of the GRI programme, we have found it necessary to adopt an incremental approach to the implementation of the Guidelines. Some areas of the Guidelines are not particularly relevant to Musgrave Group and other areas, which are not detailed, have been included and discussed where relevant and applicable. An index to GRI topics is included on page 60, so cross-reference can be easily made.

Musgrave Group are pleased to say that we have improved significantly on the overall standard of our reporting since last year, but we recognise that we have some way to go to develop the report against the GRI Guidelines, beyond the core indicators.

At this stage, we estimate that of the three tiers of the GRI reporting structure – economic, environmental and social – we have collated most data on environmental and least on economic. We also recognise that there is limited integration across the three elements. This we will attempt to improve as our reporting structures and procedures mature.

# About Musgrave Group



Interior of Cornmarket Street (Cork) Cash & Carry in the 1960s – this was Ireland's first large purpose-built grocery warehouse opened by Musgrave Brothers in 1925

Musgrave Group was founded in 1876 and is Ireland's largest food and grocery distributor. The Group operates a distribution and support network for independent retail franchisees, non-symbol retailers and franchise operators in both the Republic of Ireland and Northern Ireland.

The company's network services 24 per cent of the grocery market in the Republic of Ireland and 12 per cent in Northern Ireland (a 20 per cent share of the market on the Island).

Musgrave pioneered the concept of franchise supermarket and convenience store retailing in Ireland through its SuperValu and Centra symbol retail groups. The company also introduced Cash and Carry wholesaling to the country.

The group is one of the largest private companies in Ireland and one of the fifteen largest corporations overall. Musgrave Group is a private, family-controlled Irish company, contributing significantly to the economies of both the Republic and Northern Ireland with some 15,000 people being employed by our retail franchisees, with an additional 3,672 in the Musgrave Group. Family shareholders hold a 72 per cent interest in the company, employees 24 per cent, and a financial institution holds a 4 per cent shareholding in the Group.

The year 2001 was a year of consolidation for Musgrave Group. In addition, we attracted further new SuperValu and Centra franchisees to the Group. These new stores, combined with store extensions resulted in a total of 9,940 square metres of new retail selling space in 2001. We also launched Musgrave Foodservices, a section of the Cash & Carry business, which services the hotel and catering sector.

Musgrave Group offers a range of own-brand grocery products, including SuperValu and Centra own-brands, ValuSaver, Cash & Carry and Foodservices own-brand products.

## Musgrave SuperValu•Centra (MSVC)

MSVC is a distribution division of Musgrave Group and owns the franchise to over 550 independently owned SuperValu supermarkets and Centra convenience stores. Almost all of the franchise stores are independently owned by the retailers who operate them.

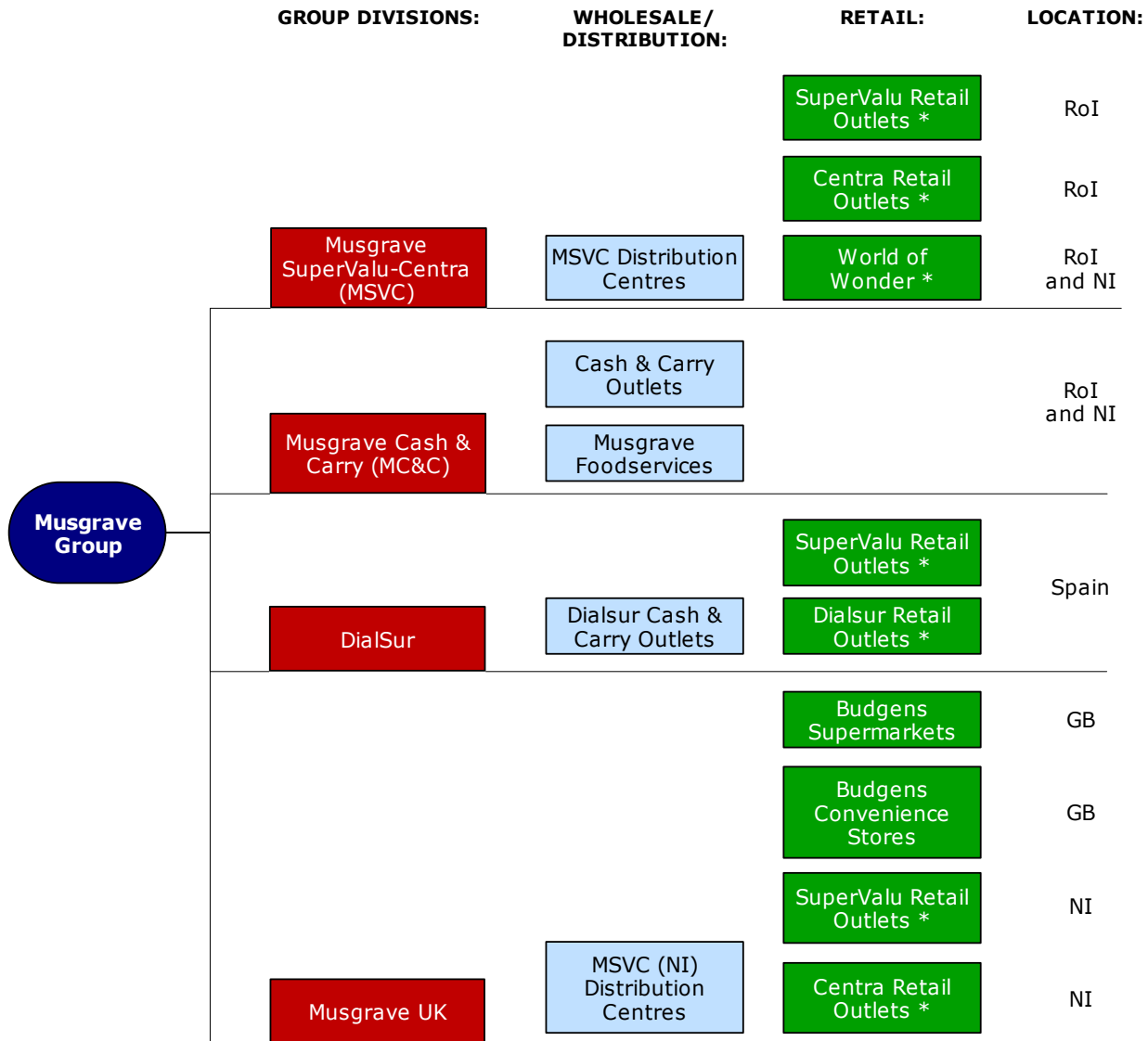
MSVC provides a centralised purchasing and distribution service for the independent franchisees and,

in addition, provides an extensive range of support services to their retail partners, including marketing, technology, location strategy, store design, financial management systems, and staff training programmes delivered through the company's team of professional retailer support personnel.

Having pioneered central distribution in the Irish grocery retail sector, MSVC now has 52,024 square meters of ambient and chill warehousing at four separate distribution centres at Cork, Dublin, Galway and Belfast which operate on a 24-hour basis.



# Musgrave Group at a Glance



\* Some or all stores are franchised

RoI: Republic of Ireland  
 NI: Northern Ireland  
 GB: Great Britain

### Musgrave Cash & Carry (MC&C)

The Musgrave Cash & Carry (MC&C) Division operates nine large cash and carry outlets and a dedicated delivery service operation for the professional catering customer. The Cash & Carry Division operates in the Republic and Northern Ireland and accounts for 18 per cent of turnover.

The group has 77,107 square meters of the country's premier cash and carry space, servicing tens of thousands of regular retail and catering trade customers, which accounts for an estimated 33 per cent of the Irish cash and carry market. MC&C facilities are located in Cork, Limerick, Galway, Waterford, Belfast and Derry, with three in Dublin.

Musgrave Foodservices, an innovative new offering to the hotel and catering sector, began trading in January 2001 in a purpose built facility in Ballymun, Dublin. Established to specifically service the Out-of-Home eating sector, the division now handles in excess of 1,000 orders per week and employs 80 staff.

### Budgens plc

In August 2002, Musgrave Group acquired the UK supermarket chain Budgens plc, which operates 234 supermarkets and convenience stores in the south of England. The Budgens UK and MSVC Northern Ireland divisions will be known collectively as Musgrave UK.

### Musgrave Spain

Musgrave Group has a wholesale and retail distribution business in Spain, Distribuidora de Alimentacion del Sureste S.L. (DialSur).

Based in the Alicante region of Southeast Spain, DialSur has opened seven SuperValu stores in the region, and has a retail chain of 61 retail outlets of which 25 are operated by the company. DialSur also owns and operates a chain of 17 medium-sized cash and carry outlets.

### SuperToys/World of Wonder

World of Wonder was launched in August 2000. Musgrave Group and its retailers currently operate 31 stores throughout the country and intend to grow this number to 40 in the Republic of Ireland and Northern Ireland by the end of 2002.

The Group already operates the SuperToys franchise that is comprised of 35 owner-operated outlets nationwide as well as having 22 associate members. Combined, these account for 25 per cent of the Irish toy market. The development of World of Wonder will provide Musgrave Group and its toy retailers with an opportunity to expand beyond the traditional toy market.

### Scope of Business included in this Report

This report discloses information, except where specified, on the activities of Group companies in the Republic of Ireland and Northern Ireland in the implementation of our Environmental Charter.

MSVC was the first Group division to develop an environmental programme and the main force driving the development of the Group Environmental Charter in 1999-2000. We have expanded on the level of material reported for MSVC Northern Ireland and our franchised independent retailers this year.

We have not yet implemented our Environmental Charter in DialSur in Spain.

MC&C has also played an integral part in implementing the Environmental Charter and its data has been included in the 2001 and 2002 Environmental Reports. Its input to the Environment Action Team increased in 2001, with a dedicated representative on the EAT.

We acquired Budgens plc in August 2002 and therefore have not implemented our Environmental Charter in that division. However, we envisage that this situation will change within the coming years, and that systematic data reporting for this section of the business, as well as our Spanish business, will be developed as a priority.

## Our Impacts on the Environment

Our Environmental Charter was published in 2000 – we believe that we were the first Irish retail business to do so. Since that time, the Charter has formed the cornerstone of our environmental policy and programmes. We consider this charter to be highly relevant to our business. We

foresee that the Charter will continue as an important influence on our operations over the years to come, with additional economic, environmental and social issues being incorporated, as necessary.

We identified six major functional areas for action:

ASPECT	IMPACT	CHARTER COMMITMENT
<b>Waste</b>	Musgrave Group's commercial activities generate significant quantities of waste. As a responsible business, we are aware of our over-dependence on landfill as a disposal route for waste.	<p>We support the principle of 'Producer Responsibility' that obligates all parties in the 'manufacturer to consumer' chain to recover and recycle. We also acknowledge that generators of waste are responsible for its safe handling, treatment and ultimate disposal.</p> <p>We will apply 'best practice' in our management of wastes. We will provide leadership to enable our retail partners to manage their waste streams in a systematic and cost-effective manner.</p>
<b>Transport</b>	<p>Musgrave Group operates one of the largest and most modern distribution fleets in Ireland.</p> <p>We recognise that there are significant environmental impacts associated with road transport.</p>	<p>We undertake to reduce the impacts associated with road transport through the application of new technologies and improved logistical practices.</p> <p>We will demonstrate our achievements through rigorous assessment of these changes.</p>
<b>Supplies &amp; Products</b>	<p>Musgrave Group is one of the largest grocery distributors in Ireland.</p> <p>We recognise that there are environmental impacts associated with the production and use of our supplies and products.</p>	<p>We want to trade in supplies and products that have minimal environmental impacts.</p> <p>We are sensitive to and acknowledge that the environment is equally as important as the issues of price, quality, delivery and security of supply and therefore must go 'hand in hand' in future.</p> <p>We will work closely with our suppliers and trade customers towards achieving our environmental policy aims.</p>

ASPECT	IMPACT	CHARTER COMMITMENT
<b>Buildings</b>	<p>Musgrave Group conducts its business from some of the largest modern distribution and wholesale facilities in Ireland.</p> <p>The construction, design and running of our facilities impacts on the local environment.</p> <p>Energy consumption associated with Musgrave Group operations will contribute towards Ireland's greenhouse gas emissions.</p>	<p>Musgrave Group will construct, refurbish and manage its buildings in a manner that will reduce the associated environmental impacts and be sympathetic with the external surroundings.</p> <p>Musgrave Group will continue to provide an advisory service to our retail partners enabling them to implement 'best environmental practice' in the design, construction, refurbishment and management of their stores.</p> <p>By addressing the issue of energy efficiency in our buildings, we will contribute to the reduction of greenhouse gas emissions in line with national and international agreements.</p>
<b>Reporting</b>	<p>Musgrave Group has a long trading history with the retail sector. We believe we have an obligation to our business partners and the community to inform them of our duty to the environment and to seek their commitment to help us reach goals and targets.</p>	<p>As a pledge of our commitment to the corporate environmental policy, we will publish environmental reports, developed to international reporting standards. This will address, periodically, in an 'open and visible' way, our environmental aims and achievements.</p>
<b>Communications</b>	<p>Musgrave Group is committed to protecting the environment and has a duty to meet this obligation by educating and training its employees and trading partners and supporting the community.</p>	<p>We will communicate 'best practice' and facilitate and support appropriate environmental initiatives within the community.</p> <p>We will provide our consumers with information about products that will allow them to make informed choices.</p> <p>We commit to identifying the environmental issues of most concern to our trading partners. This enables us to focus our attention on the most sensitive issues with a view to reducing environmental impacts.</p>





# People

Our most important asset is our people - between Musgrave Group and our retail partners we employ over 18,000 people in Ireland, and this workforce has increased significantly with our acquisition of Budgens plc in the UK (ca. 6,500 employees in Budgens UK).

Our aim is to provide a workplace that is both challenging and rewarding - our mission statement commits us to empowering our employees. The extraordinary work that our employees do is a testimony to the success of Musgrave Group.

We are also keen to reflect the views of consumers, especially in regard of the supermarkets in which they shop, and with respect to the products they buy from our retail partners. This year, we have reported on the initial phase of what we intend to be a major long-term consultative project with Irish consumers in regard of environmental, social and ethical issues concerning our business.

In this section of the report we have addressed some of the 'people issues' that we have been tackling recently, and those we intend to concentrate on moving forward, including: employment conditions and benefits, the environment and training, public reporting, communication and disclosure of our progress, and sponsorship.

## Our Team

Musgrave Group Board of Management is comprised of the chief executives of the company divisions, as well as Musgrave family members and Group executives. There are three non-executive directors on the Musgrave Group Board of Management.

As a result of our business contribution to the supply chain, the Group makes a significant contribution towards job creation and employment in support industries and sectors.

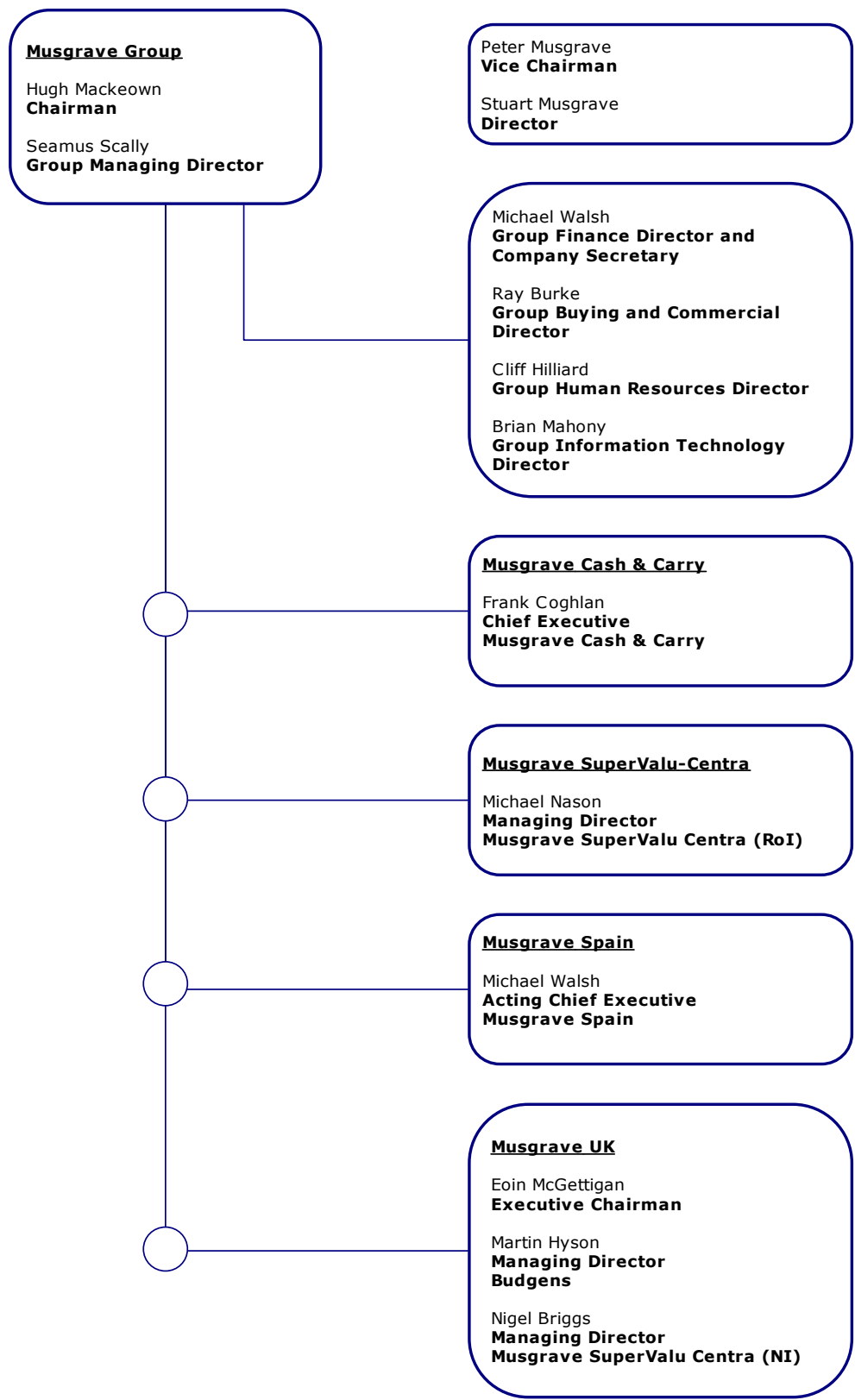
As our stores are run on an independent franchise agreement, we do not maintain centralised personnel statistics from all of our units. (We estimate that there is employment of over 15,000 people in our franchisees' businesses.)

The average total number of staff employed in Musgrave Group in the Republic of Ireland and Northern Ireland in 2001 was 3,672, rising from a number of 3,399 in 2000. This increase is attributed to an increase in business activity, as well as changes in working practices across the group.

Musgrave Group paid a total wages and salaries (including our Spanish business) cost of €108,645,000 in 2001, compared to a cost of €93,084,000 in 2000. Further information in this regard has been disclosed in our Annual Report 2001, in accordance with the requirements of the Republic of Ireland Companies Act.



# Group Management Structure



## Economic

---

### Our Services to Independent Retailers

As the retail franchise division of Musgrave Group, MSVC offers independent retailers an unrivalled support package, combined with the significant resources of the Musgrave Group.

We encourage retail partnership by offering independent retailers the opportunity to join a market leader (ca. 24% of market share in Republic of Ireland), a company with the buying power of over €2 billion, and supply with instantly recognisable brands. These advantages, along with the services that we offer retail partners, such as planning, purchasing, IT support, food advisors, sales managers, accountancy and finance advice, and store development support, are key determinants in helping our retailers to run first-rate professional businesses.

### Our Consumers

Our business depends on our consumers' choices. Our storeowners and managers take pride in knowing and meeting their consumers' needs on a daily and weekly basis. There is a strong commitment towards maintaining the 'personal touch' throughout our outlets - we design our retailer's stores to facilitate this business approach.

As part of our consumer surveys, we have considered the position of our SuperValu and Centra stores in relation to the other major chains in the country. Our surveys confirm that our consumers are concentrated in Munster (our traditional base in South-west Ireland) and that there is a business bias towards rural communities, as opposed to the focus of the other multiples in urban Ireland.

We studied shopping habits both in terms of the 'main shop' and 'top-up' shopping. The findings of our survey showed that over one

in four Irish shoppers are using SuperValu for their main shop. This is the second highest of all major retail chains in Ireland. 17% are using Centra for some form of main shop. For 'top-up' shopping, over half of Irish consumers are using Centra, with SuperValu also playing a major role in top-up shopping, compared to other multiples.

SuperValu consumers display the highest loyalty to our chain when compared against the other major Irish retail chains. 34% of our consumers are rated as "extremely loyal", compared with 14% to 17% for our two main competitors.

All research companies we engage to conduct market research on our behalf adhere to the standards of the Codes of Practice of ESOMAR (European Society of Opinion and Marketing Research) and the Marketing Society of Ireland.

### Meeting Consumer Expectations

As retailers, meeting with customer expectations and desires is one of our fundamental principles.

According to our 'Checkout Shopper' survey (November 2001), of the shopping factors listed as key by consumers, (e.g. hygiene, store layout, product range and freshness, and service) only SuperValu and one other major retail chain in Ireland are currently meeting with shoppers' expectations.

SuperValu scored above sector-average on all criteria evaluated in the Excellence Ireland Customer Satisfaction Survey in 2001.

Our Centra stores also performed very well in this survey, out-performing, in terms of customer satisfaction, the other 'top-up' branded stores.

# Environmental

## Measuring and Managing Our Impact

Monitoring and measuring impacts is an integral part of our environmental management programme. It provides us with a means of comparative analysis to assess annual progress against our targets. Quantitative indicators have been applied where possible, and qualitative markers have provided an insightful backdrop to Musgrave Group operations.

When planning for our future social and environmental programme, we are conscious that much of the environmental policy decision-making is endorsed at board level or as part of the remit of the Group Environment Action Team (EAT). We believe that each one of our retailers on the ground can make a significant contribution towards successful environmental management, in a practical and visible manner. Environmental mismanagement in one of our stores could reflect adversely on the whole Group and the specific brands.

Our environmental champion on the MSVC Board is Cyril O' Riordan. Cyril has been a Musgrave Group employee for 25 years and has sat on the MSVC Board for over 5 years. Cyril is a member of the EAT and is also responsible for periodic environmental reporting to the Management Team.

The EAT, formed in 1998, has traditionally had a cross-functional representation, with all of the major departments being represented. This was a key factor due to the internally focussed projects that were undertaken in the early part of Environmental Charter implementation. Now as we enter a phase of implementation that is focussed more on issues and projects external to our business, we have recently restructured the EAT, with a view to implementation and communication through our management structures.

The EAT meet once a month to discuss key performance indicators, targets and actions as well as to report on project progress.

EAT Representative:	Department:
Ken Murray	SuperValu Sales
Joe Murphy	Centra Sales
Martin Walsh	Trading
Jennifer Boyle	Chill Warehouse (Quality)
William Dalton	Ambient Warehouse (Quality)
Pat Mulgannon	Logistics
Stephen O'Herlihy	Information Technology
Samantha Fitzpatrick	Marketing
June McCarthy	Human Resources
Cyril O'Riordan <sup>1</sup>	Store Development
Liam O'Connor <sup>2</sup>	Store Development
Dr Conor Tonra <sup>3</sup>	Patel Tonra Ltd
Lorna Dillon	Finance
Lynda Kenny	Cash & Carry
Alan Hayden	World of Wonder

<sup>1</sup> EAT Management Team Representative

<sup>2</sup> EAT Leader

<sup>3</sup> Patel Tonra Ltd., Environmental Consultants to Musgrave Group

Environment Action Team, June 2002  
(EAT was restructured in August 2002)

## Key Performance Indicators

In January 2002, the Key Performance Indicator (KPI) model was provisionally assigned to individuals on the EAT to monitor and report performance on a monthly basis.

Each KPI was assigned a measurable target value to be attained within a specified timeframe, designed to act as an indicator of the success of the Team and the Group Environmental Programme.

The specific KPIs identified (with responsibilities assigned to EAT representatives) were:

- ✧ Waste Contract Participation by retailers (Joe Murphy & Ken Murray)
- ✧ Availability of 'One-Stop-Shop' Waste Management Services on a national level (Patel Tonra Ltd)
- ✧ Retailer and Group Participation in Environmental Training Programme (June McCarthy)
- ✧ Group Waste Recycled (Patel Tonra Ltd)
- ✧ Office Waste Recycled (Stephen O'Herlihy)
- ✧ EAT Meeting Attendance (Patel Tonra Ltd)

It is expected that we will adjust and amend these indicators in the next reporting period to reflect how our Environmental Charter is being implemented.



Cyril O'Riordan  
Environmental Action Team Management  
Team Representative

### ▲▼ EAT KPI No. 1: Group Waste Recycled

As a consequence of making 'One-Stop-Shop' waste management services available across the Group, EAT wanted to achieve high levels of waste recycling across Group and retail partners.

#### *Results versus Target:*

Our target was 50% recycling (by weight) in participating facilities in Year 1. Initial results in 2002 are very encouraging and we are so far consistently achieving recycling levels above our targets in those facilities participating (at present over 100 facilities).

#### *Comment:*

One of the purposes of putting the contracts in place was to achieve a more sustainable standard of waste management. Feedback to EAT from participating facilities has generally been very good.

### ▲▼ EAT KPI No. 2: Office Waste Recycling

To try and communicate "ownership" of environmental initiatives within group divisions, EAT sought to establish office paper recycling projects, initially in MSVC, Cork, Ireland.

#### *Results versus Target:*

Our target was 100% immediate access to recycling points for office staff in regard of paper recycling. This target proved difficult to measure effectively and has swung from 20-70%, with huge differences between departments.

#### *Comment:*

With changing of contracts for recycling taking place at MSVC, Cork, Ireland, as well as changing of paper collection methods, there has been a reluctance of staff to get involved unless they can see clearly that they are participating in a worthwhile cause. Data collection by the Waste Contractor in this regard will commence in Autumn 2002 and will be disclosed in the next reporting cycle.

### ▲▼ EAT KPI No. 3: Environment Action Team Meeting Attendance

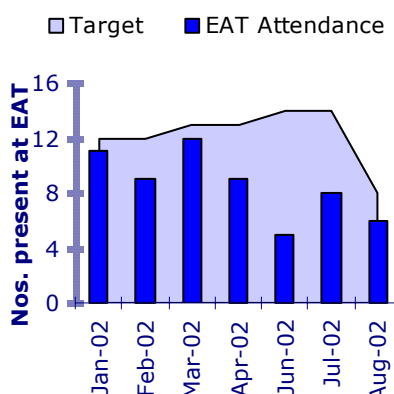
Monthly meetings of EAT should be attended by department representatives, to facilitate easy implementation of increasingly cross-functional activities.

#### *Results versus Target:*

Our target was 100% attendance. To date attendance levels have been *ca.* 79% in 2002. In January 2002, EAT members numbered 12, this rose to 13 in March, followed by a rise to 14 in June. Following the restructuring, the number of EAT members will be 8.

#### *Comment:*

Attendance has been disappointing, but not unexpected. It is felt that as many of our EAT members are involved in management of numerous business-critical projects, then our target is not achievable - even with the best will in the world. Our current restructuring of the EAT will however, retain this target, as environmental projects will also continue to be prioritised as business critical.



Key Performance Indicator:  
Environment Action Team Attendance  
2002

### ▲▼ EAT KPI No. 4: Participation in Environmental Training Programme

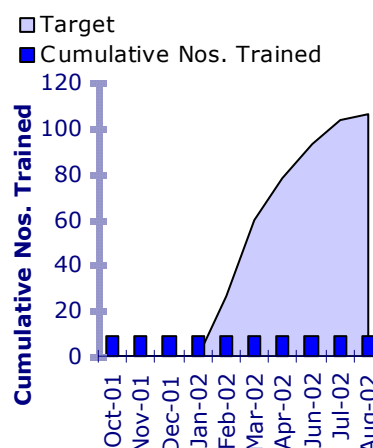
With the 'One-Stop-Shop' waste contracts being rolled out, it was envisaged that environmental management training should be simultaneously achieved in those retail stores on board.

#### *Results versus Target:*

Our target was that training be delivered to 100% of retailers participating in the waste contracts. Our achievements in this regard are very poor. Other than the initial 9 retailers trained in the pilot event in October 2001 we have not trained any further retailers so far in 2002.

#### *Comment:*

EAT acknowledge that our approach has been flawed to date. EAT did not retain the full responsibility for the sign-up for the courses, or maintain an adequate dialogue with retailers in this regard. Our Training Department, Sales Departments and EAT will liaise closely herewith to develop better environmental awareness across the Group, as well as for retailers, as a matter of urgency.



Key Performance Indicator:  
Cumulative Number of Retailers  
Participating in the Regional Waste  
Contracts who received Environmental  
Training since the launch of the course in  
October 2001

### ▲▼ EAT KPI No. 5: Availability of 'One-Stop-Shop' Waste Management Services

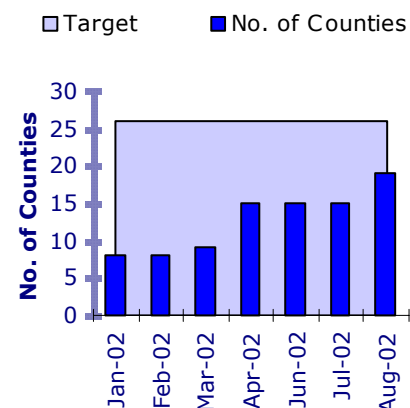
We have put long-term waste management contracts in place in a number of regions in the Republic of Ireland.

#### Results versus Target:

Our target was to make these contracts available to our facilities in 100% of the 26 Irish counties. To-date (August 2002), we have (or are finalising) contracts in 19 of the 26 counties in the Republic of Ireland.

#### Comment:

We are pleased with progress in this initiative, especially in regard of participant feedback and data. We are under pressure from facilities that cannot participate to-date to make these contracts available as soon as possible. We intend to deliver these services to all 26 counties in the Republic of Ireland and the 6 counties of Northern Ireland by mid 2003.



Key Performance Indicator:  
Availability of 'One-Stop-Shop' Waste Management Services 2002

### ▲▼ EAT KPI No. 6: Waste Contract Participation

Making the services available for waste management is one achievement, but we must also convince all independent retailers that they should participate.

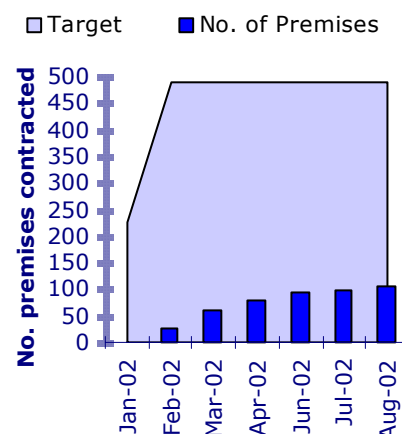
#### Results versus Target:

Our target is that 100% of facilities should participate as the services become available (where economically viable). The target of 100% will never be achievable, as some of our retailers will inevitably opt-out – we may address this target in our next KPI review.

Progress has been slow, but that is to be expected, logistically, for the rollout of what is a very different type of service. In August 2002, the service is available to ca. 400 of our 490 facilities in the Republic of Ireland, with just over 25% participation.

#### Comment:

This has been a measurement of concern to the EAT, largely due to the lack of control inherent in the task. Progress has been steady though, and it is clear that it will increase gradually.



Key Performance Indicator:  
Waste Contract Participation 2002

## The KPI Review Process

As part of the evolving growth and development of EAT, the review of the KPIs was intended to be undertaken regularly, and to reflect the projects being undertaken at the time by EAT.

As a consequence, the KPIs reported in this document heavily reflect progress on waste management. Our next review, in September 2002, is likely to remove or consolidate a number of these KPIs, and will add new KPIs to measure the effectiveness of other new and ongoing projects.

## Communicating Change



Musgrave Tea Vans, ca. 1960s

Changes are communicated regularly to all employees through a policy of line management and team briefings, with an annual Musgrave Group road show review.

There has been extensive communication of environmental issues to all relevant audiences, i.e.:

- ✧ Regular press releases are issued to media and copied to business associates on all environmental initiatives, and coverage has been received in all daily broadsheets and in the tabloid newspapers.
  - ✧ Environmental issues feature regularly at retailer meeting agendas.
  - ✧ Employee communication through bulletins on staff notice boards, articles in the Group newsletter and team brief sessions. The charter and our environmental and financial reports are also published on our website at [www.musgrave.ie](http://www.musgrave.ie).
  - ✧ Presentations have been given at local authorities forums, exhibitions, conferences, etc. (see page 24).
  - ✧ In late 2001 and early 2002 environmental notice boards were set up in MSVC Cork, Galway, and Dublin, to keep MSVC staff at these sites up to date on all environmental initiatives.
- 
- ◎ Target:  
To increase the points of communication for personnel at all Musgrave Group facilities
- 
- How?*  
Musgrave Group will establish staff notice boards at all facilities by mid-2003.
- 
- ◎ Target:  
Environment Section at [www.musgrave.ie](http://www.musgrave.ie) for access by stakeholders
- 
- 2001 Baseline* – Environmental Charter and Environmental Report 2001 available at [www.musgrave.ie](http://www.musgrave.ie)
- 2002 Target* – Environmental Conference Presentations and dedicated section for stakeholder enquiries on environmental initiatives to be accessible at [www.musgrave.ie](http://www.musgrave.ie)
-

## Environmental Presentations

Since the publication of last year's report, thirteen major environmental presentations have been conducted, reaching a total of ca. 3,813 individuals in the Republic of Ireland, as detailed below. Audiences have ranged from small SuperValu Councils to company-wide road shows by the Group Managing Director, whose annual company briefing this year, for the first time, contained a dedicated environmental theme.

High-profile local and national organisations, such as IBEC (Irish Business and Employers Confederation) and a number of Chambers of Commerce, have been most interested to learn of Musgrave Actions for the Environment. The Group's regional waste management contracts have been of particular interest this year.

Date	Presenter	Audience	Title of Presentation	Approx No. of Attendees
Aug 01	Liam O'Connor, EAT Chairman, Musgrave	SuperValu Council	EAT – Update to SuperValu Council Members	10
Jan 02	Liam O'Connor	Chamber of Commerce, Cork	MSVC Approach to Environmental Management	80
Mar 02	Liam O'Connor	Musgrave Store Design Team	Update on Environment	10
Mar 02	IPODEC Ireland Ltd	SuperValu National Conference	One-stop-shop Waste Management Contracts	309
Mar 02	IPODEC Ireland Ltd	Centra National Conference	One-stop-shop Waste Management Contracts	404
Apr 02	Joe Murphy, EAT Member, Musgrave	Centra Council	Update on Environment	10
Apr 02	Vip Patel, Patel Tonra Ltd.	Cork Regional Chambers of Commerce	Waste Management Strategy for Musgrave Group	100
May 02	Vip Patel, Patel Tonra Ltd.	IBEC National Conference	Waste Management Strategy for Musgrave Group	300
May 02	Various	Musgrave Suppliers and Staff	'Greening the Supply Chain'	120
Jun 02	Dr. Conor Tonra, Patel Tonra Ltd.	Kinsale Environmental Group	Musgrave Group: Implementing Change for Our Environment	40
Jun 02	Dr. Conor Tonra, Patel Tonra Ltd.	O'Connor SuperValu Group, Sligo	Waste Management Strategy for Musgrave Group	20
Jun 02	Seamus Scally, Group MD, Musgrave Group	Group Company Review	Environment Update	2,400
Jul 02	Liam O'Connor and Dr. Conor Tonra	SuperValu Regional Managers	Waste Management and Packaging Regulations	12
	TOTAL			3,813

Environmental Presentations made by or on behalf of Musgrave Group, 2001-2002



**Environmental Reporting Award**

Last year we entered our first Environmental Report in the ACCA (Association of Chartered Certified Accountants) Irish Environmental Reporting Awards (IERA) and were delighted to be awarded the 2001 Award for the Best Environmental Report, against 10 other entrants.

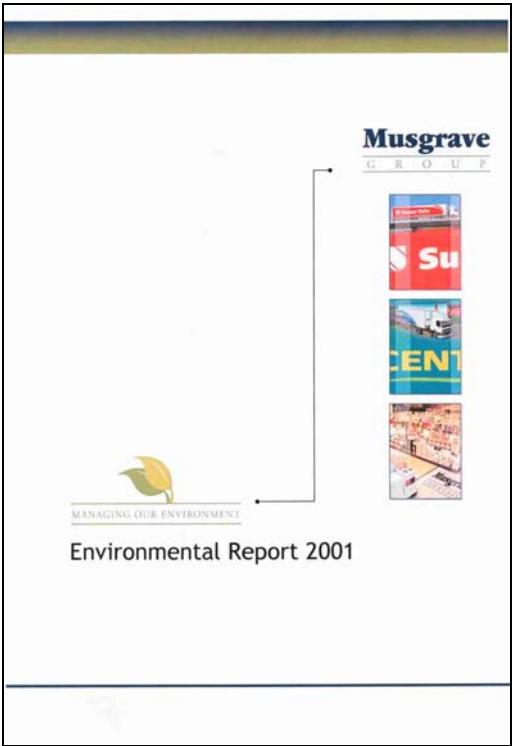


Mr Michael Nason (right), MSVC Managing Director accepts award on behalf of Musgrave Group for 2001 Best Environmental Report Award presented by Noel Treacy, Irish Minister for Enterprise, Trade and Employment December 2001

Musgrave were congratulated for producing an “excellent first report, which included an environmental charter, targets and commitments”.

The 2001 Musgrave Group Environmental Report represented Ireland in the European Environmental Reporting Award scheme, which aims to find, from the national winners, the best environmental report in the 15 member countries. We were not winners at the 2001 European Environmental Reporting Awards, but we are hopeful that this honour awaits our future reporting efforts!

The 2001 report is available to download from our website, [www.musgrave.ie](http://www.musgrave.ie).



Musgrave Group ACCA award-winning Environmental Report, 2001



Web Info

Ireland Environmental Reporting Awards Scheme...

<http://ireland.accaglobal.com>

## Environmental Training

As part of our Environmental Charter commitments, Musgrave Group recognised that our own business managers, as well as our retailers, required extensive training on the environmental management issues of relevance to their divisions. We commissioned the preparation of a bespoke training course and manual in 2001.

The environmental management training objectives are:

1. To aid Environmental Managers at the Musgrave Group to carry out their duties in regard of environmental management in an effective, efficient and responsible manner.
2. To understand the fundamental principles of the impact of the Musgrave Group business on the total environment.
3. To understand and be able to relate to the Musgrave Group Environmental Charter and Policy Principles.
4. To recognise the responsibilities of the Group and retailers in relation to the environment and to appreciate the potential benefits of proper environmental management.
5. To identify and be aware of good environmental practice at local operational level.
6. To comply with environmental legislation and to avoid potential environmental liabilities and prosecution.
7. To gain familiarity with the key elements contained in the Environmental Handbook.

## Environmental Handbook

The environmental training course is largely built around the contents of the specially designed environmental handbook, in combination with a series of interactive exercises to encourage group participation.

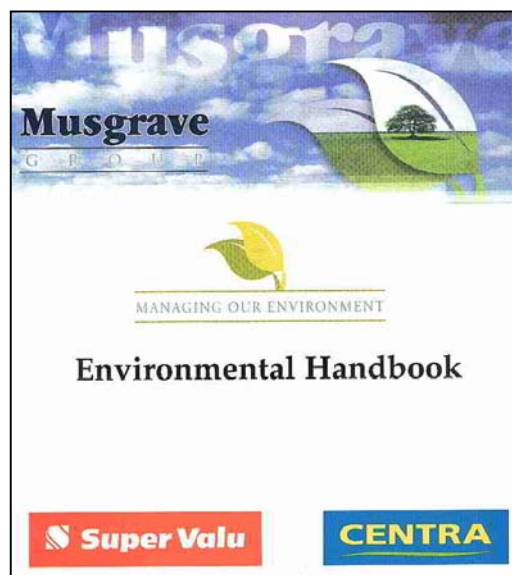
The Handbook has been designed for easy reference and in a modular format to allow easy update. As changes take place, new sections will be issued as required, to ensure that the information remains applicable and up-to-date.

The manual is divided into the following three sections: Waste, Operations and Local Environment.

The Waste section looks at issues such as waste prevention and recycling; waste storage, infrastructure and design of a waste room; handling of special and hazardous wastes and waste contractor issues.

Other key environmental components related to car park management, delivery scheduling, environmental risk management, energy conservation and environmental management training are dealt with in the Operations section.

In addition to its global effects, the impacts of Musgrave Group facilities on their local environment are discussed in the final part of this Handbook. Potential problems such as noise, odour, litter and traffic are considered and practical measures to avoid or mitigate such issues are addressed.



## Pilot Environmental Training Course

The Musgrave Group pilot Environmental Management Training Course was conducted on 24 October 2001. Three MC&C, four MSVC personnel, six SuperValu and three Centra retailers and store managers were trained.

Feedback from trainees of the pilot Environmental Management course was very positive:

- ✧ 94% rated the course content good/excellent
- ✧ 100% said their training objectives for the day were met
- ✧ 100% rated the instructors' presentations as good/excellent
- ✧ 93% of delegates said that the level of training was about right

20% of delegates felt the pace of teaching was too slow and 40% felt that the training day was too long. In an effort to overcome these issues, we have consolidated areas where possible and aim to reduce the duration of the course somewhat.

---

© Target:  
Environmental Training

---

*2001 Baseline* – 16 Musgrave Group personnel trained

*2002-2003 Target* – To train personnel from the following sections of Musgrave Group:

MSVC Office personnel	- 20
MSVC Retail partners (SuperValu 40; Centra 10)	- 50
MC&C Office Personnel	- 20
MSVC (NI)	- 20

It is expected that 25 personnel will be trained in 2002, with the remainder (of this target) in 2003.

---

### ☒ Update: Environmental Training

The one-day environmental training course is now officially included on the MSVC and MC&C training lists.

We had aimed to hold three training events in mid 2002. These were postponed following: (a) low bookings for the courses and (b) an EAT decision to take a different approach to the delivery of this training.

A survey of our Centra and SuperValu retailers conducted in June 2002 regarding training issues revealed that:

1. Of 160 Centra stores polled in the Republic of Ireland (51% of total), 54% expressed an immediate interest in Environmental Training, with a further 23% showing a possible interest.

2. Of 145 SuperValu stores polled in the Republic of Ireland (85% of total), 55% expressed an immediate interest in Environmental Training.

EAT understand that retailers do want to participate in this training, but that our approach in achieving retailer participation had not been proactive enough (see EAT KPIs), and had not taken into account retailers time availability. Our Training Department, Sales Departments and EAT will liaise closely from now on to develop better environmental awareness across Group, as well as for retailers, as a matter of urgency.

## Public Attitude Survey

"Musgrave Group are aware that consumers are provided with a barrage of conflicting claims on environmental issues and thus, we are committed to providing our consumers with information about products that will allow them to make informed choices" – Musgrave Group Environmental Charter, 2000.

As part of our commitment to retail partners and consumers, a public attitude survey was conducted in 2002 to understand the role and importance of environmental issues in grocery retailing from a consumer and retailer perspective in the Republic of Ireland.

## Survey Methodology

Seven consumer groups covering a broad age spectrum and shopper profile as well as six independent retailers were interviewed for this study, to provide qualitative results regarding attitudes to the environment. Groups were geographically split between Dublin, Cork and Galway, with rural and urban shoppers being represented as proportionally as was practicable.

In an effort to address those issues that were important to consumers we have identified the following priority results from our survey:

- ✧ Consumers defined what the environment means to them as: pollution, physical living environment, personal health, ecosystems and financial costs.
- ✧ Consumers identified Irish Government legislation and campaigning as a key driver in their newly acquired interest in the environment via the environmental levy on plastic bags and new waste segregation facilities/polluter pays principles.
- ✧ Consumers were concerned with the realities of traceability, sourcing of produce within Ireland, benefits associated with organic foods, disadvantages of genetically modified

foods, and issues regarding ethics and child labour.

There is a growing awareness and appreciation of environmental issues among retailers and consumers. Most consumers and retailers believe that continual reinforcement and education is crucial from government in order to raise the profile of environmental issues and change consumer behaviour.

MSVC is committed to ensuring consumer trust in their retailers and will work with retail partners to provide the information to the consumer that will assure this bond is not broken. In the past 2 years, Centra and SuperValu have circulated the Irish Government's 'It's Easy to Make a Difference' leaflets and shelf-talkers. We can now use our new awareness of consumer knowledge to enhance this campaign as well as our own corporate commitments to the consumer and environment.

---

© Target:  
Consumers 'Right to Know'

---

*2001-2002 Baseline* – completion of consumer group and retailer interviews in Cork, Dublin and Galway.

*2003-2005 Target* - to undertake a number of consumer-focussed communication projects, based on 'sustainable shopping' and 'consumers' right-to-know' campaigns.

---



Web Info

Irish Government's 'It's Easy to Make a Difference' campaign...

[www.10steps.ie](http://www.10steps.ie)

## Social

---



2001 was a year to celebrate for Musgrave Group – it marked the 125<sup>th</sup> anniversary of the founding of the business by brothers Thomas and Stuart Musgrave. Over the past century and a quarter, a small family-owned business has developed into a major Irish and international company. To mark the occasion, Musgrave Group commissioned and published a book entitled 'A History of Musgrave – the First 125 Years', tracing the growth of Musgrave Group from a small shop on Cork's North Main Street to its present standing in the marketplace and tells the story of some of the people who have helped carve its successful course.

### What our Stakeholders mean to us

Every successful and sustainable business reflects the views of the multitude of stakeholders to the enterprise. Musgrave Group is no different in this regard. We pride ourselves in including the views and concerns of our stakeholders as an inherent part of our decision-making processes. It is our intention that we will develop a more systematic approach to the identification of views and engagement with our stakeholders, in line with our reporting commitments.

Our stakeholders typically include SuperValu and Centra retailers (generally referred to as Musgrave 'customers'), consumers, i.e. the shoppers in SuperValu and Centra stores, our suppliers, employees and the local and national communities in which we operate.

Due to the vast geographical spread of our retail outlets, we can say that we have an impact on, and interact with, numerous communities throughout Ireland, offering quality shopping options in urban, suburban and rural settings.

### Meeting Consumer Needs

Our major contribution to society in Ireland has been to provide rural communities with an option to shop well and competitively locally, through our independent retailers.

Local ownership of stores means creating local employment, using local services and re-investing directly into the business. Services such as free home delivery and telephone ordering, first introduced in Ireland by SuperValu, ensure shopping facilities are accessible to everyone locally.

Finding out our customers' needs and their attitudes towards us are an important focus for our business.



## Commitment to Our Staff

The company believes that highly motivated employees are essential if it is to maximise future growth. We are aware of the difference that a friendly sales person in our stores can make to our customers. By the same token, we like to treat our staff with the respect that they deserve for a job well done.

### Equal Opportunities for All

An equal opportunities policy exists within all Musgrave Group divisions. MSVC has non-discriminatory procedures in place for recruitment & selection, pay/remuneration and conditions of employment. No discrimination or harassment due to gender, marital status, family status, sexual orientation, age, disability, race, religion or membership of the traveller community can take place in conditions of employment.

We do not as a rule employ people under the age of 18 in our warehouses. Many of our retailers do employ persons under the age of 18, but in strict accordance with the conditions of the Irish Protection of Young Persons (Employment) Act, 1996.

### Staff Training

Employee training is a long-established philosophy within Musgrave Group, aimed at improving operational performance and output, whilst at the same time, developing job and life skills for our employees.

MSVC has developed more than 35 different programmes tailored specifically to meet the needs of independent retailers.

The average number of training hours per MSVC employee in 2001 was 23.7 (263 people trained, 6244.5 hrs of training).

We predict that the figure for 2002 will be higher but will not be available until year-end. At MSVC (NI), there were 165 days formal training overall.

It is the policy of MSVC and MC&C to aid self-development by providing encouragement and financial assistance to employees who voluntarily enrol in and successfully complete approved part-time courses of study in educational institutions.

### Extending Employee Benefits

In all cases, Musgrave Group complies with statutory staff employment benefits and indeed in most areas we offer our staff significantly greater benefits than those required by law. We see it as 'giving something back'.

#### *Health Care*

MSVC and MC&C offer a group scheme discount with VHI (in the Republic of Ireland) or BUPA (in Northern Ireland).

#### *Maternity/Paternity*

We give statutory Maternity rights; we also give holidays for unpaid Maternity Leave. We give 3 days paid Paternity Leave for new fathers in the Republic of Ireland - this is not a statutory entitlement.

#### *Pension Scheme*

We operate both contributory and non-contributory pension schemes.

#### *Sick Pay*

We have a generous Sick Pay Scheme and also offer a Health Scheme.

## Offering a Safe Place of Work

Musgrave Group divisions have individual Safety, Health & Welfare policies in place. Our ultimate goal is to eliminate or minimise all unsafe conditions or hazards within our places of work.

We have dedicated safety officers in each of our MSVC and MC&C facilities.

We have collected data on 'serious' and 'minor' incidents at our facilities, as presented below. We have defined a 'serious incident' as one which requires the employee to leave the premises for treatment and results in him/her missing more than three days from work as a result of an accident at work. A 'minor incident' is deemed to have occurred when the injured person must leave the premises to receive further medical treatment/rest etc. and the amount of time lost by the injured employee amounts to three days or less.

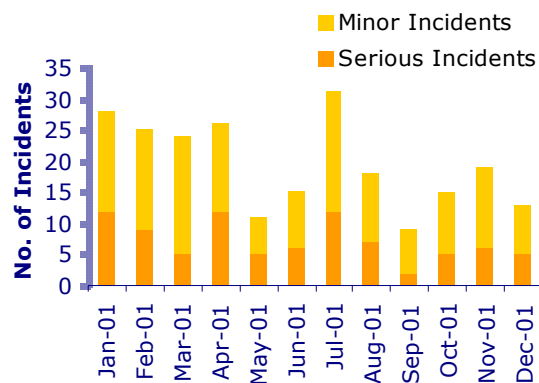
86 serious and 148 minor incidents were recorded at MSVC in 2001 (see below). In addition, a total of 61 accidents and incidents were recorded at MC&C facilities in 2001.



## Environmental Newsletter

Our first Group Environmental Newsletter was published in February 2002. The two-page document was distributed to our retailers and was a summary of a number of Group Actions for the Environment.

The newsletter reminded our retail partners of a number of environmental initiatives, including the Environmental Charter, the 'One-Stop-Shop' Waste Management Contracts, Environmental Training and the Plastic Bag Levy.



Incidents at MSVC, 2001

## Improving Management at Musgrave

In 2001/2002 MSVC launched our Management Development Programme entitled "Managing for Success". The programme is a phased approach to management training and on successful completion of an assignment and full participation on the course, candidates will receive a certificate or diploma in management, as appropriate to that level.

An appraisal scheme at management level was introduced in MC&C in 2002.

MSVC (RoI) has been a member of the European Foundation for Quality Management (EFQM) since 2000.



The EFQM mission is to help create strong European

organisations that practise the principles of Total Quality Management (TQM) in the way they do business and in their relationships with their employees, shareholders, customers and communities in which they operate.

In 2001, we scored 450 points out of a total of 900 and are aiming for a score of 500 points with our 2002 report. 650 points merits a 'gold' standard, which we are aiming towards by 2006.

## Involving All Employees

Communicating with our direct employees and retailers is an important component of effective management for the Group. Further to this, several lines of communication are well established.

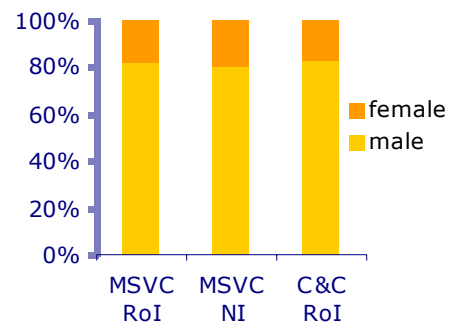
### Trade Union Representation

It is our policy to give all operations and clerical employees the choice of union membership, offering them a voice for collective bargaining and representation to Group management. Staff can be represented by one officially recognised

union only. There are 908 employees (73%) represented by a union in MSVC in the Republic of Ireland. In MC&C (RoI), 286 or 33% of our employees are represented by a trade union. In Northern Ireland, our MSVC employees are not currently represented by a trade union because our warehouse and transport staff, who were previously unionised, have now been transferred to an outsourced logistics company.

### Female to Male Ratio in Management

Each of the Musgrave Group divisions retains equal opportunities as a core policy. As Group policy, all job promotions are merit-based. We have a high-level succession-planning team – to date more than 50% of our identified future managers are female. The female to male ratio in senior management at MSVC in the Republic and Northern Ireland and MC&C in RoI is shown below. We have not had any legal challenges to our career promotions in 2000/2001.



Male:Female in Senior Management, 2001

We have not had cause, to date, to formulate a policy on equal opportunities for all ethnic groups. In Northern Ireland, we are obliged to report on religious equal opportunities, which we have done in 2000/2001.



## Giving to Our Communities

As one of the fifteen largest corporations in Ireland, Musgrave Group has a strong social responsibility to the communities in which it operates, a commitment which it takes seriously and strives to fulfil in a fair and benevolent manner.

The Group as a whole sets aside a dedicated sum each year for charitable donations and sponsorships. Current Musgrave Group guideline level of expenditure on charitable donations is 1% of pre-tax profits. This target was not met in 2000/2001. We have a Donations Committee chaired by Seamus Scally, Group Managing Director.

One such charity is Our Lady's Children's Hospital in Dublin. Musgrave has raised in excess of €250,000 in the last 4 years for the hospital through sponsorship of The Musgrave-Crumlin Children's Club Challenge golf competition.

We run a 'Junior Achievement' programme, which gives young people the opportunity to gain personal experience of how a business works and an understanding of entrepreneurship.

In addition to Group donations, the Group Divisions, e.g. MSVC, MC&C, each have their own sponsorship budgets also.

### Introduction of the Euro

Retailers helped to educate consumers in currency exchange when Euro notes and coins were introduced in January 2002.

In preparation, we produced a training video for stores, at a cost of €12,700, and invested €88,900 on a series of retailer seminars on consumer awareness and other issues related to Euro changeover.

### Centra Road Safety Campaign

Centra continued its children's road safety campaign in 2001 to raise awareness of safety issues among primary school children, with the ultimate objective of reducing the numbers of children injured or killed in road accidents.

Centra received the National Award in the 2002 National Safety Council Endeavour Awards earlier this year for the Group's work in promoting road safety.

### SuperValu 'Tidy Towns'

SuperValu's (Republic of Ireland) main sponsorship is the Tidy Town competition, which we have sponsored since 1992. The competition, which has been running for almost 50 years, is designed to improve environmental management in both urban and rural centres and to promote a cleaner environment. The competition attracts more than 700 communities annually, earning the involvement of voluntary committees and thousands of associated volunteers throughout the country.

### Cancer Unit Sponsorship, SuperValu, Northern Ireland

SuperValu in Northern Ireland entered into a 3-year agreement to sponsor Action Cancer Mobile Detection Unit in 2001. The unit travels around Northern Ireland providing advice and a screening service.

### Other Musgrave Group Sponsorships & Charities

Our other MSVC annual charity and sponsorship donations include:

- ✧ The Irish Grocers' Benevolent Fund
- ✧ The Crumlin Hospital for Sick Children, Dublin, Ireland
- ✧ St Fin Barre's Cathedral Restoration, Cork, Ireland
- ✧ IBEC Schools programmes – practical business studies for transition year students in Cork, Ireland

# Places



Musgrave Group is committed to supporting and developing independent retail businesses serving local communities - it is our business after all. But it is more than our business - we have seen internationally the negative effects of the development of 'out-of-town' superstores on urban and indeed, rural communities.

We have successfully lobbied the Irish Government to 'cap' the size of new grocery retail development at 3000 square metres, which has been a respite for all independent retailing businesses competing with the international conglomerates.

Our Irish retailers stores are situated in each one of Ireland's thirty-two counties (Republic of Ireland and Northern Ireland) - basically, there's a SuperValu or Centra in every community of significant size in Ireland.

Our ethos of community service provision does not stop at grocery retailing. Apart from national sponsorships, Musgrave Group actively encourages its customers to participate in and extend financial support to local events, projects and initiatives, and we encourage our retailers to do likewise.

Musgrave Groups own nearly 130,000 square metres of distribution, cash and carry, and foodservices facilities, spread across the island of Ireland, serving our customers, ranging from our franchise retailers to other independent retailers, pubs, restaurants, hotels and office-based businesses. Our businesses in Spain and the UK serve a similar range of clientele.

In this section, we address the effects our business has on places - arising from the distribution of groceries to our customers. We have tried to assess the impacts of our transport fleet, the wastes arising from our business and the buildings we do our work in and from, with a triple bottom line perspective in mind. We have been particularly eager to reduce the volumes of waste associated with, as well as the energy used to 'fuel' our business in the future - our progress so far is indicative of this focus.



Location of SuperValu and Centra Stores, December 2001

# Economic

## Buildings

Our retail, wholesale and distribution facilities are the lifeblood of our operations. Real estate is therefore an important measure of our company’s growth and prevalence in the marketplace.

### MSVC

MSVC operate three distribution centres in the Republic of Ireland and one in Northern Ireland. They are located at Tramore Road in Cork, Fonthill in Dublin, Tuam Road in Galway and Mallusk in Belfast.

The total floor area of these premises in the Republic of Ireland is 41,806 square metres, and in Northern Ireland, ca. 17,650 square metres.

### MC&C

There are four MC&C premises in Dublin (including one Foodservices facility). We also operate Cash & Carry outlets in Cork, Galway, Limerick, Waterford, Belfast, Derry, and Donegal (Musgrave Foodservices). The total floor area of MC&C premises in Ireland is 70,328 square metres.

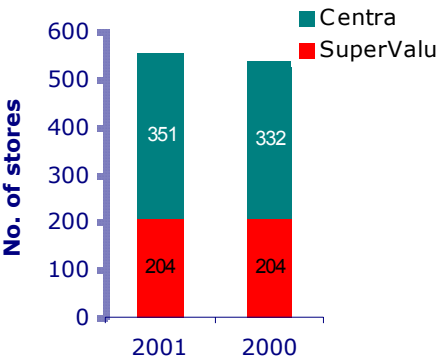
### SuperValu and Centra Stores

At the end of December 2001, we had 204 SuperValu and 351 Centra stores throughout the Republic of Ireland and Northern Ireland.

The number of SuperValu stores remained unchanged from 2000, and 19 new Centra stores were opened during 2001.

The total floor area of our SuperValu and Centra stores in December 2001 was ca. 244,734 square metres.

We operate 88 World of Wonder/SuperToys, 234 Budgens, 23 Dialprix, 7 Spanish SuperValu, and 14 Spanish Cash & Carry premises.



Number of SuperValu and Centra Stores, 2001, 2000

	Area (m <sup>2</sup> )
SuperValu	70,930
Centra	173,804
TOTAL	244,734

Area of SuperValu and Centra Stores, Dec 2001

## Transport

MSVC manages a transport fleet of 140 tractor units and 270 trailers in the Republic of Ireland. In Northern Ireland, MSVC manages 14 tractor units, through its contracted logistics management company, Wincanton.

MC&C distribution operations are carried out by, in the majority of cases, owner-driven transportation, statistics for which are therefore not available and are excluded from this report.

In 2001 our fleet vehicles travelled 13.5 million kilometres around the length and breadth of Ireland. This is an increase of over 4 million kilometres since 2000, indicative of an increase in business activity.

Over 50% of the distribution kilometres travelled were associated with our distribution centre in Cork, the focus of our operational activity.

We collated data for company car use in kilometres from MSVC (RoI) and MC&C (RoI). The data were 3.2 and 1.9 million kilometres travelled respectively for 2001, totalling 5.1 million kilometres for company cars in the Group's Republic of Ireland divisions.

	Million kms travelled (rounded)	
	2001	2000
Cork (Chill)	3.2	] 6.3
Cork (Ambient)	3.8	
Dublin	3.6	1.2
Galway	1.5	1.1
Belfast	1.4	0.7
<b>TOTAL</b>	<b>13.5</b>	<b>9.4</b>

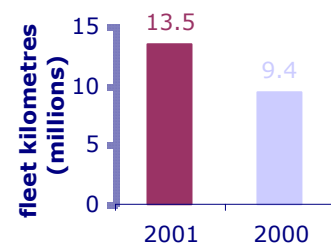
Breakdown of Fleet Kilometres by Area  
2001, 2000

## Transport Fuel Use

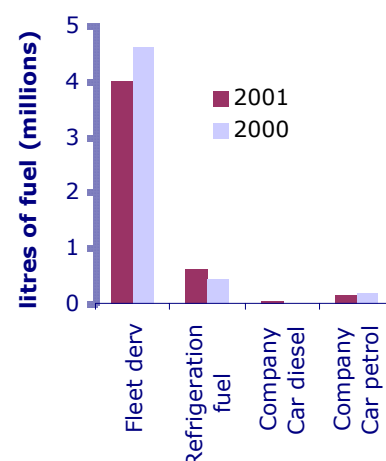
For last year's environmental report, we collected data on fuel use only from MSVC in the Republic of Ireland. 2001 and 2000 data are compared. We have not significantly increased our fuel consumption in 2001 compared to 2000 – in fact our fuel efficiency has increased.

In 2001, we collected data on fuel consumption from the following sources:

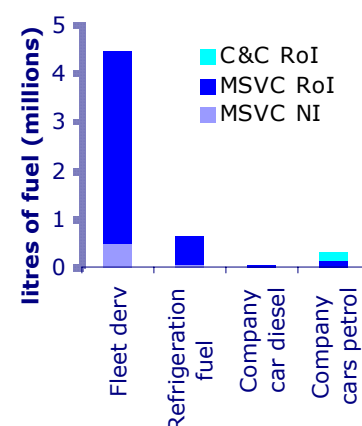
- ✧ MSVC RoI and MSVC NI (fleet and company car fuel consumption)
- ✧ MC&C RoI (company cars only, as fleet vehicles are owner-driven)



Fleet kilometres travelled, 2001, 2000



MSVC (RoI) Fuel Use, 2001, 2000



Musgrave Group Fuel Use, 2001





### Electricity and Heating Fuel Consumption

National Grid electricity is used at all of our facilities, with natural gas or oil acting as heating fuel sources.

In this section we have collated energy usage from all of our MSVC and MC&C premises in both the Republic of Ireland and Northern Ireland. The total electricity use at MSVC (RoI and NI) in 2001 was 9,227,150 kilowatt hours (kWh) and at MC&C (RoI) was 10,637,660 kWh, totalling 19.9 gigawatt hours (GWh) or 19.9 million kWh.

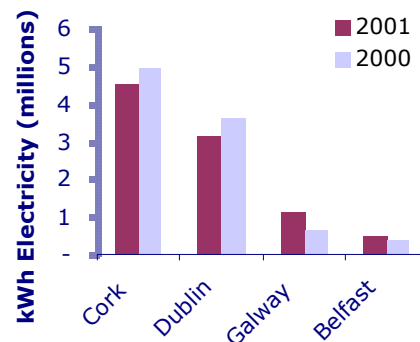
The graph compares electricity use at MSVC in 2001 and 2000; energy efficiency measures undertaken at our Cork and Dublin warehouses have resulted in significant energy savings – overall we have used less energy in the business in 2001, compared to 2000, though our business throughput has increased by over 10% in that period.

Total natural gas combustion for heating fuel for MSVC and MC&C in 2001 was 3.6 GWh. In 2000 we obtained data for MSVC only, which used 2.4 GWh of natural gas.

We were unable to collate data for oil combustion at the remainder of our facilities. We will aim to rectify this for our next reporting period.

We have examined a sample of SuperValu and Centra stores for electricity usage and

compared this against industry norms. This data is contained on page 40.



Electricity use at MSVC, 2001 and 2000

#### © Target:

In line with our greenhouse gas (GHG) emissions reductions, we will put in place a comprehensive data collection system for energy consumption and fuel use.

**Baseline 2002** – We have extended the number of businesses dealt with in terms of energy use

**Target 2003** – We will report on all aspects of energy use in our business, as part of an efficiency management programme, in conjunction with our corporate GHG Emissions Management Strategy.

## Environmental

---

We currently seek to operate to recognised standards of best practice for all building, construction work and new installations. This means for example that all paint used on refrigerator equipment is lead free, all installations are CFC free, and fans are fitted with speed controls to conserve energy. None of our stores are located in areas which are designated as being of special environmental and/or ecological interest.

### Energy

Energy efficiency is key for our business. Energy consumption is vital to the operation of our distribution centres and stores, but is a major economic and environmental cost, and is regarded as a contributor towards climate change and deterioration of air quality. We have long recognised that consumption of energy in our business is an area which we must address as a priority.

We have no energy-generating capacity within the Group and, with fossil fuels being the predominant energy source of fuel inputs for electricity production in Ireland, our electricity consumption is contributing towards fossil fuel depletion and 'greenhouse gas' production. We need to assess the feasibility of utilising renewable energy, which is not available to our sector presently.

Musgrave Group is keen to identify energy efficiency measures we can take to reduce consumption during our operations. For us, this includes measures like energy-efficient lighting, vehicles, refrigeration units and I.T. equipment, all of which are targeted for energy-efficient purchasing.

### Greenhouse Gases and Refrigerants

Musgrave Group is keenly aware that substantial greenhouse gas reduction measures are necessary for Ireland, UK and Spain to meet their obligations under the Kyoto protocol, and that we as a Group must contribute towards this reduction.

We acknowledge that the use of refrigerants, which is widespread (and necessary) in our business, does have potentially negative effects on our environment. In line with the Montreal Protocol, we have been phasing chlorofluorocarbons (CFCs) out of our business for several years. In our distribution warehouses, we use ammonium as the primary refrigerant and have eliminated chlorinated- and fluorinated-refrigerants completely. In our Cash & Carry facilities and our retailers' premises, we have replaced CFC systems methodically with hydrofluoro-carbon (HFC) systems.

The impacts of refrigerants on our environment are measured worldwide in terms of Ozone Depletion Potential (ODP) and Global Warming Potential (GWP). Our replacement refrigerants for CFCs - HFCs and Ammonium - both have lower ODP and GWP values than their previous equivalents. We have not been able to estimate, for the purposes of this report, the emissions to atmosphere of these materials during the reporting period - we can say that these releases occur only during maintenance of our systems, and are a very small fraction of the total volumes of refrigerants we use annually. We will be legally obliged to reduce this fraction of emissions significantly in the future, and we will do so. Musgrave Group is committed to the use of the most effective environmentally responsible refrigerants in our business, and we will continue to research and test alternative refrigerant systems into the future.

## Measuring Our Carbon Dioxide Emissions

The Global Reporting Initiative Energy Consumption Protocol (2002) was consulted for forming energy consumption indicators. As some aspects of these guidelines have not yet been fully developed, we have used the Greenhouse Gas Protocol Initiative for calculating carbon dioxide emissions, as recommended by GRI. The Greenhouse Gas Protocol Initiative (GHG) is an energy accounting methodology used by the International Energy Agency.

The emissions of different greenhouse gases (GHGs) are calculated separately and converted to carbon dioxide (CO<sub>2</sub>) equivalents on the basis of their global warming potential.

The direct sources of GHGs as part of Musgrave Group operations are consumption of oil or natural gas as a heating fuel and petrol or diesel consumption used in transportation, i.e. they are direct emissions produced within the organisational boundary of Musgrave. Indirect sources of GHGs account for the import of electricity for use within the Musgrave Group.

Our CO<sub>2</sub> emissions are summarised in the following table:

Source	Total CO <sub>2</sub> emissions (metric tonnes)
Road Transport <sup>(i)</sup>	14,887
Natural Gas Heating Fuel <sup>(ii)</sup>	726
Electricity <sup>(iii)</sup>	14,745
<b>TOTAL</b>	<b>30,358</b>

Group Carbon Dioxide Emissions, 2001

<sup>(i)</sup> Includes MSVC RoI and NI fleet and

MSVC RoI, NI and MC&C RoI company cars

<sup>(ii)</sup> Includes 2 MSVC distribution centres and 3 MC&C facilities

<sup>(iii)</sup> Includes MSVC RoI and NI and MC&C RoI

As part of our buildings programme, we have begun to initiate some benchmarking on behalf of our retailers in regard of their in-store energy use. A sample of the range of energy utilisation occurring is given below:

	Area - m <sup>2</sup>	Annual electrical energy use - kWh/m <sup>2</sup>
SuperValu 1	1,115	740
SuperValu 2	465	1,246
Centra 1	330	3,814
Centra 2	604	793

Electricity Use as a Function of Store Size

When we compare these energy indicators to the UK Government Environmental Technology and Energy Efficiency Best Practice Programme (EEBPP) benchmarks, we can see that we have a considerable amount of work to do in making our retailers stores energy efficient in the years to come.

	Annual electrical energy use -	
	Good Practice kWh/m <sup>2</sup>	Typical Practice kWh/m <sup>2</sup>
Small Food Store	396	494
Supermarket	663	911

EEBPP Benchmarks on Electricity Use in Retail Stores



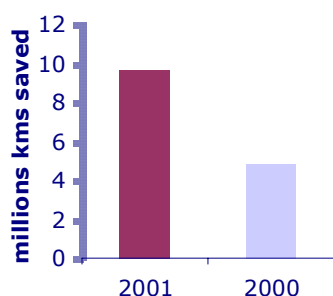
# Reducing the Environmental Impact of Our Transport Fleet

## Backhauling

'Backhauling' is the process of using our trucks, which have been emptied after deliveries, to collect produce from our suppliers on the return trips to our distribution centres. It avoids repeat or replica journeys by our suppliers' fleet, dispatching goods to our warehouses.

Backhauling allows us to increase the efficiency of our fleet, resulting in maximum revenue return, less trucks on the road, and therefore fewer emissions.

We have greatly increased the number of kilometres saved by backhauling produce in our Chill department in 2001, and overall there was an increase of ca. 5 million kilometres backhauled, as indicated below.



Kilometres 'saved' by Backhauling  
2001 and 2000

## Driver Training

Regular driver training includes instructions to drivers on how to reduce fuel consumption and increase safety.

85 drivers were trained in June 2002. Initial indications are of a 0.3 to 0.5 miles per gallon improvement in performance. Fleet miles per gallon overall has improved by 0.2 to 0.5 miles per gallon over the last 12 months.

## Euro 3 Fleet Regulations

All our trucks comply with Euro 3 emissions regulations and use ultra-low sulphur fuel.

Also, MSVC has pioneered the use of a voltage protection system for use in all new tractor units, which reduces the electrical demand generated by tail lift operation.

## ☒ Transport Updates

### Green Transport

In 2002 we began our commitment to encourage our office-based staff to use more sustainable transport, especially to and from work, by finding out exactly what their situation is at the moment; how they get to work, good practice and bad practice. Moreover, we wanted to find out what they would like to see happening with regard to 'green' alternatives. The results of the survey are included on page 47.

### Replacement of Trucks

We replaced 7 trucks in 2001. 37 are due to be replaced in 2002 and an additional 42 in 2003.

Last year we considered using liquid petroleum gas (LPG) for our delivery trucks. Since that time, Musgrave Group has done some research into the feasibility of this. We have concluded that the time is not right for LPG vehicles. Independent research has shown that there are operational concerns which precludes us from investing in this technology in the short-term.

### Dual-fuel Company Car

The Toyota Prius - a hybrid car (petrol/electricity) - has been available on our company car list since 2000. In 2001-2002 there was still no uptake of the vehicle amongst staff.

There has been an increased uptake of diesel cars, as opposed to petrol. This has advantages and disadvantages for the environment. It is generally regarded that particulate emissions are greater from diesel engines. On the other hand, according to technical analyses, fuel economy and consequently emissions of CO<sub>2</sub> from diesel vehicles are 10-15% lower than in the case of equivalent petrol vehicles.

## Waste Management

Waste management is receiving intense media attention in Ireland of late. The countryside has been subjected to years of illegal dumping and operation of unauthorised waste contractors. On a regular basis, further revelations of illegal activity have been disclosed and legal charges, at last, are being brought to bear on the instigators.

So how do we face the challenge of an ever-increasing volume of waste, in a country where landfill acts as the major disposal route for almost 88% of waste generated? Musgrave Group recognises that Ireland's waste management infrastructure is lagging behind that of the rest of Europe and does not meet the requirements of a developed economy.

We recognise that there will always be residual wastes in our waste stream, irrespective of the success of any recycling/reduction/reuse initiatives and that this residual waste cannot be ignored. For this reason, we are not opposed to the generation of residual waste treatment capacity in Ireland. Our Environmental Charter clearly states that we are committed to diversion from landfill; energy-from-waste has been shown to be a reasonable alternative, with the added benefit (for all) of renewable energy for our national grid.

Our major aim at the present time is to bring all of our operations and retail partners up to an acceptable and legitimate level of waste management, including the associated target levels for recycling. We estimate that Musgrave Group generated ca. 33,000 tons of waste in 2001. Our first step in rationalising and consolidating the management of wastes in our business and in combating bad practice which has previously been widespread throughout the business was to launch our regional 'One-Stop-Shop' waste management contract strategy.

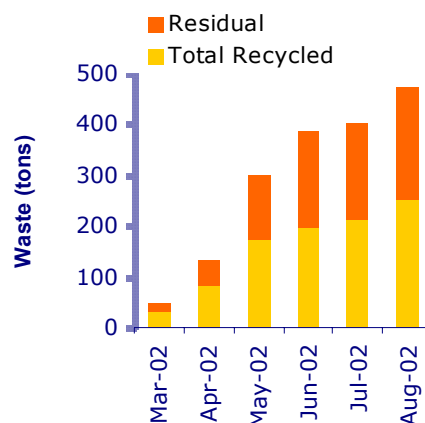
Musgrave Group has made the 'One-Stop-Shop' contracts available to retailers; however, we are disappointed that uptake has not been greater considering the financial as well as the environmental

benefits. We therefore commit to communicate these benefits more clearly and to encourage retailer participation.

### Regional Waste Management Contracts

Currently, regional 'one-stop-shop' waste management contracts have been signed by Musgrave Group with two waste contractors - IPODEC (Irl.) Ltd. and AES Ltd. These contracts have been established to cover 19 counties in the Republic of Ireland. The Southern region 'one-stop-shop' waste management contract commenced in February 2002. We are currently negotiating an additional region to the initial contract. The Midlands region contract with AES Ltd. is due to commence in September 2002, subject to contract.

To date over 100 facilities have signed up for the regional waste contracts. This contract is providing many benefits including economies of scale, recyclability, waste minimisation, proper legal disposal and professional waste and contract management. The tangibility of these benefits can be seen from our waste statistics.



Tonnes of Waste Collected and Recycled in our First Regional Contract from March to August 2002

Month	Waste produced (tonnes)				Total waste produced (tonnes)	Total waste recycled (tonnes)	Total waste disposed (tonnes)	% Recycled	No. Facilities Served
	Cardboard	Plastic	Newspaper	Residual					
Mar-02	22	1	9	15	48	33	15	69%	26
Apr-02	71	11	2	50	133	83	50	63%	52
May-02	140	20	14	127	300	173	127	58%	67
Jun-02	163	18	16	189	385	196	189	51%	76
Jul-02	177	17	17	189	400	211	189	53%	81
Aug-02	206	20	24	222	473	251	222	53%	96
<b>Totals</b>	<b>779</b>	<b>87</b>	<b>82</b>	<b>791</b>	<b>1739</b>	<b>948</b>	<b>791</b>		

Monthly Tonnage Data Since Southern Region 'One-Stop-Shop' Waste Management Contract Began

### 'One-Stop-Shop'

Our waste management 'One-Stop-Shop' contracts provide a waste management service for cardboard, plastic, newspaper, waste oil and residual waste. This service can also provide the necessary waste handling equipment for individual retail outlets. Via our waste management 'One-Stop-Shop' recycling (guaranteed regardless of market conditions) and landfilling (guaranteed legal landfill disposal) of waste leads to increased recycling in conjunction with diversion of waste from landfill. A central billing facility through MSVC and a helpdesk for retail partners where all queries can be answered have also been provided, as part of the contracts.

#### Contract Benefits

On signing up to the 'One-Stop-Shop' contract, retailers are:

- ❖ Trained on-site with respect to waste segregation
- ❖ Sent periodic reminders of waste collections available
- ❖ Provided with a helpdesk number so that queries can be answered and dealt with immediately
- ❖ Provided with periodic waste management reports

#### Waste Case Study:

**Kearney's Centra, Coburg St., Cork**



Prior to joining the new 'One-Stop-Shop' waste contract, Kearney's Centra, Coburg Street Cork, had two waste collections: for cardboard and wet waste. Since joining the IPODEC (Irl.) Ltd. contract, recycling programmes for cardboard, plastic, newspaper and office paper (all landfilled until Feb 2002) have been put in place. Costs are now 48% of those previously incurred. In total, IPODEC (Irl.) Ltd. has collected and recycled an average of 513kg cardboard, 73kg plastic, 240kg newspaper and office paper from this store and landfilled the remaining ca. 380kg wet waste per month since the contract began, thereby achieving a recycling rate of 49%.

## Recycling

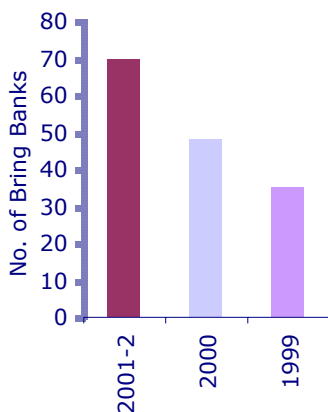
In conjunction with efforts to establish a 'One-Stop-Shop' waste management contract, several efforts were undertaken in 2001/2002 to improve staff involvement in recycling initiatives.

### (1) Office Clearout Day, MSVC (Cork) – October 2001

The aim of this exercise was to clear out old files and office equipment that were surplus to requirements and taking up valuable space in the offices at MSVC. For all the old files, paperwork, furniture, electronic equipment, videos, and cassette tapes that were disposed of, 100% of this waste was sent for recycling (7.13 tonnes), some stationery items were reused.

### (2) Bring Banks

Our Environmental Charter commitment to increase the numbers of bring facilities on our retailers' premises have been shown by the steady yearly increases in numbers, over the past three years.



Bring Banks at SuperValu/Centra Premises in Republic of Ireland

We feel that the provision of Bring Banks at our premises provides our consumers with the opportunity to recycle their household wastes at a convenient location, whilst

furthering our own aims of increasing and encouraging nationwide recycling levels. This initiative is not solely the responsibility of Musgrave Group or our Retailers, however we feel that we compliment Government Policy on recycling in the Republic of Ireland. Currently, 5% of Centra and 32% of SuperValu retail outlets have Bring Bank recycling facilities on-site.

#### ◎ Target:

To increase the number of recycling banks at our stores

*Baseline 2001/2 – 70 bring banks in operation at our facilities*

*Target 2002-04 – We are limited by space constraints in making large increases in the numbers of bring banks at retail facilities, but we will continue to try to increase these numbers by liaising with local authorities and directly with recycling contractors, where necessary.*

### (3) Tyre Recycling

Driving 13.5 million kilometres per year takes its toll on our tyre usage! Tyre rotation is part of our maintenance practice, thereby maximising usage of the tyres. 30% of our tyres are re-grooved and reused immediately, which represents significantly better resource use, valued at approximately €45,000 to the company and extending the safe useful life of the tyre by 40%. (We have estimated 30% of tyres re-grooved and reused, based on reduced purchases since this initiative was undertaken.) Used tyres are now also returned to the supply company for disposal/recycling.

#### **(4) Paperless Trading**

Over the past year, improved environmental practice in our supply chain has been initiated. The Electronic Data Interchange (EDI) system allows suppliers and customers to trade with MSVC and MC&C via their IT systems and the Internet. The percentage of MSVC suppliers using EDI by the end of 2001 increased to 90%, with EDI involved in 90% of trading interactions for central billing of retail partners. For MC&C operations, 93-95% (depending on season) of suppliers are using the EDI system.



#### **(5) Recycling of redundant IT equipment**

IT equipment, because of the nature of its components, can cause difficulties for disposal. A PC for example usually contains cadmium and nickel metal hydride in batteries, heavy metals and CFCs in older machines.

MSVC has entered into a service agreement with Compaq, whereby its IT equipment is returned to Compaq after three years. The trade-in programme offers a complete, safe, environmental and cost-effective disposal route for redundant IT systems.

MSVC also partake in a recycling scheme for used toner cartridges operated by Lexmark.

---

##### **◎ Target:**

To increase the number of suppliers using the EDI system for all divisions of Musgrave Group

---

*Baseline 2001* – > 90% suppliers using EDI in MSVC and MC&C

*Target 2002* – Musgrave Group are committed to approaching all suppliers who are not already using the EDI system and investigating the feasibility of them doing so. This feasibility study will be completed for all divisions in Musgrave Group.

---



## Waste Rooms

In 2001, MSVC store development began to facilitate improved waste handling in SuperValu and Centra retail outlets. This improvement included adding waste rooms to these stores where wheeled bins, cardboard and plastic balers, and other waste handling equipment could be stored and operated. We currently have no data on the numbers of stores with these facilities and will embark on a programme of recording baseline data in 2002 and monitoring of installation of waste rooms in 2003.

Baled card  
stored in  
waste room



Plastic baler  
stored in  
waste room



Cardboard  
baler  
stored in  
waste  
room



## Water

Water conservation has not been afforded the same asserted efforts in Ireland as in drier climates throughout the world. We are realising, however, that an abundance of good quality, clean water is a truly fundamental natural resource. Despite our damp climate, replenishing our water stores needs action to improve current water quality standards of our already polluted waterways, as well as careful management of our water resources.

To date we have gathered sparse data on water consumption at our facilities, with many of our stores paying a flat fee for water rates, with no monitoring of consumption being conducted.

We do not regard ourselves as a major direct water user, in the sense that water is not required from a production point of view. One area of water use in which our consumption is significantly high, is that used for vehicle washing. To this end, we have established a 'closed loop system' for wash-water. Water is recycled at truck washes at MSVC distribution centres in Tramore Road, Cork and Fonthill, Dublin.

We estimate that a total of ca. 6 million litres of water were recycled in 2001 from both these truck washes.

We aim to install a new truck wash system at our distribution centre in Dublin in 2002, which will further increase the volume of recycled water from our truck washes.

Our Fonthill Depot's (Dublin) vehicle washer is licensed under the Irish Local Government (Water Pollution) Acts – we are currently in the process of obtaining a licence for the Tramore Road (Cork) facility.

## Social

As part of our policy principle to reduce the environmental impacts associated with road transport, communicate our environmental initiatives among all staff, and cooperate with the government on issues of national importance, we have completed baseline studies and actioned priority initiatives throughout 2001.

### Staff Transport Survey

We recognise that there are significant environmental impacts associated with road transport and we undertake to reduce these impacts.

In May 2002, MSVC circulated a survey among all members of MSVC staff at Tramore Road, Cork, Ireland, to establish their modes of transport to and from work as well as habits regarding general environmental good practice. This survey is a first step in addressing our corporate responsibility in the area of transport and its impact on the environment. For the 891 members of staff surveyed at Tramore Road, Cork, 38% responded. Results are as follows:

- ✧ 89% of respondents travel to work by car
- ✧ 3% of respondents travel to work on public transport
- ✧ 8% of respondents travel to work using other modes of transport such as bicycle, motorcycle, walking etc.
- ✧ 80% employees drive cars to work alone and 10% drive cars carrying passengers
- ✧ 90% of cars are fuelled by unleaded petrol, with the remaining 10% fuelled by diesel
- ✧ The majority of MSVC employees travel more than 5 miles to work by car

Distance travelled to work	Mode of Transport	% Employees
<1 mile	Car	1.9
	Other	0.3
1-5 miles	Car	37.5
	Other	3.1
>5 miles	Car	55.6
	Other	1.6

#### % of Employees Using Cars to Travel to Work

- ✧ No significant difference was found between the modes of transport or environmental practices of MSVC office or warehouse staff
- ✧ Travelling times to work varied greatly ranging from 6 to 38 minutes
- ✧ Employees generally did not use public transport for business travel

With regard to setting future targets, interest regarding sustainable transport infrastructure and policy was included in the survey (see below).

- ✧ 35% of employees said they would be willing to use cycle parks on site
- ✧ 35% of employees said they would use public transport if an incentive were provided

When we converted the data collected to represent gaseous emissions we found that staff travel to and from work at our MSVC Cork facility, contributes ca. 462 tonnes of CO<sub>2</sub> per year to the earth's atmosphere.



☉ Target:

To advise staff on sustainable transport and to reduce the contribution of staff transport habits to global warming

*Baseline 2001* – Staff survey revealed that 35% of employees would like to address sustainable transport options

*Target 2002-2003* – Musgrave Group will examine a number of options toward providing more sustainable transport modes for employees.

## Foot and Mouth Disease

Musgrave Group holds particularly strong links with the Irish farming and rural communities and we were keen participants in the Irish Government's efforts to prevent the establishment of Foot and Mouth disease in the Republic of Ireland in 2001.

We rescheduled routes outside of designated exclusion zones and sprayed all transport vehicles coming into and leaving our premises. We set up disinfectant mats for employees and assisted with various government initiatives. We made a total once-off investment of over €300,000 in these initiatives.

## Commitments to Communities

Our operation supports a network of over 550 independently owned retail outlets, providing high quality, local shopping facilities in communities in all major towns and cities throughout Ireland. Our unique system means that consumers in remote areas, such as Achill Island in the western region of Ireland, have the same range, choice and price offering as a shopper in a major multiple in the city.

Large-scale planning e.g. superstores would seriously threaten local shopping through local family-run businesses, with consequent negative impacts on these communities.

Through our representative body RGDATA, we successfully lobbied the Irish Government to put a 'cap' on the size of supermarkets in Ireland in late 2001.

Independently, and with RGDATA, we have petitioned the Irish government to maintain the *Groceries Order*, which prevents below-cost selling – our lobbying helped to successfully retain the Groceries Order in 2001.

Independent retailers are represented by SuperValu and Centra Councils, which meet quarterly to discuss store issues, including impacts on local communities.



'Grand opening' of Pat Dawson's self-service store in Cork's Ballyphelane, ca. 1960

# Products



In order for our retailers to compete in an aggressive marketplace, we know that we must provide them with the products that consumers want and need. We are all consumers, and we all want quality, service and choice when we shop. Thus, Musgrave Group recognise these factors as the driving force of our business.

Musgrave Group is proud to distribute its wide range of predominantly Irish products to over 20,000 businesses in the Republic of Ireland. We aspire to deal in products with minimal environmental impacts in their production and use. As a service organisation, we are not involved with the manufacture of the products we sell. The main environmental issues associated with our products are covered in this section, however, we realise that there is much more to do over the coming years.

The forefront of our objective is to establish appropriate projects with our suppliers so that we can all enjoy the benefits of an environmentally efficient and responsible supply chain. Product price, quality, delivery and security of supply will

be at the core of these projects with suppliers so that all efforts involved in greening the supply chain can be monitored for cost-effective as well as environmental quality improvements.

Trade customers have also been asked to provide input for clarification of their supply chain problems, and supplier project progress will also be gauged on product performance in Centra and SuperValu outlets.

Returnable transit packaging (RTP) makes a vast difference in waste output at store level and we hope that future projects using RTP systems for imports and ambient goods will improve packaging waste obligations for retailers.

Musgrave Group wishes to see the least environmental damage done over the life-cycle of a product and will encourage and support rational efforts to minimise this, whether it be a retail partner initiative, trading department policy, or government initiative or legislation.

## Economic

In the retail trade, profits and losses are ultimately controlled by the value of transactions going through our checkouts on a weekly basis. Musgrave Group, like any other successful business, is driven by financial results, but we are now actively dealing with two other bottom-line concerns: environmental and social impacts. We are keen to judge our performance in terms of all three sets of indicators.

### Retail Sales

Sales have grown by 16% annually over the last five years, and pre-tax profits have grown strongly over the same period. In 2001, Group sales were in excess of €2.2 billion. The gross assets (excluding cash) of the Group at the end of 2001 were €795 million.

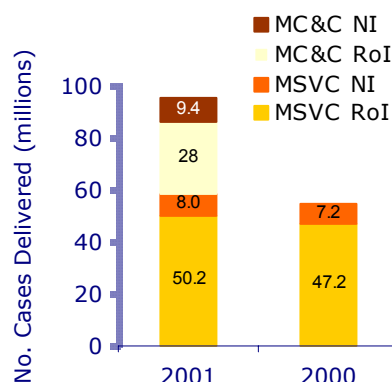
Sales in the Republic of Ireland grew by 13.5%, and represented 79% of total Group turnover (78.6% of Group turnover in 2000). Turnover in Northern Ireland continued the recovery first evident in 2000, with sales in that market increasing on a currency adjusted basis, by 12.7% over 2000.

Our business in South-Eastern Spain continued its steady development throughout 2001, with sales increasing by 10.4% to just over €150 million.

### Number of Cases Delivered

MSVC uses the number of cases delivered outward from their distribution centres to their customers as an important measure of business activity. A case will be some number of units of a particular product, determined by product type, size and transportability.

The total number of cases delivered by MSVC (RoI and NI) in 2001 was 58.2 million. This compares with a figure of 54.4 million in 2000. For MC&C (RoI and NI), the 2001 figure was 37.5 million.



No. Cases Delivered, MSVC and MC&C (RoI and NI), 2001, 2000

### Suppliers

The numbers of suppliers to MSVC and MC&C in 2001 are listed below.

	MSVC Suppliers	MC&C Suppliers
Chill & Frozen	221	125
Liquor	45	32
Tobacco	7	8
Impulse	No data	89
Grocery	207	280
Other	46	11
Electrical & Seasonal	No data	349
Total	551	894

Numbers of MSVC and MC&C Suppliers

### Taxation

Contribution towards the Irish and overseas economies through taxation has been significant. The amount paid in Irish and overseas corporation tax in 2001 was almost €12 million.

This compared to a sum of €12.3 million in 2000. This reflects a reduction in our effective tax rate from 34% in 2000 to 29% in 2001, resulting from reductions in the headline rates of corporation tax in the Republic of Ireland.

# Financial Summary

## Five-Year Summary

	2001 €'000	2000 €'000	1999 €'000	1998 €'000	1997 €'000
Turnover*	2,269,030	2,011,711	1,730,027	1,491,978	1,248,641
Operating Profit	57,334	41,447	37,032	32,081	36,905
Profit Before Tax	47,135	34,292	33,227	30,055	36,243
Profit After Tax	33,162	22,514	21,848	21,155	22,429
Dividend per Share (cents)	16.5	15.0	11.3	10.5	8.5
Equity Shareholders' Funds	193,795	154,903	142,136	126,056	86,865
Gross Assets (excl. cash)	795,653	752,014	570,354	470,002	403,058

## \* Turnover based on Region

	2001 €'000	2000 €'000
Republic of Ireland	1,795,338	1,581,204
Northern Ireland	323,501	294,459
Spain	150,191	136,048
Combined Total	2,269,030	2,011,711

### Finance

As at 31<sup>st</sup> December 2001, the Group had total net debt of €195 million. When our level of debt is considered against the more widely respected measures of financial stability of Interest Cover (4.4 times), and the ratio of Debt to EBITDA (2.3 times), it does represent a prudent level of debt for a group with our asset base and cash generation capability.

Shareholders funds (net worth) increased from €154.9 million, to €193.8 million. This increase was largely due to a combination of profit retained (€22.5 million) and property revaluation surplus (€16.1 million).

(Source: Musgrave Group Annual Report 2001)

## Environmental

---

Considering our supply chain and recognising the buying power that we as a group hold, Musgrave Group has been quick to recognise the role we can play in encouraging environmentally responsible initiatives led by our suppliers.

### Supplier Code of Conduct

At MSVC, Suppliers are required to fulfil a rigorous code of practice regarding the production and supply of products. The Code of Practice was last modified in February 2002 and now contains a section on environmental measures. This environmental section outlines proposed policy actions that will ensure adequate addressing of the environment in meetings with suppliers. These meetings with suppliers will now cover the indirect environmental impacts that supplies have on MSVC business, environmental issues passed down the supply chain to retailers, e.g. packaging optimisation issues.

---

© Target:  
Supplier Codes of Conduct

---

*Baseline 2001* – MSVC Ambient Supplier Code of Conduct incorporates an environmental section.

*Target 2002* - to include environmental standards in the MSVC Chill and MC&C Supplier Codes of Conduct by the end of 2002.

---



Seamus Scally, Musgrave Group Managing Director and Petter Arnestad, GRIP (Norwegian Government Agency for Sustainable Development) at the Musgrave Group 'Greening the Supply Chain' Conference, May 2002

---

© Target:  
Supplier Project Partnerships

---

*Baseline 2001* – No environmental projects have been initiated involving suppliers

*Target 2002-2003* – To proceed in partnership with suppliers of MSVC own-brand and branded products across ambient and chill product to examine packaging for optimisation, to analyse life-cycle of product to identify sources of waste, and to examine natural resource consumption with a view to reducing environmental and social impacts of products.

---

## 'Greening the Supply Chain' Conference

Musgrave Group hosted a "Greening the Supply Chain" Conference, in the Silver Springs Hotel, Tivoli, Cork on 29<sup>th</sup> May 2002. The aim of this conference was to share ideas, practical examples, and experience, regarding "greening" of supply chains.

### Conference in Brief

As part of the MSVC Environmental Work Programme for 2002-2003, we decided that the best way to encourage suppliers to embrace environmental projects was to host a conference for sharing experiences of suppliers in 'greening' their supply chains and presenting evidence for the need to green the MSVC supply chain.

During the day, the Managing Director of Musgrave Group, Seamus Scally, and the Trading Director of MSVC, James Wilson, familiarised suppliers with the Musgrave Group Environmental Charter and encouraged working partnerships with Musgrave Group in order to enhance the environment via supplier, distribution, and retailer actions.

Speakers covered topics such as sustainable retailing; packaging reduction projects; legislation driving environmental responsibility; ecolabelling; reusable transit systems; environmentally responsible production; and ethical trading.

Suppliers appeared to embrace the concepts discussed and willingness of suppliers to work on universal retail projects from production floor to retail store was encouraging.

We are currently in discussions with a number of suppliers on project collaborations arising from this conference and we look forward to reporting on the progress of these initiatives in our next report.

	No. of suppliers at conference
Fresh Convenience Foods	
Delicatessen/Salad Bar	
Convenience Foods	1
Chill Cabinet	
Cheese	1
Fats	1
Fresh Dairy	3
Milk	1
Frozen Foods and Daily Produce	
Frozen Foods	2
Fresh Commodity Foods	
Fruit & Vegetables/ Flowers	
Vegetables	1
Salad Vegetables	2
Meats	
Beef	4
Pork	2
Lamb	2
Poultry	5
Game	2
Fresh Fish	2
Bacon	3
Ambient Convenience Foods	
Snacks and Beverages	
Beverages	1
Sweets	
Confectionery	4
Biscuits	1
Cakes	1
Staple Grocery Items	
Health & Beauty	5
Desserts	1
Preserves	1
Soups	1
Sauces/Condiments	1
Home Baking	1
Cereals	2
Household	3
Laundry	1
Paperware	1
Petcare	2
Non-food	
Service Providers	10
<b>TOTAL</b>	<b>68</b>

Range of Suppliers in Attendance at  
'Greening Supply Chain' Conference, May  
2002

Conference Presentations are available for  
download from [www.musgrave.ie](http://www.musgrave.ie) in the  
Musgrave Reports Section.



## Organically Grown Produce

Relatively few products are recognised as having a low environmental impact throughout their lifecycle. We regard organic produce as the largest category of low environmental impact products that we sell. They are produced using sustainable management practices, avoiding damage to the environment and ensuring the ethical treatment of livestock.

We undertook a survey of organic produce availability throughout all our stores in the Republic of Ireland. Information was received regarding 160 Centra stores (51%) and 145 SuperValu stores (85%) –

- ✧ 45 or 28% of responding Centra Stores sell organic products.
- ✧ 113 or 78% of responding SuperValu Stores sell organic products.
- ✧ 48% of SuperValus have a dedicated organic section.

MC&C provides organic fresh food ranges including fresh meat, fruit & vegetables and dairy produce to the retail trade and foodservices sector.

MSVC has core organic lines in fruit and vegetables and dairy produce. 40 organic fruit and vegetable products are available, while 24 branded organic dairy products are currently stocked. There is also a range of organic beef and poultry available as well as organic eggs. Ambient organic products available in SuperValu and Centra include 2 wines.

At MSVC, sales of total organic produce were in the region of €2 million for 2001. For example, organic meat sales were *ca.* €7,000 per week, however this represents approximately <0.01% of total fresh meat sales in 2001.

### Supply Guarantee



Concerns for personal health and increased demand for organic food stems from increased consumer awareness of the link between diet and health. Musgrave Group ensure consumer trust by insisting

that all suppliers of organic produce to our central distribution centres are either certified by the Organic Trust, or the Irish Organic Farmers and Growers Association.

## Consumer Concerns

In our recent public attitude survey we recorded consumer behaviour and trends, preferred price premia (the price consumers are willing to pay for a product), and opinion of marketing and promotion efforts for organic food.

Findings from this survey into consumer attitudes to the environment revealed a poor consumer understanding of the term 'organic' and that many consumers were sceptical of organic claims. Consumers were not well-informed regarding labelling and were largely unaware of which labels indicated certified organic products. Consumers were very aware of the price of organic produce (although realising that it is not always more expensive than conventionally produced supplies!).

### © Target:

To increase the range and amounts of organic products sold in the period 2002-2003 via raising consumer awareness to enhance demand

*Baseline 2001* – Organic produce sales = €2 million

*Target* – MSVC make a commitment to strengthen the trust that our retailers and consumers have in organic produce regarding traceability, local sourcing and quality assurance, via communications projects educating the consumer and retailer regarding labelling and certification of organic produce.

 <p>Web Info</p>	<p>Organic Labelling...</p> <p><a href="http://www.irishorganic.ie">www.irishorganic.ie</a></p> <p><a href="http://www.organic-trust.org">www.organic-trust.org</a></p> <p>The Organic Centre, Rossinver...</p> <p><a href="http://www.theorganiccentre.ie">www.theorganiccentre.ie</a></p>



## Genetically Modified Foods

Many consumers believe that genetically modified (GM) food is bad for them and that it interferes with 'nature's way'. Musgrave Group believes that consumers have a right to know whether or not food has a GM content and that they should be able to investigate, assess and make an informed personal decision as to whether or not they buy such produce. We support the Consumers' Association of Ireland's position on the issue that proper labelling is required in order to allow people to choose.

It is not company policy to ban produce as we feel this would be a serious disservice to consumer choice and consumer rights.

## Own-Brands

All own-brand produce in SuperValu and Centra has been audited and the company can confirm that both own brand ranges comply with current EU regulation on labelling genetically modified food ingredients. In fact, neither brand contains ingredients that require labelling under current regulation.

In response to consumer concern that legislation does not currently require some secondary and tertiary GM ingredients to be labelled, SuperValu and Centra has committed to labelling all identifiable GM content in the companies' own-brands. At present, our own-brand suppliers have reformulated ingredients to omit any GM content.

Musgrave SuperValu-Centra takes direction from current EU and Irish legislation on GM foods and works closely with the relevant authorities and Government agencies, and will continue to do so. SuperValu and Centra are part of the working group at IBEC (the Irish Business and Employers Confederation), which includes retailers, manufacturers, and the Food Safety Authority, on developing guidelines on genetically modified foods.

SuperValu and Centra stores have a consumer information leaflet on genetically modified foods available, which was

prepared in consultation with IBEC and the Food Safety Authority of Ireland.

## Research & Development

In an effort to encourage the development of organic farming practice in Ireland, Musgrave Group sponsors The Organic Centre in Rossinver, Co. Leitrim, to the tune of approximately €25,000 per annum. The Organic Centre is a non-profit making organisation established in 1995 to provide training, information and demonstrations of organic farming, growing and gardening.



Work at the Organic Centre, Rossinver, Co. Leitrim

## Ecolabelling

In August 2002, MSVC were awarded a grant by the Irish Environmental Protection Agency (EPA) under the 'Cleaner Greener Production Programme'. The grant is to support an investigation of the feasibility of obtaining an ecolabel, 'the EU Flower', for an own-brand product. The 'EU Flower' is an environmental standard awarded by the EU for products (4 of the defined product categories are sold by Musgrave Group), which are manufactured in a manner that has the minimum possible impact on the environment.



MSVC currently sells 4 own-brand products that already have criteria established by the EU in order to obtain an ecolabel. MSVC introduced the topic to suppliers at the 'Greening the Supply Chain' conference in May 2002 and is currently in meetings with relevant suppliers to establish the feasibility of ecolabelling their products.

## Green Purchasing

Whilst making an effort to 'green our supply chain', we have already taken some internal measures to purchase with the environment in mind.

MSVC has chosen Compaq as its sole IT equipment provider. The Compaq "Design for Environment" (DfE) approach focuses on environmental stewardship during every phase of the product lifecycle. The guidelines emphasise several key principles:

- ✧ Energy-conserving products
- ✧ Reusable and recyclable materials and components
- ✧ Minimal and recyclable packaging
- ✧ Products which are designed to be upgradable and serviceable



### ◎ Target:


To decrease the amount of waste created by transit (tertiary), protective (secondary) and immediate (primary) product packaging

*Baseline 2001* - No packaging waste data collected

*Target 2002* - To collect data on packaging waste via 'One-Stop-Shop' contracts, and to encourage, influence and incorporate suppliers in packaging initiatives.

### ◎ Target:

MSVC anticipate that the feasibility study on the EU Flower ecolabel for an MSVC own-brand product will be completed by August 2003.

 Web Info	Ecolabelling and the Cleaner Greener Production Programme...
	<a href="http://www.epa.ie">www.epa.ie</a> <a href="http://www.nsai.ie">www.nsai.ie</a>
	Repak...
	<a href="http://www.repak.ie">www.repak.ie</a>

## Compliance with Packaging Regulations

In Ireland the Packaging Regulations 1997 & '98 were enacted as part of the Waste Management Act 1996 and the EU Packaging Directive. Those companies/retailers with an annual turnover exceeding €1.27m, and placing more than 25 tonnes of packaging on the Irish market (termed 'major producers') are obliged to comply with the Waste Management (Packaging) Regulations 1997.

The preferential route by which Musgrave Group and its retail partners at present comply with the Packaging Regulations is via Repak membership. Repak is an industry body formed to oversee the compliance of the industrial/commercial sector in Ireland with these regulations.

It is Musgrave Group's aim to be compliant with these regulations and to take responsibility for management of its direct and indirect waste output, in line with the principle of 'Producer Responsibility' that obligates all parties in the manufacturer to consumer chain to recover and recycle.

In 2001, Musgrave Group and our retail partners have contributed over €800,000 toward compliance with the Packaging Regulations through Repak in the Republic of Ireland (the Musgrave Group fraction of these fees was just over €300,000). In Northern Ireland, all stores and distribution centres are compliant with the UK Packaging Regulations.

### Compliance Targets

Whilst Musgrave Group is in compliance with the Packaging Regulations in Ireland, we have not been as successful in convincing our retail partners to comply with the statutory regulations. Currently, only 163 of our independent retailers are members of Repak from a total of 432 major producers.

MSVC, while not legally responsible for the actions of our independent retailers, are currently working with Repak on devising a strategy for encouraging all to comply with Packaging Regulations.

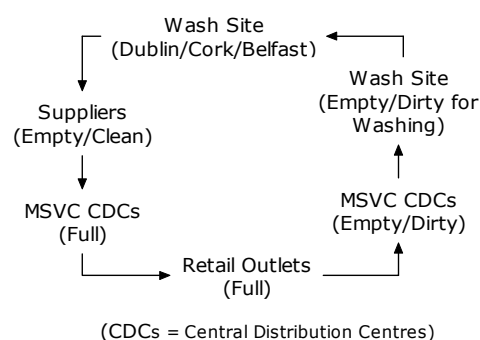
16 SuperValu stores in Northern Ireland were assessed for packaging output and the

discovery of 15-20% inaccuracies in data previously supplied, led to reductions in their compliance bills, a similar project has now been commissioned in the Republic of Ireland. Future MSVC Repak fees may be reduced by 75% by using a robust model that calculates packaging waste output data. It is anticipated that if savings on compliance fees can be made, this will encourage the remainder of our retail partners to join Repak and hence attain greater retailer compliance.

### Case Study: Sustainable Packaging Initiative

Since 1999, Hays Rent-A-Crate has been operating in Cork as the suppliers of Musgrave Group's returnable transit packaging (RTP) for fresh produce. This system has greatly reduced the amount of secondary packaging associated with dairy, meat, fruit and vegetable items that are delivered to retailers. The figure below illustrates the cycle of the RTPs.

Much produce still arrives at MSVC Tramore Road in cardboard, however, it is transferred to the Hays crates for distribution to retailers. With more and more suppliers signing up for the Hays crates each year, secondary packaging waste is hoped to be virtually eliminated in the MSVC distribution network for fresh produce over the next decade.



The complete loop of RTP supply for Musgrave Group

In 2000 - 2001, 7.28 million round trips were made by these crates in the Republic of Ireland and Northern Ireland combined.

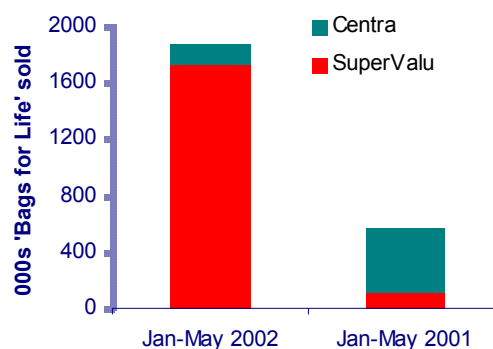
## Single-use Shopping Bags on the Way Out!

The Irish Government imposed a 15-cent levy on plastic bags in March 2002. The public were quick to respond and our retailers were prepared and willing to offer them an environmentally sound alternative.

The reduction in plastic bag usage has been overwhelming, not only in terms of volume, but also in the instant reaction of shoppers. A 97% reduction in the use of standard plastic checkout bags across SuperValu and Centra has been effected in the space of just 4 months (March – June 2002) since the introduction of the levy.

Typical consumption of plastic bags prior to the introduction of the Government levy was approximately 5 million per annum, between the SuperValu and Centra stores in the Republic of Ireland.

Sales of our SuperValu and Centra 'Bag for Life', which we have been promoting for some time now, have been spurred on greatly since the levy came into force. Between January and May 2002, 1.7 million 'Bags for Life' were sold in SuperValu outlets, whereas over the same period in 2001, only 107,000 were sold.



'Bags for Life' sold, 2002, 2001



SuperValu 'Bag for Life'

A SuperValu heavy-duty shopping bag was introduced in May 2002 in response to consumer demand.

### Degradable Checkout Bags

In 2001 SuperValu and Centra became the only retail groups in Ireland providing degradable checkout bags, which are inherently degradable and will degrade completely in a landfill.

The 15-cent Government levy on plastic bags has also been applied to degradable bags. This has dissuaded consumers from using the degradable product and, instead, sales of the reinforced plastic "Bag for Life" have grown.



## Social

---



Pictured harvesting the first new season Irish potatoes for SuperValu in Carne, Co Wexford, is James Butler, with Ger Walsh, fresh produce buyer with MSVC, and Tommy Kennedy of K&K Packs

### Ethical Trading

In formulating our Environmental Charter two years ago, we considered the issue of ethical trading, but decided to 'park' this issue temporarily, in order to concentrate on internalised projects initially. We have now come to a point in our development where we can begin to address ethical issues in our trading policies.

According to our recent public attitude survey, consumers do not associate ethical issues such as child labour, human rights, or labour rights, with the food retail sector as much as the clothing and footwear sectors. However, Musgrave Group insists that it has a responsibility to assure consumers of the ethical sourcing of their products.

---

#### ☉ Target:

To ensure the ethical sourcing of supplies and products and to increase the number of ethically labelled products on Centra and SuperValu shelves

---

#### How?

Musgrave Group is actively formulating a Group-wide policy on ethical trading to global standards.

---

### 'Buy Irish' Policy

Musgrave Group, whilst expanding into overseas markets, retains Ireland at the 'hub' of its operations. We are an Irish company and try to give back to Ireland and the Irish economy.

Over 70% of the €2.2 billion groceries sold last year were sourced from Irish suppliers. Including local distributors in the supply base, Irish companies supply approximately 90% of all goods (by numbers) stocked in SuperValu and Centra. The company currently lists almost 400 individual Irish producers of fresh foods alone.

# GRI Content Index

The table below identifies the location of each element of the GRI Report Content (section and indicator) in the report. All core performance indicators are included; any omissions (denoted by \*) are explained in the footer below.

Vision and Strategy		Economic				Social			
1.1	4-5	Topic	Core	Additional		Topic	Core	Additional	
1.2	4-5	Customers	EC1 EC2	50-51 50-51		Employment and Decent Work	LA1 LA2	16 16	LA12 30
Profile		Suppliers	EC3 EC4	* *	EC11 50	Industrial Relations	LA3 LA4	32 23	LA13
2.1	4	Employees	EC5	16		Health and Safety	LA5 LA6 LA7 LA8	31 31 31, * *	LA14-15
2.2	11, 13	Funders	EC6 EC7	51 51		Training and Education	LA9	30	LA16-17 30
2.3	11-13	Public Sector	EC8 EC9 EC10	50 * 33	EC12	Diversity and Opportunity	LA10 LA11	30 32	
2.4	11-13	Indirect Economic Impacts			EC13 18	Strategy and Management	HR1 HR2 HR3	30 * 30	HR8
2.5	11-13	Environmental				Non-discrimination	HR4	30	
2.6	11	Materials	EN1 EN2	* *		Freedom of Assoc. & Collective Bargaining	HR5	32	
2.7	11, 13	Energy	EN3 EN4	37-38 37-38	EN17 EN18 EN19	Child Labour	HR6	30	
2.8	11	Water	EN5	46	EN20 EN21 EN22	Forced and Compulsory Labour	HR7	*	
2.9	29	Biodiversity	EN6 EN7	39 *	EN23-29	Disciplinary Practices			HR9-10
2.10	5, inside back	Emissions, Effluents and Waste	EN8 EN9 EN10 EN11 EN12 EN13	39-40 39 * 42-43 46 *	EN30-32	Security Practices			HR11
2.11	10	Suppliers			EN33	Indigenous Rights			HR12-14
2.12	10	Products and Services	EN14 EN15	14-15 *		Community	SO1	48	SO4 25
2.13	13	Compliance	EN16	*		Bribery and Corruption	SO2	*	
2.14	11	Transport			EN34 41	Political Contributions	SO3	*	SO5
2.15	13	Other Expenditures			EN35	Competition and Pricing			SO6 SO7 48
2.16	7-8					Consumer Health and Safety	PR1	*	PR4-6
2.17	40					Product and Services Declaration	PR2	56	PR7-8
2.18	19					Advertising			PR9-10
2.19	20					Respect for Privacy	PR3	27, *	PR11
2.20	20								
2.21	4								
2.22	inside back								
Management Systems									
3.1	17								
3.2	16								
3.3	19								
3.4	19								
3.5	*								
3.6	19								
3.7	inside front, 14, 52								
3.8	11								
3.9	16								
3.10	23								
3.11	20-22								
3.12	20-22								
3.13	26-27								
3.14	4								
3.15	32								
3.16	52-53								
3.17	19								
3.18	11, 13								
3.19	20-22								
3.20	26, *								

\* Core Indicators not included in the report:

- 3.5 Executive bonuses are linked to Group and/or Divisional performance and the achievement of personal goals, such as key projects.
- 3.20 Systems certification - our warehouses in MSVC, Tramore Road are ISO9000-certified.
- EC3 Cost of sales = €1,988,344
- EC4 As a result of our change to EDI system we are paying over 90% of our supplier contracts within agreed terms. Our average creditors payments have been within 45 days in 2001.
- EC9 No subsidies received.
- EN1 Musgrave Group are primarily a service company and have no direct manufacturing output. Thus our use of natural raw materials is limited to building materials (in construction of our buildings and properties), paper (in our offices and warehouses) and fuel (which has been dealt with in detail in a section of the report).
- EN2 No wastes from external sources.
- EN7 Impacts on biodiversity - not addressed to date because of minimal landscaping at any of our Group premises. This issue will be addressed in future reports.
- EN10 We have not collated data on NOx, SOx and other air emissions but we are aware of such emissions from our transport and refrigeration.
- EN13 No prosecutions for chemical spills to date. This is an area for attention through future management systems.
- EN15 % of weight of product sold that is reclaimable - data not available as we do not manufacture products we sell (pg. 49).
- EN16 We have had no prosecutions, fines or incidents in regard of environmental legislative non-compliances in 2001 in any Musgrave Group companies.
- LA7 No fatalities at our facilities.
- LA8 No specific policies on HIV/AIDS.
- HR2 No formal processes for consideration of human rights impacts as part of investment decisions.
- HR7 No specific policy to prevent forced or compulsory labour and not considered to be an issue, although ethical trading policy is in development.
- SO2 Musgrave Group has a written policy on Supplier Corporate and Personal Gifts or Incentives.
- SO3 All political lobbying is under direction of CEO. Page 17 of the annual report provides a statement on donations.
- PR1 Policy for preserving customer H&S during product use - the nature of service agreements means that any issues arising from use would be referred back and dealt with by suppliers.
- PR3 Consumer privacy - Musgrave Group has not collected consumer data.

We would be most happy to hear your views on this report and Musgrave Group environmental programme.

The Musgrave Environmental Reports 2001 and 2002, as well as our Environmental Charter, can be downloaded from our website at [www.musgrave.ie](http://www.musgrave.ie), in the reports section.

Please contact our Environment Action Team Leader, Mr Liam O'Connor at the following address:

Musgrave SuperValu Centra  
Tramore Road  
Cork  
Ireland

Tel: +353 21 4803308  
Fax: +353 21 4803166  
Email: [liamoc@musgrave.ie](mailto:liamoc@musgrave.ie)  
Web: [www.musgrave.ie](http://www.musgrave.ie)

This report has been prepared for Musgrave Group by Patel Tonra Ltd., Environmental Solutions, Unit 1, IDA Industrial Estate, Balbriggan, Co. Dublin, Ireland

Tel: +353 1 8020520    e-mail: [info@pateltonra.com](mailto:info@pateltonra.com)    web: [www.pateltonra.com](http://www.pateltonra.com)



# Addresses

Musgrave Group  
Ballycurreen  
Airport Road  
Cork  
Ireland  
e-mail: [group@musgrave.ie](mailto:group@musgrave.ie)

Musgrave SuperValu Centra  
Tramore Road  
Cork  
Ireland  
e-mail: [msvc@musgrave.ie](mailto:msvc@musgrave.ie)

Musgrave Cash & Carry  
St. Margaret's Road  
Ballymun  
Dublin 11  
e-mail: [cashandcarry@musgrave.ie](mailto:cashandcarry@musgrave.ie)

Musgrave Foodservices  
St. Margaret's Road  
Ballymun  
Dublin 11  
e-mail: [foodservices@musgrave.ie](mailto:foodservices@musgrave.ie)

World of Wonder  
Fonthill Business Park  
Fonthill Road  
Dublin 22  
Ireland  
e-mail: (please see [www.worldofwonder.ie](http://www.worldofwonder.ie))