

Musgrave

G R O U P

environmental & social accountability report 2002-2003

serving consumers & communities



our facilities : our people : our marketplace : our communities



MANAGING OUR ENVIRONMENT

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group managing director's statement

Dear Reader

This is Musgrave Group's third environmental report and we are now in a position to account for four years of implementing our Environmental Policy Charter. We have achieved many of our aims to-date, thanks to the efforts of the Environmental Action Teams, which are now in place in our business units in the Republic of Ireland, Northern Ireland and Great Britain. Like our 2002 report, 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.

We have concentrated in this report on the importance of communities to our business, and of our business to them. Musgrave has always been a family-business, with a strong emphasis on honesty, integrity and straight-dealing. We have given a number of examples in this report of the types of business we work with, and of the types of initiative we want to support in making this policy work. In this context, I want to thank the Irish Department of the Environment, Heritage and Local Government, for their contribution on how the Tidy Towns competition fits with the Irish Government's Sustainability Strategy. This is a competition we have been pleased to support for over ten years; we believe that it is an effective expression of our relationships with retailers and consumers in cities, towns and villages in Ireland.

We have made a number of important steps in Environmental Management during this reporting period. We have appointed a Group Environmental Executive, part of whose responsibility involves overseeing the work of the Environmental Action Teams (EAT) in our business units, as well as formulating our Environmental and Sustainability strategy for the future. This considerable task, has in its first year already covered a substantial amount of work in Musgrave's progress on environmental sustainability.

We have made considerable steps forward in putting effective environmental workplans in place in our business units, through the EAT network. An immediate benefit has been an improvement in the collation of environmental information for this report – it is evident that we now have a more effective means of gathering 'real time' information on the day-to-day impacts of our business on the environment.

With the recent growth of Musgrave Group, we can see that the management of our environmental performance is becoming more complex – we will need to both repeat projects that have already been shown to be effective, while managing new initiatives in our business units.

I am pleased to report that we have now made real progress in four of the six policy areas of our Environmental Policy Charter – we are particularly satisfied with our progress in Waste Management in the last few years. The support our franchise retailers have given to our 'one-stop-shop' solution has been vital to its success in diverting wastes from landfill, and we are confident that recent newly-established waste contracts across our business will be as effective as those experienced in our pilot areas.

“...we have concentrated in this report on the importance of communities to our business, and of our business to them...”



We must focus in the next reporting period on the 'Supplies & Products' and 'Buildings' fields of our Environmental Policy Charter. In our last report, I committed to formulating an Ethical Trading Policy. We have made significant progress in this complex task – we have, in 2004, become the first Irish company to sign the United Nations Global Compact. We are proud that we are continuing to demonstrate leadership in Ireland on the management of these complex issues. This commitment to global corporate social responsibility is indicative of how we will progress our actions as a company. We will continue to detail our initiatives and progress in future reports.

In regard to our buildings, we are concerned that our business continues to consume significant amounts of energy. Reductions in energy consumption and greenhouse gas emissions are areas that will concentrate our actions in the coming years.

We have worked with the Global Reporting Initiative in this reporting period, through our participation in their Assurance Working Group in 2003. This project centred on an area of importance to us, namely, how we ensure that sustainability reports are clear, accurate, material and believable to our readers. I hope that our participation in the forum is reflected in the quality of this report.

In this report we have also given opportunities to a number of independent organisations to bring to light the major social and environmental sustainability issues facing business and the grocery trade in the coming years. I'd like to particularly thank those organisations: the Ethical Consumer Research Association, the New Economics Foundation and the United Nations Global Compact Office – I think that their contributions have been extremely thought-provoking, and will shape our opinions on how we should progress our business.

Finally, I would like you thank you for taking the time to read this report. If you have read our previous reports, I hope that you will be able to assess our commitment to environmental sustainability by the improvements made over the past two years. If this is your introduction to Musgrave Group, I trust that this presents a fair picture of us as a company, as a business and as a part of the communities in which we work.

SEAMUS SCALLY
Musgrave Group Managing Director

group environmental executive's statement

Since its foundation in 1876, the Musgrave Group has fostered stable long-term business relationships through adherence to a set of sound values. From an environmental perspective these values provide similar guidance as we endeavour to reduce the 'environmental footprint' of our activities and operate within sustainable development principles.

Honesty is one of the cornerstones of our activities and in this regard, the Musgrave Group recognises the importance of transparent Corporate Social Responsibility (CSR) reporting, both as a means of demonstrating our commitment to sustainable development and identifying future environmental strategies.

This Environmental and Social Accountability Report, our third, charts our progress during 2002 and 2003 and continues the work begun in 1999 with the development of the Musgrave Group Environmental Policy Charter and the subsequent publication of our first Environmental Report in 2001 and our second and more broad-ranging Environmental and Social Accountability Report published in 2002.

Our 2002 report was the world's first report completed using the framework developed by the Global Reporting Initiative (GRI). For this report, we have again decided to employ the GRI framework but have expanded significantly the elements of the framework addressed in the report. We have also opted to have our report independently assured by csrnetwork. A copy of their statement is printed on page 5.

Central to the process of writing this report has been the gathering of significant amounts of data from across the organisation and we are indebted to our Environmental Action Team members and others too numerous to mention for their contributions, and to Patel Tonra Ltd. for their efforts in collating and managing the data.

From an environmental management perspective, the Musgrave Group continues to evolve and has matured considerably even in the period since our last report. As our business grows and increases in complexity, guaranteeing regulatory compliance, managing sustainability issues and driving continuous environmental improvement become ever more challenging.

We are endeavouring to meet this challenge through the preparation and implementation of plans to maintain and develop environmental management excellence across the Group. As a first step, we have increased our divisional Environmental Action Teams from one to four, enabling specific projects, which focus on divisional environmental issues to be undertaken on a divisional basis. The creation of a Group Environmental Team allows us to co-ordinate our strategies and further ensures a consistent approach to environmental issues as well as allowing a cross-flow of ideas and information.

We continue to make steady progress in honouring the commitments in our Environmental Policy Charter. Throughout the text of this report, we have demonstrated our systematic approach to reporting progress in the implementation of our Charter. We have tabulated, for each policy area, an outline of the major impacts and our commitments to address those impacts. We have detailed alongside this information our actual progress to date, and our plans and targets for the future. These tables are located as follows: Reporting (page 23), Buildings (page 28), Waste Management (page 32), Transport (page 37), Communications (page 47) and Supplies & Products (page 58).

“...we view continuous environmental improvement as a journey rather than an ultimate destination, and are endeavouring to integrate environmental best practice into all business processes...”



In the area of Waste Management in the Republic of Ireland, for example, we achieved our 50% waste recycling target in 2002 and our 55% target for 2003. Central to the success of our waste management programme has been our One-Stop-Shop contracts, the continued expansion of which will shortly provide full service availability in the Republic of Ireland and Northern Ireland. In the Republic of Ireland, we have set a target for 2004 of 60% recycling in our own and our retailers' premises, whilst we also focus on reducing waste generation at source.

Energy consumption presents another significant challenge to our organisation in terms of lowering carbon dioxide and other greenhouse gas emissions. An energy auditing programme is ongoing in our premises and will provide data for a campaign focusing on reducing the energy intensity of our activities and enabling us to decouple energy use from business growth. Likewise, we have focused on reducing mileage through our logistics planning and delivering greater fuel efficiency from our transport fleets as a result of the use of new technology and additional driver training.

Raising awareness among our stakeholders of the issues relating to our business continues to be a focus for us. Society's attitudes are ever-changing and it is important that we take account of the views of our stakeholders and also communicate our progress to them. Our staff and their knowledge and understanding of environmental issues are key to our ability to deliver on our Environmental Policy Charter. Through environmental training and awareness campaigns, we continue to communicate the concept of continuous environmental improvement and of the collective environmental impact of individual actions.

In areas such as Ethical Trading, we have begun a review of policy throughout our organisation and have underscored this commitment by becoming the first Irish company to sign up to the principles of the United Nations Global Compact. The Compact is an initiative of the Secretary General, Kofi Annan, which promotes nine principles relating to human rights, labour and the environment with the aim of achieving a more sustainable and inclusive global economy. We are working to integrate all of these principles into our daily operations.

We view continuous environmental improvement as a journey rather than an ultimate destination, and are endeavouring to integrate environmental best practice into all business processes with the aim of meeting business goals and wider stakeholder expectations. This is why the work being undertaken by our Environmental Action Teams is so important since it represents the channel into and out from the organisation helping to shape strategy and communicate progress.

We hope that you will find this report interesting. We believe it demonstrates our continuing commitment to identifying and addressing all of our environmental and social impacts and to reporting our performance transparently and honestly. We look forward to reporting further progress in our next report.

A handwritten signature in blue ink, appearing to read 'John Curran'.

JOHN CURRAN
Musgrave Group Environmental Executive

INDEPENDENT ASSURANCE STATEMENT

SCOPE AND OBJECTIVES

Musgrave Group commissioned csrnetwork to provide independent assurance on the environmental and social accountability information and data within the Musgrave Group 2002-2003 Environmental & Social Accountability Report (the Report). Any financial performance information contained within the Report is excluded from the scope of this assurance process. The objectives were to check claims and review the arrangements for the management of social accountability issues and the systems for collection of data. We were also asked to comment on the completeness and accuracy of the reporting and on the Musgrave Group environmental and social accountability management programmes. csrnetwork took account of the principles underlying the AA1000 Assurance Standard in designing the assurance process.

RESPONSIBILITIES OF THE MANAGEMENT OF MUSGRAVE GROUP AND THE ASSURANCE PROVIDERS

The management of Musgrave Group have sole responsibility for preparation of the Report. This statement represents our independent opinion. We were not involved in the preparation of any part of the Report. We have no other contract with Musgrave Group. This is the second year that we have acted as independent assurance providers for Musgrave Group. We adopt a balanced approach towards all Musgrave Group stakeholders. A Statement of Impartiality relating to our contract with Musgrave Group will be made available on request. The opinion expressed in this assurance statement should not be relied upon as the basis for any financial or investment decisions. The independent assurance team for this contract with Musgrave Group comprised Mark Line, Jon Woodhead, and Vicky McAllister. Further information, including a statement of competencies relating to the team can be found at: www.csrnetwork.com

METHOD

The independent assurance process was conducted through meetings at Musgrave Group premises in Cork, Ireland, and at the Budgens head office in Ruislip, UK. Meetings were conducted with managers at Group and Division level responsible for areas of management covered by the report, and for collating the data and information on which the report text and data was based. These meetings included the Group Commercial Director, the Group Environmental Executive, and members of the Group and Divisional Environmental Action Teams. During these meetings, claims were discussed and a review was undertaken of the systems and processes for data collection and analysis. Specific areas of reported data were checked for consistency against these systems and processes.

OPINION

Accuracy

On the basis of the method and scope of work undertaken and the information provided to us by Musgrave Group, we have found that the systems for collection of environmental performance data are generally robust. Furthermore, nothing came to our attention to suggest that reported environmental data is not a reasonable representation of performance trends. The consistency of environmental performance data has improved as a result of increased internal checking and adoption of a quarterly internal reporting system, with named responsibilities for submission of data returns. The system for collection and reporting of waste management data in Ireland and Northern Ireland is becoming particularly well developed, through the introduction of new data collection and internal assurance mechanisms.

Health and safety data collection processes exist within each Division. However, a Group level approach to health and safety performance measures and reporting would improve consistency and enable aggregation of data.

Completeness

Through a multi-stakeholder process, the Global Reporting Initiative (GRI) has mapped out the basic information that all companies should report on. The Musgrave Group should be commended for its efforts to report against the GRI's entire set of core indicators. Although no material issues appear to have been omitted from the scope of the Report, the balance and length of reporting should be reviewed to consider how future Reports address the issues and expectations of the Group's stakeholders.

Recommendations for the Musgrave Group Management Programme and Reporting

Overall, the Report is a step forward; the accuracy and completeness of data has improved, as has the coverage of issues and explanation of management arrangements. These achievements have been supported by the appointment of the Group Environmental Executive and the formation of the Group and Divisional Environmental Action Teams. The majority of Group and Divisional Environmental Action Team objectives are focused on achieving development of management processes, rather than improvement in performance. These process objectives will continue to be appropriate until performance trends can be analysed and understood from the data that are now becoming available in a consistent and reliable manner.

Use of the GRI indicators and guidance has helped to improve data collection systems, although future reports should more clearly articulate Musgrave Group's existing understanding of its main social accountability impacts and its relationship with key stakeholder groups within the GRI framework. For example, future reports could highlight specific impacts and measures already tracked by Musgrave Group including:

- The estimated economic impact of Musgrave Group's support to independent retailers;
- The extent of dialogue with independent retailers, including issues raised and the company's response;
- Analysis of customer and employee satisfaction;
- A profile of the company's suppliers, including where products can be sourced locally;
- Progress towards implementation of the draft ethical trading policy.

In addition, future reporting should explain the basis for decisions on support for charities and community activities, either at Group or Divisional level. To promote a wider internal understanding of social accountability, we recommend that the existing Environmental Policy Charter be reviewed to consider inclusion of all other relevant corporate responsibility issues.

Governance arrangements at Group level would be strengthened by regular review of health and safety performance across the Group. We recommend that responsibility for co-ordination of health and safety management arrangements should be assigned to a senior manager at Group level. This role should include ensuring a consistent approach to performance measures, and reporting of regular cross Divisional performance data to the Group Board.

CSRnetwork

U.K. July 2004



Mark Line, Director



Jon Woodhead, Director

Musgrave Group Highlights: 2002 – 2003

ECONOMIC

- The company's turnover has grown (in 2003) by nearly 36% (based on our 2002 turnover) to over €3.3 billion.
- The geographical spread of Musgrave Group's turnover is as follows: 63% in the Republic of Ireland, 22% in Great Britain, 10% in Northern Ireland and 5% in Spain.
- Profit after taxation increased by 7.6% in 2003 (compared to 2002) to €42.9 million and the dividend per share has increased in that period by 10% to 20 cent.
- The company initiated its campaign to acquire the Londis business in Great Britain, which was completed in 2004, adding more than 2,200 independent stores to those already serviced.
- In Ireland, Northern Ireland and Great Britain we now service 860 stores, mostly those of independent retailers.

ENVIRONMENTAL

- Musgrave Group appointed a Group Environmental Executive in 2003, with responsibility for overseeing the implementation of the Environmental Policy Charter, formulating Sustainability strategy and reporting progress to the Board.
- Musgrave Group expanded their ground-breaking waste management contracts in the Republic of Ireland, which by 2003 were servicing 19 of the country's 26 counties, with initiatives in place to complete the service, and also to provide these services in Northern Ireland by 2004.
- The company waste management contracts met their targets of 50% recycling in 2002 and 55% recycling in 2003.
- Environmental Action Teams have now been established in all our business units in Republic of Ireland, Northern Ireland and Great Britain – these teams manage environmental projects within their own business units.
- This document is the company's second report that is 'in accordance' with the Global Reporting Initiative's 'Sustainability Reporting Guidelines – 2002'. In this report, we have provided information on all 141 of the GRI Guidelines Indicators.

SOCIAL

- The company commenced construction of a new distribution warehouse near Dublin, Republic of Ireland, which will be operational during the next reporting period, and will provide over 200 new jobs in that region.
- The company has continued its commitment to using local suppliers wherever possible, in its new markets. In Ireland and Northern Ireland, SuperValu and Centra stores are stocked with 90% of produce supplied by local companies in 2003.
- MSVC has raised over €1 million for Our Lady's Hospital for Sick Children in Dublin, through triathlons run in 2002 and 2003. The company has also been involved in Cancer Services Support in Northern Ireland and Great Britain.
- Musgrave has been financially supportive of initiatives in encouraging healthy-eating, healthy-lifestyles and nutrition (especially for children) in Republic of Ireland, Northern Ireland and Great Britain, and have launched 'Foodtrace' in Republic of Ireland – an initiative allowing complete traceability on fresh meats sold at butchers' counters.
- In the Republic of Ireland in 2003, the company invested heavily in the redevelopment of its 'own brand' range, with the introduction of over 150 new individual products (now totalling over 1,000 products) – sales of these products now accounts for 14% of SuperValu turnover in RoI.

- ■ Following our recently completed acquisition of Lonsis in Great Britain our Group now supports almost 3,000 retailers and employs 40,000 people either directly or indirectly within the Group...

About Musgrave Group



Founded in 1876, Musgrave Group is one of the largest private companies in Ireland and is the largest supermarket group in the Republic of Ireland (RoI), holding 24 per cent of the grocery market. The company is the sector's most important supporter of Irish farmers, growers, suppliers and independent supermarkets.

As well as the SuperValu and Centra retail franchise business, Musgrave also manages Ireland's leading wholesale cash & carry operation, with nine large purpose-built facilities offering the traditional food and non-food ranges, as well as an extensive foodservices and delivered business. Musgrave Group operates in Great Britain (GB) through its Budgens and Londis divisions, and has a wholesale and retail distribution company in Spain. Distribuidora de Alimentacion del Sureste SA (Dialsur) is based in the Alicante region of South Eastern Spain and operates a chain of franchised retail outlets and a chain of Cash & Carrys.

SUPPORTING THE INDEPENDENT RETAILER

Musgrave's commitment to help build a dynamic independent grocery and foodservice sector was stronger than ever in 2003. Following our recently completed acquisition of Londis in Great Britain our Group now supports almost 3,000 retailers and employs 40,000 people either directly or indirectly within the Group. Our strategy is to operate using established fascias in the markets we serve: SuperValu, Centra and Day Today in RoI and Northern Ireland (NI), Budgens and Londis in GB and SuperValu and Dialprix in Spain. See Musgrave's 2003 Annual Report on www.musgrave.ie for details.

Corporate Governance

COMPANY STRUCTURE

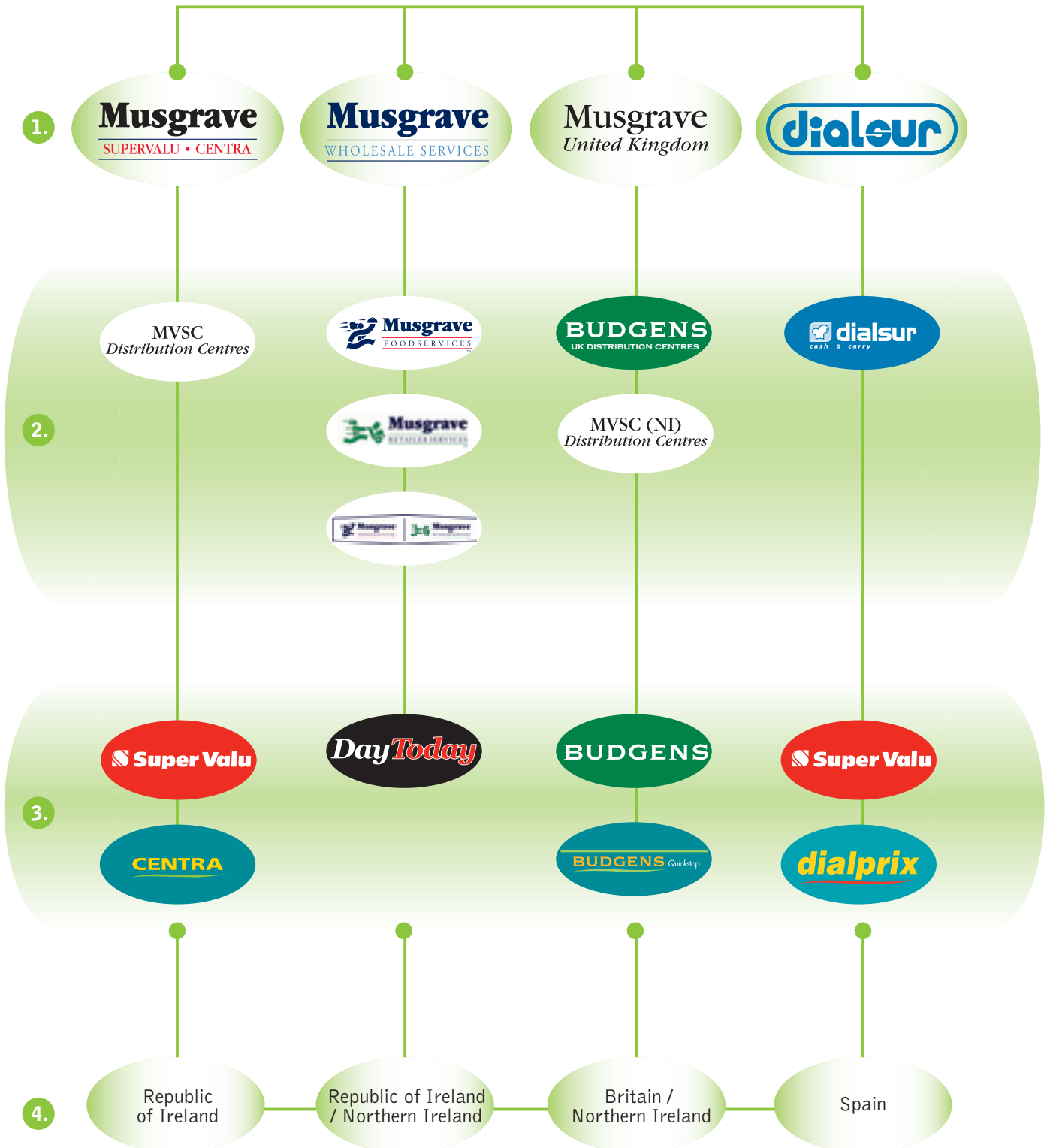
A large portion of shareholders (the Musgrave family) is represented by the Chairman and the two non-executive directors, all of whom are family shareholders. The structure of the company's shareholding is such that 77.1% of shares are held by the Musgrave family and the remainder (22.9%) by employees. The Chairman and non-executive directors communicate with shareholders through Annual General Meetings, Extraordinary General Meetings, biennial Musgrave family meetings, the Musgrave family council and through written correspondence.

Directors' objectives are set in consultation with the Group Managing Director, whose own objectives are agreed in consultation with the Chairman. Objectives take account of the corporate strategy (and divisional strategy in the case of divisional directors) and longer-term plans of the organisation and are linked directly to individual's remuneration package. Directors also have non-financial goals, such as for example, the Group Commercial Director, who in addition to business-goals, assumes responsibility for delivering environmental and social accountability goals.

The Musgrave Board holds annual 'off-site' sessions facilitated by external specialists in order to identify, quantify and develop plans for the management of the perceived risks to the company. In determining company strategy all risks are evaluated and resources (human and financial) allocated accordingly.

Musgrave

G R O U P



1. Divisions 2. Wholesale/Distribution 3. Outlets (Some stores are franchised) 4. Location

Company Directors



HUGH MACKEOWN
CHAIRMAN



PETER MUSGRAVE
VICE CHAIRMAN



STUART MUSGRAVE
NON-EXECUTIVE DIRECTOR



SEAMUS SCALLY
GROUP MANAGING DIRECTOR



FRANK COUGHLAN
CHIEF EXECUTIVE, MUSGRAVE
WHOLESALE SERVICES



CLIFF HILLIARD
GROUP HUMAN
RESOURCES DIRECTOR



DONAL HORGAN
CHIEF EXECUTIVE, MUSGRAVE
SUPERVALU CENTRA, ROI



MARTIN HYSON
CHIEF EXECUTIVE, BUDGENS



PADRAIC LISTON
GROUP COMMERCIAL DIRECTOR



CHRIS MARTIN
GROUP FINANCE DIRECTOR



EOIN McGETTIGAN
EXECUTIVE CHAIRMAN,
MUSGRAVE UK

MANAGING OUR ENVIRONMENT

In October 2003, Musgrave Group appointed a Group Environmental Executive, who is now responsible for overseeing the implementation of our Environmental Policy Charter, formulating our Sustainability Strategy and reporting progress to the Musgrave Group Board.

The Group Environmental Executive has focussed on the establishment of Environmental Action Teams (EATs – the cross-functional teams responsible for implementation of the Environmental Policy Charter) from MSVC (RoI) to MWS, MSVC (NI) and Budgens. The EATs have effectively been responsible for the collation of much of the information contained in this report.

The Group Environmental Executive liaises with divisional managers in communicating best practice within and across divisions and guides EATs in the process of setting targets, measuring progress and reporting on performance.

A Group Environmental Team (GET) made up of divisional EAT leaders meets quarterly with the Group Environmental Executive to ensure a consistent approach to environmental issues whilst enabling policy and operational synergies to be exploited.



ENVIRONMENTAL ACTION TEAMS (EATS)

Musgrave Group strategy recognises that a key requirement for achieving good environmental performance is the full integration of environmental best practice into all business management processes. All business units must take responsibility for their own environmental performance through the implementation of specific environmental projects managed by divisional Environmental Action Teams (EATs). Each EAT operates with the active support and guidance of the Group Environmental Executive.

Musgrave Group Environmental strategy has as its foundation the principles of Sustainable Development but also aims to:

- Prioritise regulatory compliance issues.
- Drive continuous environmental improvement.
- Set in place a process to build upon past achievements.
- Disseminate learning across other divisions of the organisation.
- Demonstrate cost leadership through the prudent use of environmental budgets so as to gain best possible value for money.
- Exploit any potential operating cost savings that may be achievable through the more efficient use of energy and resources.

The Environmental Action Team (EAT) model was originally devised within MSVC RoI in 1998 and was very successful in delivering tangible results. A key factor in the success of the early MSVC EAT was the involvement of individuals from diverse disciplines within the division contributing towards continuous environmental improvement. The different perspectives that these members brought to their team has been invaluable. Accordingly, Musgrave has tried to ensure that other divisional EATs are comprised of individuals drawn from similar key areas within those business units.



MSVC NI ENVIRONMENTAL ACTION TEAM: (L to R)
 Christine Grant (Marketing Manager), Frank McPolin (Retailer, SuperValu Banbridge), Bill Brown (Chief Financial Officer), Philip Corr (Store Development), Peter Bodkin (Supply Chain Manager), David Boyle (Regional Manager)



MWS ENVIRONMENTAL ACTION TEAM: (L to R)
 Andrew Dwyer (Deputy General Manager, Cork), David Smyth (Operations Manager, Ballymun Foodservices), Lynda Kenny (Food Safety & Quality Assurance Manager, Central Support Services), Jatinder Hundal (Delivered Business Operations Manager, DCR Robinhood), Eamonn L'estrage (IT Projects Manager, Central Support Services), Paul Nimmo (Trading Category Manager, Central Support Services), Paul Ryan (National Business Development Manager, Retail Services).



MSVC ENVIRONMENTAL ACTION TEAM: (L to R)
 Pat Mulgannon (Health & Safety Manager), Mairead Kelleher (PR Advisor), Lorna Dillon (Retail Accountant), Michael O'Driscoll (Store Engineer), Mairead Rooney (Quality Auditor).



BUDGENS ENVIRONMENTAL ACTION TEAM: (L to R)
 Dave Perez (Senior Controller, Finance), Jonathon Bayne (Technical Development Controller), Natasha Milinkovic (CAD Technician), Barry Carter (Senior Buyer), Allan Short (Health, Safety & Environmental Advisor), Roger Clements (Site Facilities Manager, Wellingborough) and Paul Wilks (Senior Controller, Development)

The result has been the creation of separate teams in the following divisions:

- MSVC ROI (formed in 1998)
- MSVC NI (formed in 2002)
- MWS (formed in 2003)
- Budgens UK (formed in 2003)

WORK PLANS

EATs meet monthly in order to review and discuss environmental issues and to assess progress. An important factor in the success of this strategy has been that members are committed to working diligently towards team goals and possess the skills necessary to act effectively. It is equally important that the work of environmental team members is acknowledged and respected by their line managers.

In developing plans, the Group Environmental Executive and EATs seek to achieve continuous environmental improvement with reference to the Group Environmental Policy Charter.

EATs agree, in consultation with the Group Environmental Executive and Divisional Managers, the scope of work to be undertaken in any year. An outline plan of work is then developed for each division and budget submissions prepared accordingly.

...The Group Environmental Executive liaises with divisional managers in communicating best practice within and across divisions and guides EATs in the process of setting targets, measuring progress and reporting on performance...

About this Report

This report details Musgrave Group initiatives and actions in the implementation of our Environmental Policy Charter, through which we are endeavouring to create a more environmentally sustainable business.

The report is a record, in this context, of the calendar years 2002 and 2003, as defined in the scoping statement on pages 16.

This is our third report (our last report was published in 2002 based on data for the calendar year 2001), and we believe that it is a positive step forward in the quality of our reporting. Musgrave Group is satisfied that we have improved again on the standard of our reporting since the last report, but we recognise that the standard and quality of our disclosure must continue to improve as our business and the information requirements of our stakeholders grow. We have identified our stakeholders as our employees, suppliers, customers (i.e. retailers), consumers and the communities in which we work.

This report is divided into four separate sections, which we feel accurately reflect how we have managed environmental issues taking account of our impacts, and the views of our main stakeholder groups. The four sections are:

- Our Facilities,
- Our People,
- Our Marketplace and
- Our Communities.

Interspersed in these sections are descriptions of how we have progressed in the implementation of our Environmental Policy Charter, published in 2000. We have re-examined our progress in relation to the six key environmental policy areas identified in 2000:

- Communications,
- Waste Management,
- Transport,
- Supplies & Products,
- Buildings and
- Reporting.

In particular, we have considered:

1. our business's impacts,
2. our policy commitments towards reducing those impacts,
3. our achievements to 2003 in meeting those commitments and
4. our focus from 2004 onward. It is our intention to revisit these commitments and targets for our next report in 2006.

OUR FACILITIES:

This section addresses our environmental performance in relation to the buildings from which we conduct our business. In this section we hope to effectively report our data on climate change and pollution emissions arising from the operation of those facilities. We have detailed resource use, major impacts and sustainability initiatives undertaken during 2002 and 2003 at our stores, distribution centres and cash & carry outlets. We have also outlined some of our future plans for expansion of our business at new facilities.

OUR PEOPLE:

This section gives details of the company's record on human resources management, employment statistics and communications and training of our staff. This section also describes some of our employees' involvement in initiatives through which our company has achieved environmental improvement.

OUR MARKETPLACE:

This section discusses the environmental aspects of the produce we distribute and sell. There are extensive details on how we get this produce to our retailers' shops and into consumers' homes. Specifically, we deal with issues on: transport and logistics (including efficiency data in that regard), produce quality and sustainability, case studies on the production and manufacture of our 'own brand' produce, and on how we conduct our business in the marketplace.

OUR COMMUNITIES:

This section describes our retailers and the communities in which they operate. We discuss how our company interacts with and supports these independent businesses. We also explain our interaction with the public and consumers through these supermarkets and by way of our sponsorship and support of community events and programmes.

REPORTING FRAMEWORK AND STANDARD

This report has been prepared in accordance with the 2002 Global Reporting Initiative (GRI) Guidelines. The 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 continuing to report in accordance with the GRI Guidelines, as we did in our last report, we believe that we are reporting to the highest possible standard, and that we are allowing readers to compare our sustainability efforts with those of other companies throughout the world.

We are now reporting on 100% of GRI indicators (both core and additional). This compares with 62% (88 indicators out of a total 141) in our last report. An index of GRI indicators can be found on page 93.

ASSURANCE STANDARD

Musgrave is committed to independent verification of the information we report. This year we instructed our assurers, csrnetwork, to undertake their assurance audit of this report with reference to the open-source AA1000 Assurance Standard. We believe this standard to be worldwide best-practice in this regard.

SCOPE OF BUSINESS INCLUDED IN THIS REPORT

This report discloses information on the activities of Musgrave companies in the Republic of Ireland (RoI), Northern Ireland (NI) and Great Britain (GB) in the implementation of our Environmental Policy Charter. The information reported is based on data gathered for the years 2002 and 2003, unless where specified. For elaboration purposes, we have also included some information on initiatives and projects undertaken in 2004, where stated, in the report.

We are reporting on the activities of:

- Musgrave SuperValu-Centra (RoI),
- Musgrave SuperValu-Centra (NI),
- Musgrave Wholesale Services (RoI and NI),
- Budgens (GB),
- 'Own Stores' (NI) and
- 'Own Stores' (GB).

This report is more complete than our previous reports, in that it contains more information about the company's environmental performance. We are confident that this report represents just over 95% of our business, based on turnover in 2003. We have not reported on our Spanish business in this reporting cycle – the implementation of our Environmental Policy Charter has not yet been initiated in that region. We hope to report on our business in its totality during our next reporting cycle (2004-2005).

Indicators – Informing our Decision-making

'LIKE-ON-LIKE' COMPARISONS

In our last report we summarised our core environmental indicators in terms of our major environmental impacts – transport and energy use, as outlined in Table 1 below.

For the purposes of this report, we have prepared Table 1 below to compare environmental performance for this reporting period. However, as we have expanded the scope of this report, we have compared only the results from the divisions for which we reported in 2001 in this table.

It has been necessary in this report to adjust some of the conversion factors used in our 2001 data in order to take account of changes in international emissions calculation protocols – this accounts for the differences in the emissions data from those published in the 2001 report.

TABLE 1: Environmental Indicators: 'Like-on-like' Comparisons 2001, 2002 & 2003

SECTOR	2001	2002	2003	GROUP DIVISIONS INCLUDED (2001, 2002 & 2003)
SALES & DISTRIBUTION				
Kilometres (million)	18.6	18.7	20.9	MSVC (RoI and NI) fleet and MSVC (RoI) and MC&C (RoI) company cars
Cases (million)	95.7	97.7	99.3	MSVC (RoI and NI) and MC&C (RoI and NI)
Fuel Consumption (Terajoules)	22.6 ⁷	74.2	83.2	MSVC (RoI and NI) fleet and company cars and MC&C (RoI) company cars
Emissions (tonnes CO ₂ equivalent)	689	1,051	1,103	MSVC (RoI and NI) fleet and company cars and MC&C (RoI) company cars
BUILDINGS				
Area (Ha)	13.0	12.8	12.8	MSVC (RoI and NI) and MC&C (RoI and NI)
Electricity Consumption (Terajoules)	72	65	67	MSVC (RoI and NI) and MC&C (RoI)
Emissions (tonnes CO ₂ equivalent)	16,123	14,699	16,838	MSVC (RoI and NI) and MC&C (RoI)

7. In 2001, we were not able to collate fuel combustion data for all the premises surveyed – it was thus not practicable to only exclude 2002/2003 fuel data for sites where it was not previously disclosed. This is why the 2001 figures for fuel consumption and sales and distribution emissions are much smaller in this like-on-like comparison.

ENVIRONMENTAL DATA FOR THIS REPORTING CYCLE

Our business has grown and changed considerably since our last report in 2002. For example, the business formerly known as Musgrave Cash & Carry (MC&C) has undergone a reorganisation, and is now called Musgrave Wholesale Services (MWS), which includes Musgrave Foodservices and Musgrave Retailer Services. We have acquired the Budgens business in Great Britain, which consists of not only a distribution business, but also a considerable number (greater than 170) of company-owned supermarkets.

When this report is compared to our 2002 report, there is a considerable addition to our data on the sales and distribution fleets (we

are reporting on MSVC (RoI), MSVC (NI), Budgens, GB 'own stores', NI 'own stores' and MWS), including company cars and vans for all the businesses. In terms of our buildings, we have collected data for this report from MSVC (RoI), MSVC (NI), Budgens, GB 'own stores', NI 'own stores' and MWS).

As a business indicator, for this reporting cycle, we have also initiated the collection of solid waste data from all the business units in RoI, NI and GB.

We are confident that we have improved the completeness and accuracy of our most recent data. This reporting cycle's data is presented in Table 2.

TABLE 2: Environmental Indicators: Complete Datasets, 2002 & 2003

SECTOR	2002	2003	GROUP DIVISIONS INCLUDED
SALES & DISTRIBUTION			
Kilometres (million)	37.5	49.1	Fleet and company cars in all Ireland, Northern Ireland and Great Britain companies
Cases (million)	133.7	135.5	Cases from all Ireland, Northern Ireland and Great Britain companies
Fuel Consumption (Terajoules)	97	111	Fleet and company cars in all Ireland, Northern Ireland and Great Britain companies and fuel consumed in buildings in all Ireland, Northern Ireland and Great Britain companies
Emissions (tonnes CO ₂ equivalent) [Direct] ¹	1,662	1,782	Fleet and company cars in all Ireland, Northern Ireland and Great Britain companies and fuel consumed in buildings in all Ireland, Northern Ireland and Great Britain companies
BUILDINGS			
Area (Ha)	28.6	29.0	Buildings in all Ireland, Northern Ireland and Great Britain companies
Electricity Consumption (Terajoules)	120	124	Buildings in all Ireland, Northern Ireland and Great Britain companies
Emissions (tonnes CO ₂ equivalent) [Indirect] ¹	88,855	92,793	Buildings in all Ireland, Northern Ireland and Great Britain companies
WASTE MANAGEMENT			
Total Wastes (kilotonnes)	12.8	12.5	Wastes from all Ireland, Northern Ireland and Great Britain companies
Wastes landfilled (kilotonnes)	6.0	5.2	Wastes from all Ireland, Northern Ireland and Great Britain companies
Wastes composted or recycled (kilotonnes)	6.8	7.3	Wastes from all Ireland, Northern Ireland and Great Britain companies

¹ Calculated using the GRI Greenhouse Gases Protocol

**INDICATORS –
ARE WE MAKING PROGRESS?**

We can clearly see from the tables that our business is growing significantly – we are reporting transport distances in 2003 of nearly three times those seen in 2001, with a 40% increase in turnover (cases sold) in the same period.

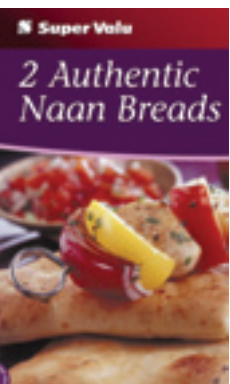
In the past, we have not been able to report the emissions from our suppliers' transport fleets. Much of this transport is now undertaken directly by the Musgrave Group fleet, and is reflected in the much greater transport distances reported in this cycle. We will discuss these emissions in greater detail in our section on transport. In the next reporting cycle, we expect to see further increases in transport distances, as we take on more logistics responsibility from our suppliers.

We have also increased the area of buildings which we control directly: our 2003 total building area is more than twice that of the 2001 measurement. This figure is due, primarily, to the acquisition of the Budgens operations in Great Britain, which accounts for over 15 Ha of this figure, of which, over 12 Ha is in company-owned stores. Musgrave policy is to service independent retailers: we will be transferring company-owned stores in Northern Ireland and Great Britain to independent retailers as opportunities arise and therefore expect to see the buildings-area decreasing in our next reporting cycle.

Energy management in our company buildings is an area for focus in the coming years, and we are already taking action to improve our performance in this regard.

We are pleased with our progress on management of waste since the implementation of our Environmental Policy Charter. We are successfully diverting waste from landfill, and are reducing the waste we are creating. With the continuing expansion of our successful Republic of Ireland model for waste management, we expect to report further progress on this subject in the next reporting cycle.

Historically, we have published our summarised environmental indicators, e.g. emissions per case sold, or emissions per kilometre travelled, in this section. From now on, this information will be discussed in the appropriate section of the report – the buildings information is detailed on page 29, the waste management information is examined on page 36 and the transport information is discussed on page 38.



Group Financial Indicators

	2003	2002
	<i>(inc. Budgens Acquisition from 31 July)</i>	
	€'000	€'000
GROUP TURNOVER	3,341,098	2,775,050
Cost of sales	(2,764,875)	(2,351,526)
GROSS PROFIT	576,223	423,524
Selling and distribution costs	(351,266)	(246,553)
Administrative and other operating expenses (net)	(127,666)	(94,070)
OPERATING PROFIT	97,291	82,901
TURNOVER BY GEOGRAPHICAL MARKET	2003	2002
	€'000	€'000
Republic of Ireland	2,105,534	1,950,596
Northern Ireland	346,824	347,612
Great Britain	727,317	317,751
Spain	161,423	159,091
	3,341,098	2,775,050
PROFIT RETAINED IN YEAR	2003	2002
	€'000	€'000
Profit retained in year	29,726	27,781
INTEREST	2003	2002
	€'000	€'000
Interest payable	31,366	28,538
TAXATION	2003	2002
	€'000	€'000
Irish corporation tax	10,776	9,575
Overseas corporation tax	5,241	3,477
Share of associated undertaking's taxation	-	1,275
Current tax charge for the year	16,017	14,327
Deferred tax charge for year	362	3,434
	16,379	17,761

Targets outlined in our Environmental and Social Accountability Report 2001

>> TARGET 2001:

Musgrave Group will establish staff notice boards at all facilities by mid-2003.

>> PROGRESS:

Staff environmental notice boards are in place at our MSVC RoI facilities. As an alternative to notice boards we have begun the development of an environmental section in our company intranet portal. This section of the portal is due to go 'live' in summer 2004. All staff will be able to use this system to access environmental information, such as the company Environmental Policy Charter and Environmental Reports, to retrieve information on sustainability initiatives and to link to other environmental information and websites.

Environmental Conference Presentations and dedicated section for stakeholder enquiries on environmental initiatives to be accessible at www.musgrave.ie

Presentations made at the 'Greening of the Supply Chain' conference (2002) are available to download at www.musgrave.ie. All environmental queries from the company website (through info@musgrave.ie) are channelled to the Group Environmental Executive's office. The Group Environmental Executive is also the recipient of environmental queries from interested parties, e.g. schools, other businesses and community groups.

To train personnel from the following sections of Musgrave Group: 20 MSVC Office Personnel, 50 MSVC Retail Partners, 20 MWS Office Personnel, 20 MSVC (NI) Personnel

Environment has developed considerably in terms of importance at informal team meetings, briefings and discussions. We have conducted some formal environmental training in all divisions and intend to broaden the scope of this training in the next reporting period. Environment features strongly in our Employee Handbook, which all staff receive at induction. All new members of staff receive a presentation on environmental issues, prepared by the Group Environmental Executive.

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

Our previous project indicated that consumers did not make purchasing decisions based on sustainability issues. Although we continue to communicate with our consumers, we have not progressed consumer surveys relating to environmental matters in 2002-03.

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.

Target achieved and the data is presented in this report.

We will continue to try to increase the numbers of public bring banks by liaising with local authorities and directly with recycling contractors, where necessary.

A significant number of our stores already provide bring banks. We continually look for opportunities to encourage our retailers to provide these facilities wherever possible.

Targets outlined in our Environmental and Social Accountability Report 2001 *(continued)*

>> TARGET 2001:

Musgrave Group is committed to approaching all suppliers who are not already using the EDI system and investigating the feasibility of them doing so.

>> PROGRESS:

All our major suppliers are now EDI-compliant.

Musgrave Group will examine a number of options toward providing more sustainable transport modes for employees.

Due to poor public-transport infrastructure adjacent to many of our facilities, it has not been practicable to put in place staff transport initiatives. Many of our employees walk, cycle or use public transport where feasible, but we recognise that there is still a very strong reliance on private cars.

Include environmental standards in the MSVC Chill and MC&C Supplier Codes of Conduct by the end of 2002.

Musgrave's Environmental Charter policy principles on Supplies and Products have been embedded into our supplier Codes of Conduct.

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.

We have undertaken a number of packaging-saving initiatives during the reporting period. The reusable crates scheme (Hay's returnable transit packaging), which we reported on in 2001, has been successfully expanded within the chill distribution chain.

MSVC made 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.

We have attained recognised and verifiable standards in relation to our organic food. Further details are contained in the "Our Marketplace" section.

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

Our 'One-Stop-Shop' waste management contracts have provided us with an excellent source of accurate waste data for the company. Summary data is presented in the "Our Facilities" section of the report.

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

Study completed: an assessment was made of what the appropriate and necessary process changes and improvements required to reduce environmental impacts to the levels needed for ecolabel registration. During the project Musgrave successfully identified 'own brand' paper products that can be registered to the EU ecolabel scheme. It is expected that we will be able to have these eco-labelled products on our supermarket shelves during 2004.

Disclosure & Reporting

Informing our stakeholders on our progress on Environmental and Sustainability issues is one of the fundamentals of our

Environmental Policy Charter – we are proud to be leading the way on non-financial reporting in Ireland.



Environmental Policy Charter REPORTING

IMPACT	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.	
ACHIEVEMENTS TO 2003	This is our third public report on our environmental and sustainability achievements, covering the last four years of our business's operations and expansions.	STATUS Target achieved
FOCUS FROM 2004 ONWARD	We will publish our next report in 2006, covering the period 2004-2005. We are confident that, although our business is expanding significantly, we will continue to refine our knowledge, making our business more environmentally-sustainable.	TARGET: Next report in 2006
COMMITMENT, 2000	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.	
ACHIEVEMENTS TO 2003	Our previous report, in 2002, was the first report in the world to be 'in accordance with' the 2002 Global Reporting Initiative Guidelines. This report is also written to that standard, and we have used standardised or accredited protocols, where possible, in preparing this report. For example, this report is assured with reference to the new AA1000 standard.	STATUS: Target achieved
FOCUS FROM 2004 ONWARD	In 2004 and 2005, we hope to become directly involved in the preparation of a GRI Sector Supplement for Retailers worldwide. We will continue to apply best practice in reporting, data-collection and management, application of standard protocols and report-assurance and verification.	TARGET: GRI Project in 2004 & 2005 TARGET: Continue good practice

REPORTING AWARDS

Musgrave Group was pleased to win the Irish ACCA (Association of Chartered Certified Accountants) Environmental Reporting Award in both 2001 and 2002, for each of its previous Environmental Reports – both reports can be downloaded from our website:

www.musgrave.ie The ACCA administers Environmental and Sustainability Reporting Awards internationally. The function of these awards is:

1. to give recognition to those organisations which report and disclose environmental, social or full sustainability information,
2. to encourage the uptake of environmental, social and sustainability reporting and
3. to raise awareness of corporate transparency issues.



2002 ACCA AWARD

LOCAL ENVIRONMENTAL RANKING FOR MSVC NI

ARENA Network was established in 1995 to co-ordinate all business environmental initiatives in Northern Ireland and to provide an environmental support service to local business. ARENA Network produces the annual Northern Ireland Environmental Management Survey, which is widely recognised as the principal measure of environmental engagement in Northern Ireland.

MSVC NI was placed in the 1st quintile position in the Northern Ireland Leading 200 Environmental Management Survey (ARENA Network), for the third successive time, in 2002. We did not complete a number of our environmental targets, locally, for 2003, and were not able to report them for the survey – as a result we moved to the 2nd quintile for that year. We are confident that MSVC NI will meet its 2004/2005 commitments.

LOCAL COMMUNITY AWARD FOR MSVC NI

MSVC NI was recognised for excellence in community impact through Business in the Community's National Awards for Excellence for its partnership with the Action Cancer 'Driving Home Early Detection' campaign. MSVC NI supports Action Cancer's mobile Detection Unit to promote awareness and early detection of breast and cervical cancer in key areas of Northern Ireland where uptake of screening services remains low (more details on this initiative are given in the 'Our Communities' chapter on page 86).

MSVC NI received a "Big Tick" commendation, a quality standard defined by Business in the Community, recommended by the British Quality Foundation and endorsed by the UK Department for Trade and Industry.

MSVC NI was also the winner of the Chartered Institute of Marketing Voluntary/ Community Sector Award, 2003 and the overall Northern Ireland winner of the Northern Ireland Charities & Voluntary Association Link Awards in 2003 for its work with Action Cancer.

CASE STUDY: PARTICIPATION IN GRI ASSURANCE WORKING GROUP

As a result of being an 'in accordance' Global Reporting Initiative (GRI) reporter, Musgrave Group were invited by the GRI to participate in its Assurance Working Group (AWG) during January-April 2003. Musgrave Group was represented by Dr. Conor Tonra (of Patel Tonra Ltd., environmental consultants to Musgrave Group since 1999).

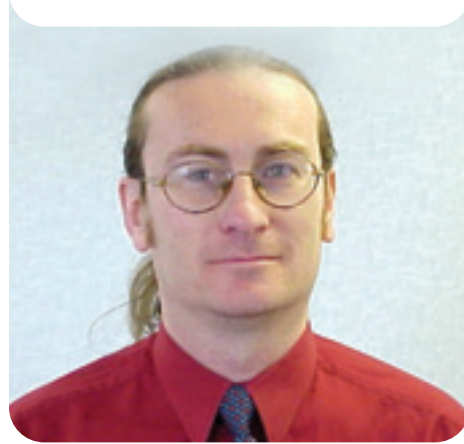
The purpose of the AWG was to draft recommendations to the Board of Directors of the GRI on the organisation's policy in relation to assurance and verification of reports, based on the GRI Guidelines.

Musgrave Group was one of only three reporting organisations worldwide (with Siemens AG and Anglo American plc) to participate in this Group. The Group met twice in GRI headquarters in Amsterdam, and also actively reviewed documentation over the four-month convening of the Group. Since the report to the Board in April 2003, a further AWG has been convened through the Stakeholder Council – this Group has been tasked with formulation of a draft policy for the Board; this process is due to be completed in late 2004.

Reporting to Musgrave Group, Conor Tonra said: "Involvement in this process was very beneficial personally, leading to a greater understanding of the problems and barriers facing business and industry in regard of the credibility of their CSR and Environmental Reports. For Musgrave Group, it is critical to support a system of openness, even-handedness and honesty in the preparation of public reports and in their verification and assurance – the comments of independent commentators on Musgrave Group's initiatives in this regard are probably the greatest tool toward convincing readers of the report of Musgrave Group's bona fides in regard of sustainability".

"...it was a great honour for Musgrave Group to become involved in formulation of Global Best Practice and Policy in CSR Reporting and I, personally, was privileged to represent Musgrave Group on this project. I found it very rewarding to work with some of the chief drivers in making non-financial disclosures an obligatory part of doing business worldwide..."

Dr. Conor Tonra, Patel Tonra Ltd.



UN GLOBAL COMPACT

We made a commitment to addressing the area of Ethical Trading in our last Environmental and Social Accountability Report. With the assistance of representatives from the various trading departments, the Environmental Action Teams in the different business units (see page 13) we are currently reviewing our policies in relation to Ethical Sourcing/Trading.

Musgrave Group has recently taken the ambitious step of becoming the first company in Ireland to sign up to the UN Global Compact. The UN Global Compact www.ungc.org is a worldwide initiative of the UN Secretary General, Kofi Annan, which promotes corporate transparency and through which organisations voluntarily sign up to nine principles covering environmental and social policy. We are now beginning to set in motion changes to business operations so that the Global Compact and its principles become part of Musgrave strategy, culture and day-to-day operations.

"...together, we can and must move from value to values, from shareholders to stakeholders, and from balance sheets to balanced development. Only then we will fill the voids and gaps in global governance. And only then will we shape globalisation so that its benefits are more widely shared, and place development on more sustainable footing. For that we shall need leadership. For that, we shall all have to be willing to take global cooperation to a new level..."

Kofi Annan, Secretary-General, United Nations

- ■ MANAGING OUR WORKPLACES
Musgrave Group has always recognised that managing the performance of our facilities is a key requirement of a successful environmentally-sustainable business. In moving toward a low-carbon economy in the future, we will need to think carefully about operating more efficiently in both our facilities and in our transport fleet, both of which are expanding with the growth of our business.

Our Facilities





Environmental Policy Charter

BUILDINGS

IMPACT	Musgrave Group conducts its business from large, modern distribution and wholesale facilities. The construction, design and running of our facilities impacts on their local environments. Energy consumption associated with Musgrave Group operations will contribute toward the greenhouse gas (GHG) emissions of the countries in which we operate.	
ACHIEVEMENTS TO 2003	We have focussed, during the term of this report, on more accurately quantifying the environmental impact (especially in the area of energy) of our buildings.	STATUS: Target in progress
FOCUS FROM 2004 ONWARD	We will use the information gathered to operate our buildings and facilities in a more environmentally-efficient, as well as economically-efficient manner.	TARGET: 5% decrease in GHGs in 2004 10% decrease in GHGs in 2005 (normalised to 2003 levels)
COMMITMENT, 2000	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. 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.	
ACHIEVEMENTS TO 2003	In 2002, we consolidated our business in Northern Ireland from three warehouses to one, and in doing so, we believe we have reduced our GHG emissions, though our previous data is unreliable.	STATUS: Target in progress
FOCUS FROM 2004 ONWARD	We expect that our 'new' distribution centre near Dublin will significantly reduce the GHG emissions from our business in Ireland, based on 2003 emissions. We have recently contracted a single source energy provider in Rol – Energia, who have committed to providing a significant proportion of our energy needs from renewable sources.	TARGET: More efficient energy use in this facility Reduced GHGs from energy
COMMITMENT, 2000	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.	
ACHIEVEMENTS TO 2003	This service is one of our most important features in assisting our retail partners to continue their competitiveness in business – part of the Store Design department's remit is to provide effective waste infrastructure in stores, and to design the most energy-efficient solutions to the needs of the retailers.	STATUS: Target achieved
FOCUS FROM 2004 ONWARD	We will initiate an energy auditing and benchmarking service for our stores, through the Store Design departments in Ireland, Northern Ireland and Great Britain, and will continue to provide appropriate environmental management infrastructure by design for our retail partners' stores.	TARGET: Set energy criteria & guidance for stores by 2005

Accounting for Climate Change – Buildings

ENVIRONMENTAL INDICATORS: ENERGY

Our business-related environmental indicators, specifically in respect of electrical energy use, for the reporting period, are detailed in the table below.

Please note that only the electrical energy proportion of energy used in buildings is contained in this table. The thermal energy generated in the business (mostly from fuels used for heating) is included with the transport emissions calculations on page 38.

We have presented the data in this way because electrical energy emissions are much greater in buildings than those related to heating fuel. Furthermore fuel emissions are directly generated by Musgrave Group, unlike the electricity emissions, which are indirect emissions.



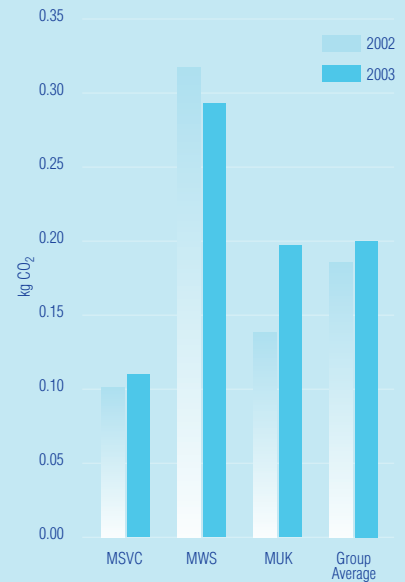
Notes:

MSVC is Musgrave SuperValu-Centra (Republic of Ireland)

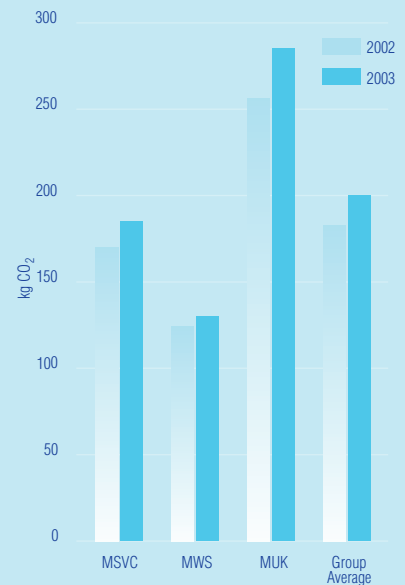
MWS is Musgrave Wholesale Services (Republic of Ireland and Northern Ireland)

MUK is Musgrave UK, comprising Musgrave SuperValu-Centra (Northern Ireland) and Budgens UK, as well as the company-owned stores in both those regions.

GHG EMISSIONS BUILDINGS PER CASE SOLD



GHG EMISSIONS BUILDINGS PER SQUARE METRE



PARAMETER	MSVC '02	MSVC '03	MWS '02	MWS '03	MUK '02	MUK '03
Cases Sold (million)	53.6	53.9	34.9	35.0	45.2	46.7
Area (Ha) i.e. 10,000m ²	3.5	3.5	7.3	7.3	17.8	18.1
Electricity Used (Terajoules)	25	26	33	34	325	339
CO ₂ Emissions (kilotonnes)	6.0	6.4	9.5	9.8	73.4	76.6

INTERPRETATION

Our data shows an increase in the electricity use in all three business units during 2002 and 2003. Our emissions (related to turnover) are most efficient in the MSVC warehouses, and least efficient in our MWS outlets. However, in terms of emissions per unit area (m²), the MWS outlets are most efficient, with our MUK buildings being least efficient.

This lower efficiency in MUK buildings reflects the fact that most are supermarkets, as opposed to warehouses – supermarkets are inherently more energy-intensive.

IMPLICATION

A significant portion of our total electricity use arises from the operation of over 12 Ha of supermarket space in Great Britain. Our long-term strategy is to franchise these businesses to independent retailers. We will continue to advise our franchisees through our Store Design teams on energy management issues (see more on this issue in **'Our Communities'** page 80). We will focus initially on making our wholesale and distribution warehouses and 'own stores' more energy efficient.

MOVING FORWARD

As we have indicated previously, this is an area in which we intend to focus on improvement in our performance – some of our initiatives are discussed in the next sections.

NEW ENERGY CONTRACT FOR MUSGRAVE

In early 2004, Energia, a member of the Viridian Group, signed a new nationwide power supply agreement with MSVC (RoI), which designated Energia as the preferred electricity provider to over 500 SuperValu and Centra stores. Combined, the total electricity requirement of all these stores is close to 350 GWh (Gigawatt Hours), the equivalent power usage of over 80,000 homes. Energia is also contracted to provide power to Musgrave Group's facilities.

Energia's power generation plant is a combined cycle gas turbine, which is one of the cleanest and most modern methods of generating power. As a result, Energia generates less carbon emissions than conventional power stations.

Energia also provides green and renewable electricity – an estimated 12% of its total energy provision is renewable or 'green' energy from solar, wind and wave energy. The company's new generating facility near Derry generates power from the largest wind-energy project on the island of Ireland.

Energia also provides retailers with web access to their energy metering enabling them to better manage their energy usage.

...Our objectives are to reduce carbon dioxide and greenhouse gas emissions, whilst controlling costs. ..



...A key factor in reducing energy consumption is the level of awareness among staff.

Staff training will be conducted in parallel with investments in new technology...

MUSGRAVE GROUP ENERGY AUDITING

Heating, lighting and servicing our business premises account for a significant proportion of the energy consumed throughout the Musgrave business. In keeping with the Sustainable Development principles of our Environmental Policy Charter, we have commenced a review of our energy usage with the aim of reducing the energy intensity of our operations and decoupling energy use from business growth. Our objectives are to reduce carbon dioxide and greenhouse gas emissions, whilst controlling costs.

The company recently completed an energy audit at the MWS premises at Airport Road in Cork. The audit report identified significant potential emissions and cost savings, which are achievable through a combination of best practice and new technology. We propose carrying out similar audits in the remaining business premises in RoI, NI and GB. The data generated as part of the audits will provide a basis upon which to develop plans to tackle emissions and energy consumption, taking account the pay-back periods for capital projects but focussing initially on no/low cost opportunities for energy reduction.

A key factor in reducing energy consumption is the level of awareness among staff. Staff training will be conducted in parallel with investments in new technology.

The obvious environmental and financial benefits of reduced energy consumption are further highlighted by current oil price volatility and the imminent introduction of carbon taxation in Ireland. As we have learnt with waste management, the collection and analysis of key data is critical in managing any problem. Ultimately we aim to exploit new technology wherever possible and to develop a monitoring and targeting system, which will enable us to measure and control emissions and energy use across our business.

Controlling Water-Use

We are not an intensive water user, and have not collected data on water use at our facilities during 2002-2003.

Both the MSVC Tramore Road, Cork and the MSVC Fonthill, Dublin distribution centres use a water recycling system in their truck-washes. Approximately 85% of the water which is used for the washing of trailers and trucks is recycled within the system.

All wastewater and sewage from our premises are discharged to the relevant local municipal treatment facilities. Where required by permits or licences, effluent discharge is primarily treated by on-site interceptors prior to discharge to the public sewer system. This is the case at MSVC facilities in Tramore Road in Cork and Fonthill in Dublin, for example, where we hold trade effluent permits from Cork City and Dublin City Councils to discharge to the public sewer. The effluent discharge permits were issued specifically for truck-wash operations, and implementation of the conditions of the permits prevents contaminants entering the sewerage system.

During the period 2002-2003, we experienced one significant fuel spillage at our distribution centre in MSVC NI, in September 2002. Approximately 25,000 litres of diesel hydrocarbons were released from a ruptured underground pipe. An emergency response was initiated to prevent contamination of surface water and groundwater. The recovery and clean-up operation was successfully completed.

Managing Resources – Reduction, Reuse and Recycling of Waste

One of our first tasks as a company in implementing our Environmental Policy Charter was to address waste management.

Our initial efforts focussed on the RoI because, with the shortage of landfill space, disposal costs were one of the highest overheads for our business.



Environmental Policy Charter WASTE MANAGEMENT

IMPACT	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.	
ACHIEVEMENTS TO 2003	We have put in place waste contracts with an emphasis on reducing waste-to-landfill. In the contracts active in 2003, we achieved 55% (by weight) recycling of wastes generated in the business.	STATUS: Target Achieved
FOCUS FROM 2004 ONWARD	We have set a target of 60% recycling in 2004, and ongoing targets will increase as new recycling technologies become available.	TARGET: 60% in 2004
COMMITMENT, 2000	We support the principle of 'Producer Responsibility', which obligates all parties in the 'manufacturer to consumer' chain to recover and recycle.	
ACHIEVEMENTS TO 2003	Our business is fully compliant with the EU Packaging Regulations, and we have worked in assisting the authorities in achieving the compliance of our obligated retailers and suppliers. We have worked with our retailers to provide free space for recycling facilities for consumers at their stores.	STATUS: Target in Progress
FOCUS FROM 2004 ONWARD	We will work with the authorities and business-owners to achieve full packaging compliance of our obligated retail partners and suppliers.	TARGET: 70% in 2004 80% in 2005
	We will continue to provide recycling facilities for our employees, and will continue to encourage retailers to facilitate consumer recycling infrastructure.	TARGET: 20 new in 2004 20 new in 2005

table continued overleaf >>



<< continued

WASTE MANAGEMENT

COMMITMENT, 2000	We also acknowledge that generators of waste are responsible for its safe handling, treatment and ultimate disposal. We will apply 'best practice' in our management of wastes.	
ACHIEVEMENTS TO 2003	We have put in place waste contracts to facilitate this aim in 19 of RoI 26 counties.	STATUS: Target in Progress
FOCUS FROM 2004 ONWARD	<p>In RoI we will increase the availability of waste contracts to all 26 counties</p> <p>In NI, we will put a waste contract in place for all retailers in 2004</p> <p>In GB, we will ensure that waste contract(s) are in place, by 2005.</p>	<p>TARGET: 22/26 in 2004 100% in 2005</p> <p>Contract in 2004</p> <p>Contract in 2005</p>
COMMITMENT, 2000	We will provide leadership to our retail partners to manage their waste streams in a systematic and cost-effective manner.	
ACHIEVEMENTS TO 2003	We have published a 'Best Practice Guide for Waste Management for Retailers' for our RoI retailers, detailing how they should best manage their wastes in store, with an emphasis on recycling, diversion from landfill and cost-control.	STATUS: Target Achieved
FOCUS FROM 2004 ONWARD	We will make available a version of this handbook in NI and GB for retailers in the next reporting cycle, as well as producing a condensed information sheet for our Day Today retailers in RoI.	<p>TARGET: NI contract in 2005</p> <p>GB contract in 2005</p>

INITIATIVES IN DIVERSION FROM LANDFILL

Musgrave Group has focussed on waste management and recycling as a means of raising awareness of environmental best practice among company employees. By the end of 2003, one-stop-shop waste contracts were in place in 6 of our 14 facilities in RoI. By mid-2004, contracts had been put in place in all the remaining 8 facilities in NI and the Greater Dublin region.

These contracts also provide 'one-stop-shop' waste management services to our franchise retailers – the results of these initiatives are outlined in the 'Our Communities' chapter (page 80).

The waste records at the MSVC and MWS facilities that are participating in the waste contracts are amalgamated below:

	2002	2003
Facilities participating (at end of year)	4	6
Total Tonnage handled (in waste contracts ¹)	425.6	1,392.3
Recycled materials ² (tonnes)	173.5	694.0
Landfilled Waste (tonnes)	252.1	698.3
% Diversion from Landfill	41%	50%

1. At Musgrave Group-owned facilities ONLY

2. Recycled Materials included Paper, Card, Plastic, Compost, Timber, Metal and Waste Oils

The table is not complete for each year, leading to the differences in the tonnages reported from 2002 to 2003. For example MSVC, Cork joined the contract in October 2002 (so only three months data are reported in 2002), and MSVC, Galway joined in September 2003 (and only four months data is reported for 2003).

The average commercial waste recovery rate for Irish business in 2001 (as reported in the Irish EPA, Waste Database Report) was 23.8% - we are pleased to have achieved a significantly better rate, and will continue to improve our recycling statistics. Musgrave Group's target for 2004, for example, is the diversion of 60% (by weight) of the wastes generated in our facilities – by June 2004 we had increased our recycling rate to 59%.

WASTE MANAGEMENT CASE STUDY – MWS, CORK

MWS in Cork has participated in the Southern waste contract since shortly after its initiation in June 2002. Prior to this time, no recycling took place at this facility; since then recycling performance has greatly improved through application of better waste management practices. An illustration of the waste records for this facility is detailed as follows:

	2002	2003
Total Waste Handled (Tonnes)	105.4	232.3
Recycled Materials (Tonnes)	53.8	113.9
Landfilled Waste (Tonnes)	51.5	118.4
% Diversion from Landfill	51%	49%

NOTE: Recycled Materials included Paper, Card, Plastic, Compost, Timber, Metal and Waste Oils

“...we've made good progress over the past two years, and made a lot of savings in Waste Management, even though waste costs are spiralling upwards. Despite some setbacks in 2005, I'm confident, with some recent changes, and with the onset of a composting service in 2004, that we'll make our diversion from landfill target of 60% in 2004...”

Andrew Dwyer,
(Deputy Manager, MWS Cork)



RECYCLING OF OFFICE PAPER – TRAMORE ROAD

In conjunction with our Waste Management contractor in Cork (Onyx Ireland Ltd.), we initiated an office-paper collection and recycling project in December 2002 at the MSVC offices in Cork.

The results of this project for 2002/2003 are detailed as follows:

YEAR	PAPER COLLECTED FOR RECYCLING (TONNES)
2002	1.16
2003	31.67

We will be extending this project over the course of the next reporting period to all our facilities, and will report on progress accordingly.



“...I’m pleased with this paper recycling initiative – the collection service has been good, and the participation of staff has been excellent. We’ve made a few attempts to get this type of thing working before, without much success. The key has been putting a formal and reliable collection service in place...”

Pat Mulgannon (Health & Safety Manager, MSVC Cork) monitors the recycling project at Tramore Road, Cork.

STAFF RECYCLING CENTRE – TRAMORE ROAD

Onyx Ireland, working closely with Wastewise Ltd. (the contract managers for Musgrave Group waste contracts) have recently begun servicing a recycling centre for MSVC staff at Tramore Road in Cork. The Recycling Centre accepts glass (green, clear and brown), textiles, cardboard and drinks cans. The service is very popular with employees. However, as it has only recently been initiated, we have no data to report in this cycle.

MSVC, Cork also operates a dedicated staff “bring facility” for the disposal of waste batteries. Onyx Ireland Ltd., collects and transports the batteries to Returnbatt Ltd. for disposal/recycling. Returnbatt Ltd., an EPA-licensed company, operates a nationwide collection scheme for all types of waste batteries. Lead acid batteries undergo a first stage recycling process where they are shredded. The lead and plastic from the batteries is baled and palletised for shipment to smelters where the lead is reused in the manufacture of new batteries and the acid is later neutralised.



ENVIRONMENTAL INDICATORS: WASTE

We have established the following environmental indicators related to waste management in this reporting cycle (see table below).

INTERPRETATION

While this is the first time that we have produced these indicators, we are pleased that our initiatives in relation to waste management are indicating good progress – recycled materials exceeded landfilled waste in all our business units in 2003.

We can see that waste produced per case sold is lowest in MSVC. This is because mainly tertiary packaging wastes are produced in this business unit. [Packaging wastes are the most significant wastes throughout our business.] In MWS, this indicator is higher, because some secondary packaging is also included in the waste stream, due to the nature of MWS business – customers tend to purchase smaller cases than for MSVC. In MUK, as we include retail outlets, our waste stream is dominated by secondary packaging, and we produce most waste per case in that business unit.

However MUK has the best recycling system – our transport fleet is a registered waste carrier, and we collect all our cardboard and plastic packaging centrally for recycling. The other businesses have demonstrated a great improvement in recycling rates from 2002 to 2003, with the onset of the new system in RoI. It is expected that both these business units will report similar recycling percentages in the next reporting cycle.

IMPLICATION

In the RoI, our company has been at the forefront in demonstrating to the Irish business sector that good waste management works – in a business environment that heretofore had been reluctant to fully accept this view.

MOVING FORWARD

We will be taking a further step forward from 2004 in RoI, when commercial composting arrangements become more widespread in our contract areas.

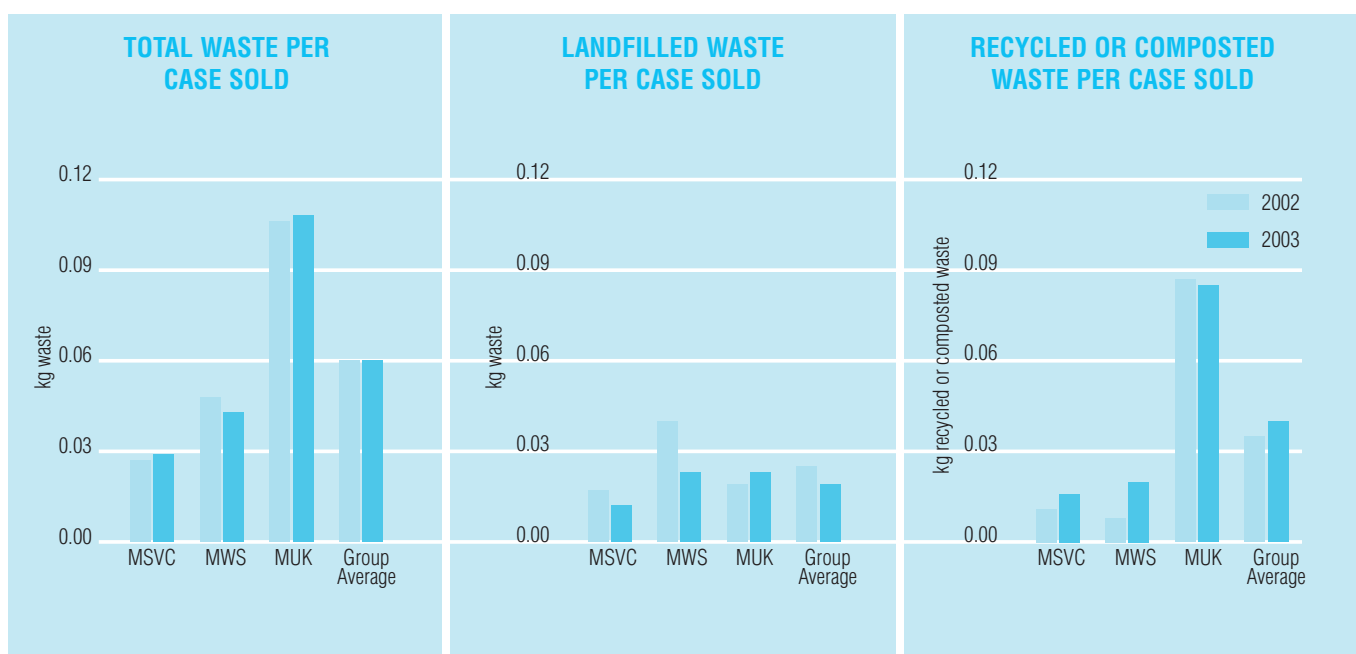
PARAMETER	MSVC '02	MSVC '03	MWS '02	MWS '03	MUK '02	MUK '03
Cases Sold (million)	53.6	53.9	34.9	35	45.2	46.7
Total Waste (tonnes)	1,346	1,351	1,599	1,475	9,851	9,752
Recycled or Composted	286	693	359	770	6,169	5,836
Waste (tonnes, %)	21%	51%	22%	52%	63%	60%

Notes:

MSVC is Musgrave SuperValu-Centra (Republic of Ireland)

MWS is Musgrave Wholesale Services (Republic of Ireland & Northern Ireland)

MUK is Musgrave UK, comprising Musgrave SuperValu-Centra (Northern Ireland) & Budgens UK, as well as the company-owned stores in both those regions.



Managing our Fleet



Environmental Policy Charter TRANSPORT

IMPACT	Musgrave Group operates a large modern distribution fleet, and we recognise that there are significant environmental impacts associated with road transport.	
ACHIEVEMENTS TO 2003	We are always seeking to improve our distribution efficiencies in Musgrave Group. We are continuing to train our drivers, and maintain our record of achieving improvements in fuel-efficiency, and thus lower GHG emissions.	STATUS: Target in progress
FOCUS FROM 2004 ONWARD	We will continue to focus on achieving better fuel-efficiencies from our vehicles, through driver training and introduction of new technologies.	TARGET: 1% efficiency increase in 2004 1% efficiency increase in 2005 <i>(normalised to 2003 levels)</i>
COMMITMENT, 2000	We undertake to reduce the impacts associated with road transport through the application of new technologies and improved logistical practices.	
ACHIEVEMENTS TO 2003	Since our last report, we have established a transport fleet of our own in Musgrave Wholesale Services, which heretofore sub-contracted all distribution of products.	STATUS: Target in progress
FOCUS FROM 2004 ONWARD	When our new distribution centre near Dublin comes on-line, we will undertake most of the main centrally-billed deliveries arriving at our retailers' stores. This will improve efficiencies in deliveries to stores, and although apparently increasing our GHG emissions recorded overall, will reduce total delivery-related emissions through the application of improved logistics practices. Our focus on expanding our well-managed direct (and contracted) fleet will continue in 2004 & 2005, especially with the growth and diversification of our businesses.	TARGET: 2% drop in GHGs in 2004 2% drop in GHGs in 2005 <i>(normalised to 2003 levels)</i>
COMMITMENT, 2000	We will demonstrate our achievements through rigorous assessment of these changes.	
ACHIEVEMENTS TO 2003	We have significantly improved our data-collection in regard of transport emissions, through application of a number of new international climate change protocols, and are confident that our data-management is even more rigorous than for our previous reports.	STATUS: Target in progress
FOCUS FROM 2004 ONWARD	With continuing improvements in standards of measurement of GHG emissions, we will apply any appropriate improved techniques and protocols in our next report in 2006.	TARGET: More accurate data in 2004 & 2005

Accounting for Climate Change – Transport

ENVIRONMENTAL INDICATORS: TRANSPORT

Our environmental indicators on transport emissions are detailed for 2002/2003 in the table following. As explained previously (page 29), the “fuel used” data includes other direct emissions from heating fuels at our facilities.

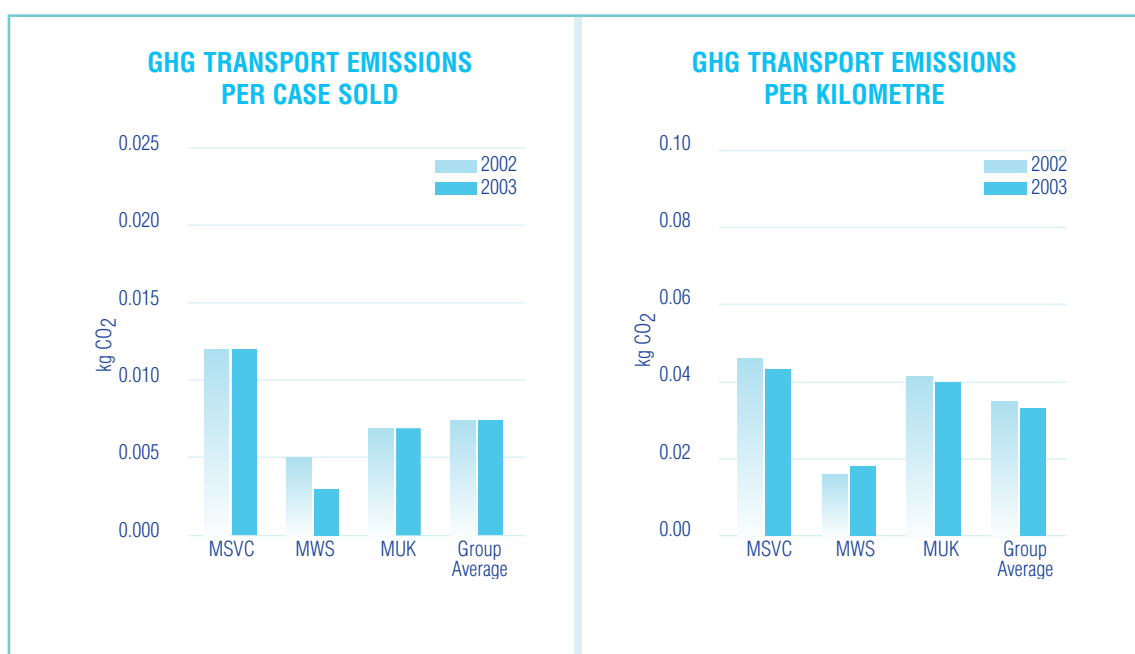
PARAMETER	MSVC '02	MSVC '03	MWS '02	MWS '03	MUK '02	MUK '03
Cases Sold (million)	53.6	53.9	34.9	35.0	45.2	46.7
Distances Travelled (million km)	15.8	17.6	2.7	4.8	19.0	26.8
Fuel Used (Terajoules)	19.6	24.1	42.2	44.4	81.5	89.3
CO ₂ (kilotonnes)	0.65	0.68	0.05	0.10	1.00	0.95

Notes:

MSVC is Musgrave SuperValu-Centra (Republic of Ireland)

MWS is Musgrave Wholesale Services (Republic of Ireland and Northern Ireland)

MUK is Musgrave UK, comprising Musgrave SuperValu-Centra (Northern Ireland) and Budgens UK, as well as the company-owned stores in both those regions.



INTERPRETATION

We can see progress in nearly all business units in our efforts to reduce transport emissions.

In MWS, own-fleet distribution is a new aspect of that business. We are seeing very low emissions per case sold (compared to MSVC, our most mature distribution business) because only a small portion of cases sold by MWS is distributed by the MWS fleet. A significant portion of our customers continue to collect produce from MWS facilities. We attribute the lower emissions per km for MWS to the fact that a much greater proportion of our transport distances is covered by cars (used by our sales teams), than is the case for MSVC.

In our more developed distribution fleets in MSVC and MUK, we continue to see better efficiencies year-on-year, especially in emissions per kilometre.

IMPLICATION

The main implication is that our driver training (see page 40) and the upgrade of our truck fleets is proving effective, and is resulting in reduced normalised greenhouse gas emissions from our business.

MOVING FORWARD

In MSVC and MUK, we are aiming to increase distribution of suppliers' goods to our warehouses or our franchised stores by our own fleet. In future reporting cycles, we expect that this type of data will show increased distances travelled, with increased fuel use and total greenhouse gas emissions. This is likely initially to result in apparent increases in emissions per case sold, though we expect that we will show sustained decreases in emissions per kilometre in future.

The increased distances, fuel use and emissions will substitute those currently attributable to our suppliers, which we are not currently able to report.

CASE STUDY: ALTERNATIVE FUEL COMPANY CARS FOR BUDGENS

Budgens is offering employees two fuel-saving cars for 2004: the new model Toyota Prius and the Honda IMA. So far this year, uptake of the Prius has numbered five vehicles (3% of the overall company car fleet) and 18 Honda IMAs (11% of total company cars).

“The combined electric/petrol vehicles are proving particularly attractive with our London city drivers because they are 100% exempt from the London Congestion Charge, as well as offering the fuel savings we have come to expect, particularly in slow-moving traffic. Drivers are also making significant savings on motor tax on these vehicles. We would expect such models to increase in popularity in the company over the next couple of years, especially as the benefits spread by word of mouth”.

Linda O'Hara,
Company Fleet Manager, Budgens

The new Prius offers fuel efficiency of 66 miles per gallon (4.3 litres per 100 km), with CO₂ emissions of 105g/km. Likewise, the Honda IMA (Integrated Motor Assist) is a combined petrol and electric vehicle, offering fuel economy of 83 miles per gallon (3.4 litres per 100 km) and CO₂ emissions of 116g/km.

HGV FLEET MANAGEMENT

All of our heavy goods vehicles (HGV) are Euro III compliant, in line with European standards for new heavy-duty diesel engines.

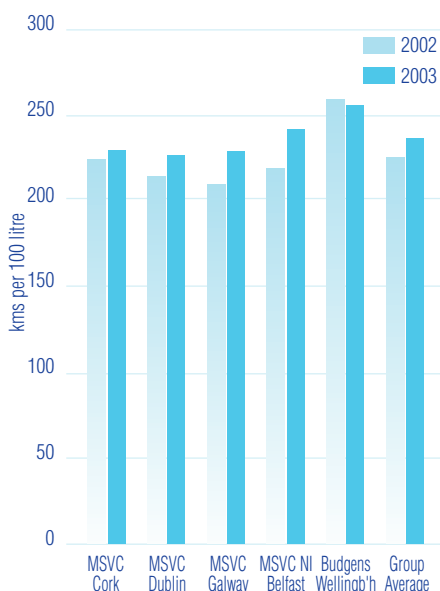
Driver Training has been ongoing in 2002 and 2003 to improve miles per gallon performance (mpg) and HGV efficiency. MSVC initiated performance incentives for driver mpg, by offering bonuses to our drivers for attaining targets in relation to fuel efficiency.

DAF Trucks, which supplies most of the MSVC fleet, provides driver training whenever we renew a significant number of the fleet. The purpose of this training is to inform drivers of any new technical developments in the vehicles and explain in detail how the truck should be driven for optimum fuel efficiency as well as performance. 80% of MSVC drivers have now participated in the DAF driver training. We have also introduced a battery protection device, which prevents battery voltage level going below that required to start the truck. This allows us to use tail-lifts with the truck engine switched off, another emissions-saving initiative.

In 2002, we reported on the increased use of "backhauling" to improve transport efficiency. Backhauling is the process of using empty trucks to collect goods from suppliers on return journeys from primary business. This avoids the necessity for supplier deliveries and is a more efficient and environmentally friendly way of using our vehicles to transport goods.

Since our last report, we have initiated the use of Paragon, a route-planning software package in MSVC. It is used to plan the optimum route, given the delivery time restrictions that the system recognises, saving mileage, fuel and tyre wear.

DRIVER EFFICIENCIES



'PROJECT KESTREL'

Project Kestrel is the name given to the re-engineering of the MSVC supply chain in the RoI, which was initiated in late 2003. This re-engineering involves the establishment of a new 14,000m² ambient depot in Kilcock, Co. Meath (25 km west of Dublin city) and the centralisation of 20 major suppliers who currently deliver directly to SuperValu and Centra stores. From an environmental perspective, there will be a reduction in mileage incurred by suppliers as they no longer have to deliver to over 500 MSVC stores – this will result in an increased mileage reported by MSVC, replacing (more efficiently, we calculate) mileage currently undertaken by our suppliers (which is not currently measured for reporting purposes).

Controlling Air Emissions

OZONE-DEPLETING SUBSTANCES (ODS)

Ozone-depleting substances were the focus of a UNEP (United Nations Environmental Programme) protocol adopted in 1987, in recognition that world-wide emissions of certain substances can “significantly deplete and modify the ozone layer in a manner that is likely to result in adverse effects on human health and the environment, including climate change”.

The Montreal Protocol and its Amendment constitute a mechanism for the phasing-out of ozone-depleting substances. 96 chemicals are currently controlled by the Montreal Protocol, including chlorofluorocarbons (CFCs) and hydrochlorofluorocarbons (HCFCs).

Some of the refrigerants used within Musgrave Group are classified as “ozone-depleting substances”, notably HCFCs, but there has been much change towards alternative sources in the last five years. These refrigerants are used in “fixed” refrigeration units at Musgrave facilities (mainly MWS outlets) and for transportation refrigeration within trailer units of distribution vehicles.

Our trailer units use approximately 8kg of the HCFC refrigerant R404A in each of our 121 units. The refrigeration units are sealed, with no emissions to the atmosphere. Replacement refrigerant is not required for these units, and at the end-of-life they are degassed and disposed of using industry best-practice techniques.

Ammonia-based refrigeration systems are used at the two MSVC Chill warehouses in Cork. Ammonia has desirable characteristics as a refrigerant which have been well known for over

150 years. It has an ozone-depletion potential and a global warming potential of zero, characteristics which result in a highly energy-efficient refrigerant with minimal environmental problems.

No ODSs are used in the MSVC NI facilities (ammonia-based refrigeration), while within Budgens, Freon 22 (HCFC) is currently used. With growth and expansion, all new plant in Budgens will be ammonia-based.

NO_x & SO_x EMISSIONS

We do not routinely measure or monitor emissions of oxides of nitrogen (NO_x) and oxides of sulphur (SO_x), as most of these emissions that we are directly responsible for are from combustion during transport. Indirectly, we are responsible for emissions of these harmful gases through use of electricity from the grid.

In estimating our emissions of these gases, we have used conversion factors from the Australian Victoria Transport Policy Institute and the Irish Environmental Protection Agency. The transport factors estimate that for articulated-truck transport, average emissions of NO_x are 0.74 g/km, with emissions of SO_x being 0.10 g/km. From electricity generation in Ireland, emissions of NO_x are 1.48 kg/MWh, while for SO_x the emissions are 2.41 kg/MWh. For the purposes of estimation, due to the relatively small proportion thereof, we have not included any direct combustion emissions (including fuels burnt for heating purposes at our facilities) in this section.

Our company’s emissions of NO_x and SO_x derived from transport and buildings during the reporting period are depicted as follows:



...we use **“backhauling”** to improve transport efficiency... this is the process of using empty trucks to collect goods from suppliers on return journeys...

this avoids the necessity for supplier deliveries and is a more efficient and environmentally friendly way of using our vehicles to transport goods.



- ■ The Musgrave Profit Sharing Scheme is designed so that employees can become shareholders in the company and, thus, can participate in its continued development and share in its future growth as part-owners, as well as employees.

Our People



DIRECT EMPLOYMENT

We have more than doubled the number of employees working for Musgrave Group since the publication of the 2001 report, largely due to the Budgens acquisition. Employment figures are shown in the graph opposite.

The employment breakdown by region is given in Table 1 below.

In addition to direct employment, the Group also contributes to a significant level of indirect job creation through its retailers (detailed below) and suppliers (no data). See Table 2.

A breakdown of the workforce by employment type for 2003 is given in the pie-chart. 97% of the total workforce was permanent in 2003. A high percentage of Budgens staff work on a part-time basis, which has skewed the data in this regard.

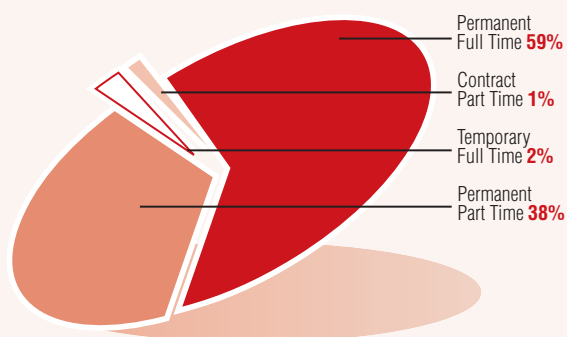
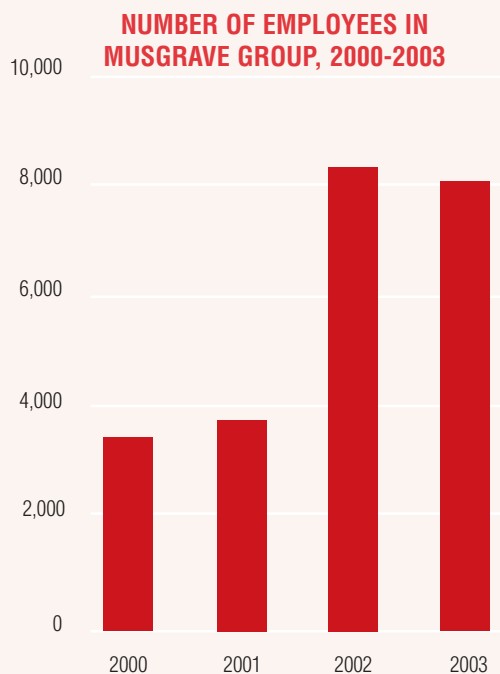


Table 1

	EMPLOYMENT 2003	EMPLOYMENT 2002	NET EMPLOYMENT CREATION 2003
Group Head Office	35	30	+14.3%
MSVC RoI	1,337	1,259	+ 5.8%
MSVC NI	70	70	-
MWS RoI & NI	1,022	1,004	+ 1.8%
Budgens UK	5,563	5,889	- 5.9%
TOTAL	8,027	8,252	- 2.8%

Table 2

	INDIRECT EMPLOYMENT 2003
MSVC ROI (SuperValu & Centra stores)	18,000 (approx)
MSVC NI (SuperValu and Centra stores)	3,323
MWS (Day Today stores)	1,110
TOTAL	22,433

Health & Safety in the Workplace

Musgrave Group divisions, because they are located in a number of jurisdictions, comply with health and safety legislation in a number of different ways. The primary piece of health and safety legislation in the Republic of Ireland is the Health, Safety and Welfare at Work Act, 1989 and in the UK it is the Health and Safety at Work Act, 1974.

We also work with two health and safety advisory commissions, the Health and Safety Authority (HSA) in RoI, and the Health and Safety Executive (HSE) in the UK. We have established links with both bodies and keep up-to-date on new directives and guidance relevant to our business.

We strictly adhere to requirements of legislation and the Health & Safety commissions, as a minimum, and have installed Occupational Health Management Systems in Group divisions.

HEALTH AND SAFETY MANAGEMENT SYSTEMS

MSVC adopted the ILO (International Labour Organisation) Occupational Safety and Health Management Systems (ILO-OSH 2001) guidelines when implementing our Health & Safety Management System. In compliance with management procedures, MSVC notifies any occupational accident and/or disease to the appropriate statutory authority as soon as it is reported or confirmed.

The ILO Code of Practice on Recording and Notification of Occupational Accidents and Diseases is based on the premise that the collection, recording and notification of data concerning occupational accidents and diseases is instrumental in accident prevention, and that the identification and examination of the causes of such accidents and diseases is of paramount importance in order to develop preventive measures.



HEALTH AND SAFETY MONITORING

Musgrave has collected occupational health and safety data in respect to injury rates, lost days, absentee rates and number of fatalities (see table below). Data is based on definitions as per the GRI Draft Health and Safety Protocol (May 2004). There are a number of different reporting structures in place in various Group divisions, although we are aiming for a more consistent approach to reporting and data collection moving forward.

NISO/NISG (National Irish Safety Organisation / Northern Ireland Safety Group) have awarded MSVC the annual Occupational Health & Safety Award for the Retail/Wholesale category in both 2002 and 2003 in its annual "Awards for Excellence in Occupational Health and Safety". The Awards are a showcase enabling health and safety professionals to demonstrate their commitment to providing a safe workplace for all persons in their organisation. The overall aim of the Awards scheme is to improve safety performance.

"...The NISO/NISG Safety Award Scheme sets the benchmark for companies like MSVC to strive to attain the highest levels of health & safety standards. An award scheme like this encourages an organisation to critically analyse itself in order to determine the continuous improvements it can make. We are delighted to have won the Retail/ Wholesale category for the last two consecutive years. This win is a great motivator for all involved in making ongoing improvements in health & safety within the organisation..."

*Pat Mulgannon,
MSVC Health & Safety Manager*

	MSVC 2003	MSVC 2002	MWS 2003	MWS 2002	MSVC NI 2003	MSVC NI 2002	WINCANTON (FOR MSVC NI 2003)	WINCANTON (FOR MSVC NI 2002)	BUDGENS 2003	BUDGENS 2002
Total accidents	183 ¹	165 ¹	-	-	-	-	-	-	616 ⁴	683 ⁵
Fatalities	0	0	0	0	0	0	0	0	0	0
Absentee rates	2.7%	2.9%	4.2% ²	-	1.38%	1.12%	6.19%	-	-	-
Injury rate	-	-	-	-	0	0	5.3% ³	-	-	-
Lost-day rates	-	-	-	-	0	0	1.1% ³	-	-	-

- No data

¹ Includes all accidents which incurred any type of lost time away from site, including lost time accidents (3 days or more)

² In addition, absentee rates for Belfast: 5.9% and Derry: 4.9%

³ Data available only for the period April 2003 to December 2003, but this is assumed to be representative of full year 2003

⁴ Employee accidents: 355, customer accidents: 261

⁵ Employee accidents: 405, customer accidents: 278

..At Musgrave Group, we have a duty of care to educate and consult with all of our employees in relation to the management of health and safety at work...

**HEALTH & SAFETY:
ENGAGING ALL EMPLOYEES**

At Musgrave Group, we have a duty of care to educate and consult with all of our employees in relation to the management of health and safety at work. Employees at each of our facilities elect safety representatives to represent them in consultations with management, in matters relating to health and safety. We provide training and support for these individuals to ensure that they acquire the knowledge necessary to discharge their functions as a safety representative.

MSVC RoI sites have joint health and safety committees comprising management and employee representatives. These committees meet on a monthly or six-weekly basis and discuss issues relating to health and safety for that site. The safety committees provide a forum, bringing together management and employee representatives, who co-operate in

managing health and safety in the workplace. The main advantage of a committee is that the practical and frontline knowledge of employees is brought together with management's wider overview of company policies and procedures. The Safety Committee is a way for Musgrave Group to employ the principle of "internal responsibility" which allows it to act in a proactive manner, in securing the safety and health of all employees in the workplace.

MWS operate a Health & Safety Visitor Control Procedure. All policies and procedures are documented in either the MWS Operations Quality Systems Manual or in the site specific Safety Statement. These policies are communicated to customers by signage and copies of the policies displayed at the reception areas of each of the MWS sites.

**Environmental Policy Charter
COMMUNICATIONS**



IMPACT	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.	
ACHIEVEMENTS TO 2003	We have put in place a company-wide training programme on environmental management, and more recently specifically in regard of waste management.	STATUS: Target in progress
FOCUS FROM 2004 ONWARD	We will continue to provide our environmental management training right across our business in RoI, NI and GB.	TARGET: 100 in RoI by 2005 50 in NI by 2005 100 in UK by 2005

table continued opposite >>

<< continued

COMMUNICATIONS



COMMITMENT, 2000	We will communicate 'best practice' and facilitate and support appropriate environmental initiatives within the community.	
ACHIEVEMENTS TO 2003	We have made efforts to include as many environmental initiatives across the business as possible in our biennial accountability reports. We have attended, as speakers at public seminars in RoI and NI, explaining our environmental progress. We have provided, on an ongoing basis, sponsorship for environmentally-related public projects.	STATUS: Target achieved
FOCUS FROM 2004 ONWARD	We will continue to speak publicly at events regarding our environmental progress.	TARGET: 2 events annually
	We will continue to sponsor appropriate environmental or sustainability initiatives in the countries in which we operate.	€0.5M in funding annually
COMMITMENT, 2000	We will provide our consumers with information about products that will allow them to make informed choices.	
ACHIEVEMENTS TO 2003	We have participated in the RoI Government's consumer environmental campaign, and displayed environmental information on the shelves of our retailers' stores. We have appointed a specialist on nutrition to provide consumer advice on this important public health issue.	STATUS: Target in progress
FOCUS FROM 2004 ONWARD	We will continue to provide our consumers with information on environmental and sustainability issues – through our own initiatives, by becoming involved in campaigns and by supporting appropriate local initiatives.	TARGET: Continue progress in RoI, NI and GB
COMMITMENT, 2000	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.	
ACHIEVEMENTS TO 2003	We identify current and future environmental issues of concern to the business through our Environmental Action Team structure, which is described in detail (on page 13).	STATUS: Target achieved
FOCUS FROM 2004 ONWARD	We are confident that our EATs, along with our professional advisors and our Group Environmental Executive can continue to identify and effectively tackle future environmental and sustainability issues.	TARGET: Continue progress in RoI, NI and GB

INDEPENDENT VIEWPOINT: The Global Compact – United Nations Secretariat



The Global Compact was first proposed by the UN Secretary-General Kofi Annan at the 1999 World Economic Forum in Davos. Referring to the rapid spread of globalisation, he emphasised that the world was characterised by glaring and unsustainable imbalances and inequalities. He drew attention to the fact that markets were not embedded in universal human values and rights. Referring to the plight of the world's poor populations, he suggested that businesses should work in a spirit of enlightened self-interest to make globalisation more inclusive, and consequently less fragile. To achieve this, the Secretary-General called on businesses around the world to embrace and act upon nine universal principles in the areas of human rights, environment preservation and labour practices.

Two commitments lie at the heart of the Compact. First, companies undertake to implement and promote, within their own sphere of operations, universal principles in the areas of human rights, labour standards and environmental sustainability. Consultations on a tenth principle on anti-corruption were undertaken in early 2004, and it was officially adopted at the Global Compact Leaders Summit on June 24th. The principles are distilled from key international declarations: the Universal Declaration of Human Rights, the Declaration on Fundamental Principles and Rights at Work, and the Rio Declaration on Environment and Development. The second commitment is that companies will engage with other social partners in dialogue and projects that give concrete expression to the core principles and to the UN's global anti-poverty agenda.

The Global Compact is a network. At its core are the Global Compact Office and five UN agencies: the Office of the High Commissioner for Human Rights; the International Labour Organisation; the United Nations Environment Programme; the United Nations Development Programme; and the United Nations Industrial Development Organisation. The Global Compact involves all the relevant social actors; governments, who defined the principles on which the initiative is based; companies, whose actions it seeks to influence; labour, in whose hands the concrete process of global production takes place; civil society organisations, representing the wider community of stakeholders; and the United Nations, the world's only truly global political forum, as an authoritative convener and facilitator.

Since its inception the Global Compact has become by far the world's largest and most widely embraced corporate citizenship initiative, with more than 1,600 participating companies from over 70 countries. The developing world is home to half of its participating firms, as well as to two-thirds of the 50 country-level networks it has engendered.

The Compact is not intended to be a code of conduct – it does not “police”, enforce or measure the behaviour or actions of companies. Rather, the Compact embodies a leadership model in which CEOs and Boards take a public stand on universal principles, engage in learning, dialogue and projects, and communicate in their own public documents their progress in advancing the Compact’s aims. The Global Compact does not certify or assess companies. It promotes organisational change, concrete actions and social vetting through transparency and dialogue.

Through the power of collective action, the Global Compact seeks to advance responsible corporate citizenship so that business can be part of the solution to the challenges of globalisation. In this way, the private sector – in partnership with other social actors – can help realise the Secretary-General’s vision: a more sustainable and inclusive global economy.

The Global Compact is relevant in today’s context because the debate is no longer about whether the world should ‘go ahead’ with the force of globalisation. Rather it is about building a certain integrity into the process, in order to secure sufficient social legitimacy by extending its benefits to the large portion of the world’s population that is currently excluded from access to markets and opportunity. Half the world’s population lives on less than \$2 a day. The Compact can make an important contribution towards improving this situation by embedding markets in shared values and by offering opportunities for collective solution-finding. In a very real sense, therefore, the Compact may well influence whether globalisation will succeed or whether it will remain an unfinished experiment, relegated to the annals of history.

Georg Kell is the Executive Head of Global Compact at the Office of the Secretary-General at the United Nations Headquarters in New York.

www.ungc.org



Staff Training & Education

The number of training hours for employees in 2003 is given in the following table.

A range of training opportunities are made available to employees across our business units. For example, Budgens offers a range of training programmes, including MBAs, MScs, post-graduate industry-specific professional qualifications, basic food hygiene, formal in-house management programmes and IT skills. The company also runs a number of management training programmes for its employees, including graduate Retail Management Trainee, First Management Trainee, Personal Leadership Programme and "Management Academy", a two-year management skills programme.

MSVC's suite of programmes to support lifelong learning include "Managing for Success", negotiation, project management and presentation skills, problem-solving and decision making and finance for non-financial managers.

MSVC NI offers a leadership programme for Senior Managers, as well as the Department of Education and Learning Leadership Programme for Senior and Middle Managers.

MWS has a high performance management development programme in place to manage skills and competency management and provide necessary training and learning. The company has supported 6 senior managers in the Group master class process.

Occasionally the company has made strategic business decisions that have involved staff redundancies. When this happens, we try to support our workers in their search for new employment. For example, the company ran a "Self Marketing Programme" in 2003 for our colleagues in World of Wonder / Supertoys when that company was sold. The objective of the programme was to equip staff with the necessary skills to submit new job applications, to improve their interview techniques and to re-enter the workforce.

For our staff reaching retirement age, the company provides transition support and retirement support to employees as required, covering areas such as interview preparation and techniques, investment support, key contact details, etc.

YEAR: 2003	NO. OF STAFF	TOTAL NO. HOURS TRAINING FOR ALL STAFF 2003	NO. OF TRAINING TRAINING HOURS PER EMPLOYEE
MSVC	1,337	12,432	9
MSVC NI	70	2,506	36
MWS	811	4,055	5
Budgens	5,563	314,080	54

EDUCATIONAL ASSISTANCE PROGRAMME

MSVC, MSVC (NI) and MWS offer educational assistance under its Training & Development Policy, which provides financial assistance to employees who voluntarily enrol in and successfully complete approved part-time courses of study in educational institutions. Courses range from Doctorates, Masters and Bachelors degrees to more general courses, which relate to the employee's field of work. As well as providing financial assistance of 100% of the costs of fees, the company reimburses in full any additional fees such as membership of institutes, registration fees and exam fees, and provides three days "study leave" per annum.

“I am now the Training and Development Manager at MSVC, and I have no hesitation in saying that the Diploma in Management and MSc in Training and Performance Management which I completed through Musgrave's Educational Assistance Programme were instrumental in the career path I have followed. Part of my present position involves considering applications from all MSVC staff to avail of the programme. In 2005 we paid grant assistance to 34 employees and we expect the number to be even higher in 2004.”

Linda Harley, Training and Development Manager, MSVC RoI



Human Rights, Diversity and Opportunity

All Musgrave divisions adhere strictly to employment equality legislation and employee rights, and adopt best employment practices when appropriate. The issues of equal opportunities, bullying and harassment, employment legislation, health and safety and grievance and discipline are all addressed in employment policies by the Group (and included within Management Development Training run by MSVC RoI). Child labour and forced/compulsory labour are prohibited under legislation in Ireland, Northern Ireland and Great Britain – our employment policy commits our business units to excluding child-labour and forced or compulsory labour from our workplaces.

Musgrave has issued a number of policies and procedural guidelines relating to human/employee rights in the workplace. The guidelines on Grievance, Discipline and Harassment in the Workplace, for example, outlines the procedure which a Musgrave employee is encouraged to follow should he/she have a grievance in relation to any aspect of employment within the company.

Each of the Musgrave Group divisions has in place procedures to prevent discrimination. The MSVC Employment Equality Procedure concentrates on the following nine headings: gender, marital status, family status, sexual orientation, age, disability, race, religion and membership of the traveller community.

MSVC NI's Fair Employment Policy involves a Fair Employment monitoring programme for employees in areas such as recruitment and selection, training and promotion, and the company submits results to the Equality Commission every three years, in order to determine whether fair participation in employment is being secured by both Protestants and Roman Catholics.

MWS, because it operates both in the Republic of Ireland and Northern Ireland, operates equal opportunities management systems similar to MSVC and MSVC NI, and in full compliance with statutory requirements in both jurisdictions.

...the company has a policy of having open and honest communications with staff via regular staff briefing sessions throughout the business...

Extending Employee Benefits

Musgrave offers a number of employee benefits, which go beyond those statutorily required, including its enhanced maternity and paternity allowances, pension contributions, healthcare schemes and educational assistance programmes. A number of different pension, life assurance and healthcare provisions are made amongst Group divisions; for example MSVC offer contributory and non-contributory pensions, MSVC (NI) operates a life assurance scheme, MWS offers access to group discount schemes for health care providers and MUK operates a Defined Benefit and Life Assurance Scheme.

Musgrave is committed to assisting, in a confidential manner, any employee who may be experiencing personal problems or difficulties, through the Employee Assistance Programme, which makes available professional services necessary to help resolve any of their personal problems and situations. The programme assesses the nature of the problem, and where necessary, provides referral to appropriate treatment/advisory resources.

Career break provisions are made by MWS and MSVC, for employees with five or more years' service. Applications for a career break are considered for reasons such as self-development or further education, unpaid voluntary or charitable work, and foreign travel. On return to work after the 6- or 12-month career break, the employee will return to a position at the equivalent salary level and status previously held.

PROFIT SHARING SCHEME

The Musgrave Profit Sharing Scheme is designed so that employees can become shareholders in the company and, thus, can participate in its continued development and share in its future growth as part-owners, as well as employees. Each year while the scheme is in operation, the company gives part of its profits to the trustees who use the money to buy shares in the company, which they then hold on behalf of the scheme members. All employees who have completed 2 years and 9 months continuous service with the company on the 29th March in any year will be eligible to become members. After two further years an employee may sell his/her shares.

PENSIONS

The pension entitlements of employees, including executive directors, arise under defined benefit and defined contribution schemes and are secured by contributions from the Group to separately administered pension funds in the RoI, NI and GB. Annual company contributions are based on the advice of professionally qualified actuaries, and are charged to the company accounts to spread the cost of pensions over employees' working lives. The group pension charge for 2003 amounted to €9,444,000 (the 2002 contributions from the company amounted to: €9,856,000).



Musgrave schemes:

The most recent actuarial valuation in respect of the main scheme was at 29 March 2001.

This valuation shows that the market value of the main scheme's assets was €43,739,000. On the assumptions used to determine pension costs, the actuarial value of the scheme's assets represented 92% of the benefits that had accrued to members at that date. Since this valuation the Group significantly increased its normal pension scheme contributions to 16.1% of pensionable salaries in order to address the ongoing funding position of the scheme.

Budgens schemes:

Budgens operates two pension schemes: the Budgens Pension Scheme and the Neighbourhood Stores Pension Scheme. The Budgens Pension Scheme is a funded pension scheme providing defined benefits based on final pensionable pay. The Neighbourhood Stores Pension Scheme is a defined contribution money purchase pension scheme which is closed to new members.

At 31 March 2003, the total market value of Budgens Pension Scheme's assets was €36,788,000. The total value of the assets represented 72% of the liability for benefits for service to the valuation date, based on salaries projected to retirement or earlier exit. The Group has committed to increase its normal contribution from 12.8% to 15% of pensionable payroll costs in order to address the ongoing funding position of the scheme.

Table 1

BUSINESS UNIT	NO. EMPLOYEES UNIONISED	TOTAL NO. EMPLOYEES	% UNIONISED
MSVC RoI	754	1,337	56.4
MWS	547	1,022	53.5
TOTAL	1,301	2,359	55.2

Table 2

	2003 €'000	2002 €'000
Staff Costs	200,489	155,953

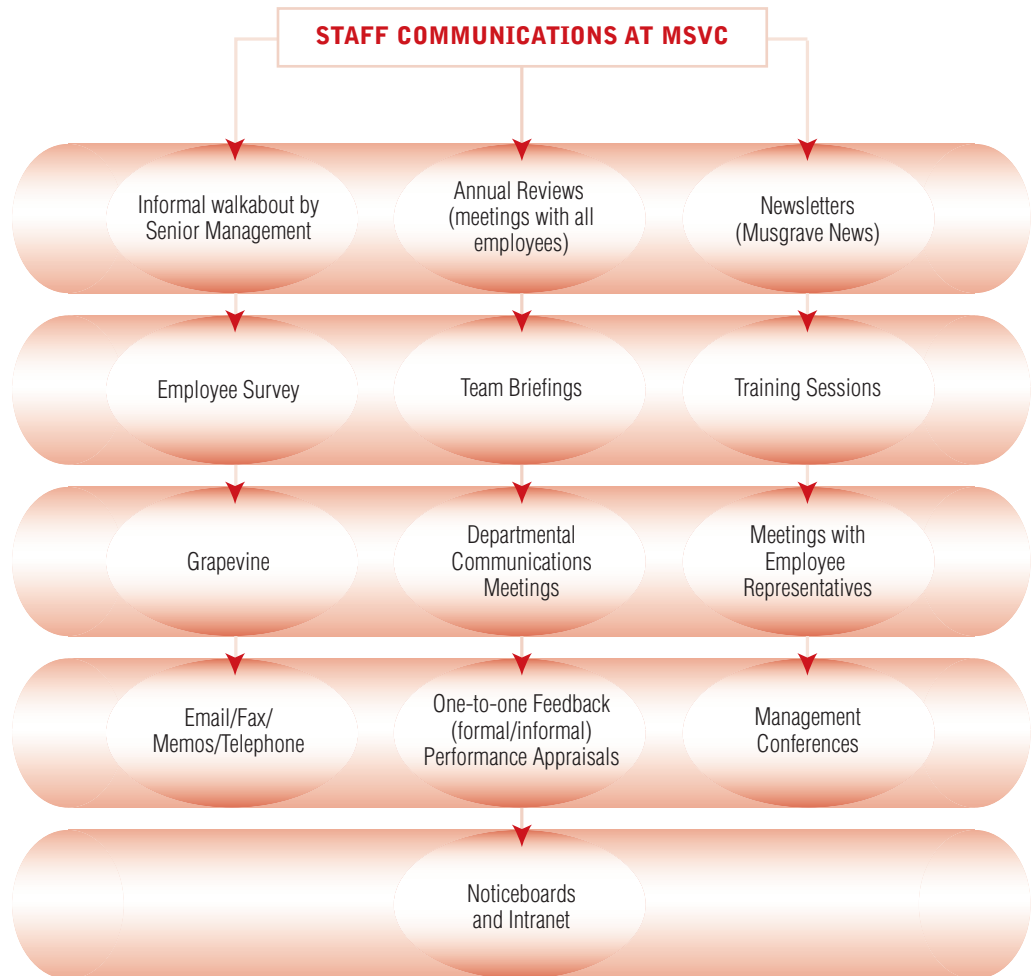
Labour/Management Relations

It is the established policy and practice of Musgrave to inform and consult with employees and their representatives on all matters affecting them and/or their terms and conditions of employment. The company has a policy of having open and honest communications with staff via regular staff briefing sessions throughout the business. For example, at MSVC NI, the policy for formal communication with employees includes two team briefs, plus an annual review each year, plus monthly department meetings. Organisational changes are communicated separately.

Musgrave Group treats all employees as individuals and operates practices and procedures to enable issues to be addressed directly and effectively within the company. The majority of Musgrave employees are not represented by an external body. Some employees in warehouses, wholesale outlets and clerical administration are covered by collective agreements between the company and specified trade unions. All employees are entitled to join a trade union, but only the specified trade unions have rights of representation.

SIPTU (Services, Industrial, Professional and Technical Union) is Ireland's largest trade union and represents our workers at MSVC RoI and MWS. MSVC NI's outsourced logistics company, Wincanton, is represented by USDAW (Union of Shop, Distributive and Allied Workers). Budgens UK's logistics sub-contractor, GIST, workers are also represented by USDAW, as well as the Shop Workers Union.

The number of Musgrave employees that are represented by trades unions are presented in Table 1. Total staff costs for Musgrave Group during the reporting period are given in Table 2.



COMPANY NEWSLETTER

A comprehensive, well-presented company newsletter entitled 'Musgrave News' is published twice a year (Summer and Christmas). It is distributed to all locations of Musgrave Group including, Ireland, Great Britain and Spain. In all 3,300 copies are distributed to all employees and also to retired members of staff. The purpose of Musgrave News is to keep employees updated on the activities and events around the Group, and make the reader aware of key issues, knowledge and information in relation to Musgrave Group.

The Newsletter strengthens the communication link between Musgrave and our employees and we find that is a simple, effective way of updating our stakeholders. We strive to get a balance by division and location for each of our newsletters, in order to engage as wide an audience as possible.

- ■ Musgrave acts to ensure that its customers are offered products and services of the highest quality. In particular, as a major food retailer, we take every step towards guaranteed food safety and hygiene.

Our Marketplace





Environmental Policy Charter

SUPPLIES & PRODUCTS

IMPACT	Musgrave Group is a large grocery distributor, and we recognise that there are environmental impacts associated with the production and use of our supplies and products.	
ACHIEVEMENTS TO 2003	In 2002, we consulted with our suppliers on these issues in Ireland's first 'greening the supply chain' conference. While this was a very successful event, it has been difficult to maintain effective measurable progress in this sphere.	STATUS: Target in progress
FOCUS FROM 2004 ONWARD	We will continue to provide forums in which we will engage our suppliers, and provide them with the encouragement and information to undertake sustainability initiatives.	TARGET: Next forum in 2005
COMMITMENT, 2000	We want to trade in supplies and products that have minimal environmental impacts.	
ACHIEVEMENTS TO 2003	Through a joint initiative with Georgia Pacific (Ireland), we aimed to produce the only Irish-manufactured EU eco-labelled product on supermarket shelves. We focussed on achieving ecolabel certification for SuperValu and Centra 'own brand' paper products.	STATUS: Target in progress
FOCUS FROM 2004 ONWARD	We will continue to focus on examining and implementing better environmental and sustainability practices in our 'own brand' ranges.	TARGET: 1 improved product in 2004 1 improved product in 2005
COMMITMENT, 2000	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. We will work closely with our suppliers and trade customers towards achieving our environmental policy aims.	
ACHIEVEMENTS TO 2003	We have been working on making changes to the codes of practice for our suppliers, where it is sensible, to improve the environmental performance of our suppliers, keeping in mind the other equally important issues mentioned.	STATUS: Target in progress
FOCUS FROM 2004 ONWARD	We will introduce new protocols and procedures in our 'code of practice' for suppliers in regard of environment and sustainability.	TARGET: Env. CoP in 2004 Sus. CoP in 2005

...consumer research, prior to the 'own brand' redevelopment, indicated that 94% of all grocery shoppers purchase 'own brand' products at some stage...

Our 'Own Brand' Products

SuperValu invested €1.5m in 2003 in the redevelopment of its complete 'own brand' range and the introduction of over 150 new individual products. Valued at €200m, 'own brand' retail sales in SuperValu account for nearly 14% of the independent group's €1.67bn annual retail sales in 2002. Over 1,000 individual products are now produced and marketed under the SuperValu brand name and this relaunch strategy was designed to grow 'own brand' participation in SuperValu to approximately 20%.

The 'own brand' categories that perform best against branded product in SuperValu include paper products, chicken, rashers, eggs and juice, with sales accounting for 60-80% of certain categories. Savings of up to 25% over branded products are available to consumers and margin opportunity for retailers is higher.

SuperValu 'own brand' range includes frozen foods, fresh foods, biscuits, butter and fats, soft drinks and juices, breakfast cereals, tinned foods and non-food items like detergents, paper products, pet foods and baby-care products. The fastest growing categories in 'own brand' are those in the fresh convenience area.

MARKETING IRELAND'S ONLY IRISH 'OWN BRAND' RANGE

Differentiating factors in this latest re-launch strategy include the fact that the range is predominantly Irish produced. A no-quibble, money-back guarantee and the opportunity to sample before purchase are also unique to the SuperValu range.

Consumer research, prior to the 'own brand' redevelopment, indicated that 94% of all grocery shoppers purchase 'own brand' products at some stage. While value for money was a key trigger for purchase, many respondents also indicated they would prefer to buy an Irish-produced 'own brand' product, on account of quality assurance issues, as well as the desire to support the local economy.

SuperValu has a policy of sourcing Irish suppliers to produce its 'own brand' products, reflecting taste preferences of Irish consumers for Irish brands. Less than 1% of the Group's own brands are imports. The company emphasises its Irish supply base in marketing activity and believes this factor strongly differentiates its range and strengthens its consumer appeal. Major suppliers of SuperValu brands include Kerry Foods, Green Isle, Avonmore, Boyne Valley, C&D Petfoods, Chivers, Dairygold, Dawn Farm and Fyffes.



'Own brand' category manager Edel Frost says that there is growing acceptance of own-brands by consumers, and that any stigma of yellow-pack beginnings has well faded. "Reluctance to trial own brands due to poor image association has been replaced by the notion that the own brand consumer is the "smart shopper", discerning on product quality, while recognising a value opportunity."

A "Healthy Option" in the SuperValu range has also been created offering reduced fat options in products such as ready meals, sauces, spreads and cheese. Special Select is another new range of premium 'occasional foods' predominately available at Christmas.



All of our SuperValu and Centra own brands are marked with the Repak 'Green Dot'. The Green Dot is a participation symbol, which signifies that the packaging supplier financially contributed to the cost of recovery and recycling.

MEMBERSHIP OF PURCHASING ORGANISATIONS

Musgrave Group is a member of European Marketing Distribution (EMD), the leading European international purchasing and marketing organisation, with a market share of 13.8% and over 1,500 members from the independent grocery trade spanning 15 European countries. MSVC RoI, as the sole Irish shareholder in that group, enables us to purchase European products at competitive prices and pass those benefits onto Irish consumers. Irish manufacturers who supply MSVC are presented with the opportunity to expand their sales potential in the European market through the network of EMD members.

Similarly, MUK is affiliated with Nisa-Today, the UK's largest buying group for independent retail and wholesale companies.

BUDGENS SUPPORTING FARMLAND CONSERVATION

Budgens is a retail partner for White & Wild, a new milk product produced for The Wildlife Trusts (www.wildlifetrusts.org), the UK's largest charity working exclusively on all aspects of nature conservation.

Farmland wildlife across the UK has been in decline for many years. White & Wild pays a 3p per litre premium to selected dairy farmers who have committed to following farm conservation plans, which designates a minimum of 10% of the farm to habitat management, and a further 2p to The Wildlife Trusts to protect and share wildlife for future generations.



...all Group divisions have a complaint and follow-up procedure in place to ensure that there is a systematic approach to handling customer queries on service issues and product non-conformance issues...

Meeting Customer Expectations

Musgrave uses a number of methods to determine and satisfy customer requirements. All Group divisions have a complaint and follow-up procedure in place to ensure that there is a systematic approach to handling customer queries on service issues and product non-conformance issues. MSVC RoI conducts a 'mystery shopper' survey in both SuperValu and Centra stores, to assess customer satisfaction amongst shoppers. The survey is conducted four times a year in both brands and results are fed back to the stores to assist in improving standards. In MWS, Customer Service Levels (CSLs) are monitored at each site. CSLs are set at 98% and results achieved by each facility are reviewed weekly.

Musgrave Group adheres to legislation regarding all types of advertising media and best codes of practice of the Advertising Association of Ireland and the Advertising Standards Authority (UK). We also comply with legislation pertaining to customer privacy, such as the Data Protection Acts in RoI, NI and GB. Data is not used or disclosed in any manner incompatible with its specified lawful purpose and appropriate security measures are taken against unauthorised access, alteration or disclosure of data.

FOOD SAFETY AND HYGIENE

Musgrave acts to ensure that its customers are offered products and services of the highest quality. In particular, as a major food retailer, we take every step towards guaranteed food safety and hygiene. We are committed to the provision to our customers of safe products in a safe environment, complying with appropriate Codes of Practice and legislation.

All of our divisions have a Food Safety Policy in place, detailing the company's commitment to taking all necessary measures to ensure the safety of food provided to our customers. Adequate resources are provided to meet policy requirements in the areas of finance, personnel, premises, personnel facilities and equipment. Putting the policy into practice involves training all of our warehouse staff in Basic Food Hygiene.

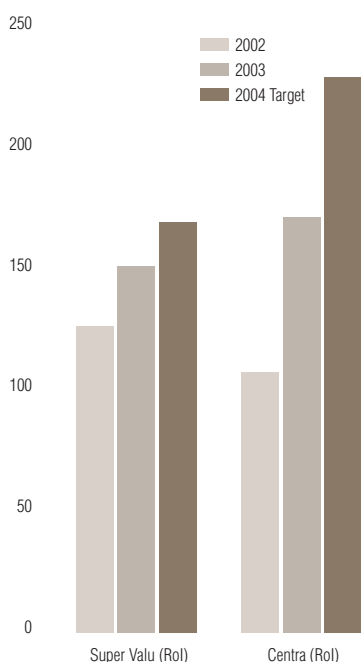
All of our MSVC warehouses in RoI (as well as MWS Galway, Musgrave Foodservices (MFS) Robinhood and MFS Ballymun) are accredited to the HACCP (Hazard Analysis and Critical Control Point) I.S. 343:2000 standard. HACCP is a systematic approach to identifying and controlling hazards, microbiological, chemical or physical, that could pose a danger to the preparation of safe food. We are certified to the Excellence Ireland "Hygiene Mark", independently verified by a third party.

The Musgrave Foodservices site in Ballymun in Dublin is also accredited with the 'Q Mark' (Excellence Ireland) standard and uses it on the Musgrave Foodservices brand. This standard is the national symbol of quality. In 2003 MFS were among one of those companies nominated for the Supreme Quality award, and were awarded The Excellence Ireland 2003 Finalist Award for its achievement in implementing the 'Q Mark' standard. This achievement indicates the exceptionally high level of quality service routinely delivered to the foodservice customer by the Musgrave Foodservices team.



MSVC RoI encourages and supports its independent retailers to obtain certification to an independent hygiene standard. Independent retailers within the MSVC group took both top retail awards at the Excellence Ireland National Hygiene Awards held in Dublin in July 2003, following a series of rigorous hygiene audits. Collins' SuperValu in Carrigaline in Cork was named Ireland's Cleanest Supermarket and the National Hygiene Award for Cleanest Convenience Store went to Kelly's Centra in Carrick-on-Shannon, County Leitrim. The number of SuperValu and Centra stores certified by Excellence Ireland in RoI in 2002 and 2003 is given below.

NUMBER OF STORES CERTIFIED TO HYGIENE STANDARD BY EXCELLENCE IRELAND



Note: 170 SuperValu and 330 Centra stores in RoI in 2004.

ISO CERTIFICATION

All four MSVC warehouses are accredited to ISO 9001:2000. ISO 9001 is primarily concerned with quality management, how Musgrave meets the customer's quality requirements and applicable regulatory requirements, while aiming to enhance customer satisfaction and achieve continual improvement of its performance. In our next reporting cycle, we will examine the feasibility of accrediting our facilities to the ISO 14001 Environmental Management System standard.

TRACEABILITY OF FARM PRODUCE

In MSVC (RoI) we can trace back to individual farmers for our 'own brand' sliced bacon, chicken and beef. We can also demonstrate traceability to groups of farms on pork, bacon joints and lamb. Our own brand fish is traceable to the area of catch, farming or cultivation (see Foodtrace on page 66).



INDEPENDENT VIEWPOINT: Supermarkets & Sustainability – Ethical Consumer Magazine

Most of us can't imagine a life without supermarkets. Most people now use supermarkets for their regular food purchases, three quarters of them get there by car, and this conformity continues from trolley to dining table.^{1,2} This slavish consumer dependence gives supermarkets tremendous power, which in turn generates tremendous profits. This power could be used to generate an enormous amount of positive social and environmental change, but instead in this sector, bloated by profits, there is a lack of real momentum.

Few supermarkets fully declare their environmental impacts comprehensively in an environment or corporate social responsibility report. Fewer still publicly set themselves quantified future environmental goals or have their data independently verified.³ There is an unwillingness across the sector to voluntarily disclose information that could be seen as damaging to the companies and, in addition, government regulation of supermarkets remains light.

Campaigning consumers therefore need to push the boundaries of sustainability at food retailers across Europe. The huge consumer response to GM foods leads to almost all supermarkets declaring their own brand products GM free. However this momentum has yet to reach animal products where few companies have yet eliminated GM animal feed completely from the supply chain. Similarly, supermarkets have not responded by removing branded products containing GM from their shelves.

While only a small but rapidly growing number of consumers are prepared to buy organic produce, nearly three-quarters of consumers believe that retailers should sell food which has been grown with minimal or no use of pesticides.⁴ Yet overall levels of pesticides in fruit and vegetables have not dropped, despite monitoring by government and campaign groups.⁵ Three-quarters of shoppers have stated that they would buy organic food if it was cheaper.⁶ The best-placed companies to aid this change are the supermarkets.

Locally produced food is having a renaissance in the UK, although it has always been culturally much more important in other European countries. Purchasing local food is seen as being better for the environment with reduced food miles (transport), and as a way of supporting local farmers and communities. Some supermarkets have reacted to this trend by advertising and promoting local foods. But surveys have found that this marketing does not always follow through to the shop floor.



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Many supermarkets fare better with regard to animal testing than their environmental records and they will have a fixed cut-off date for animal testing on their own brand products. This means that the company will not use any ingredients that have been tested on animals after a specific date.⁷ However, this concern for animal welfare has not been extended to the animals farmed for meat. Few supermarkets have animal welfare policies which address factory farming practices across their entire product range.⁸ Improved animal welfare practices are often only available in conjunction with premium products or small ranges of fresh goods.

For every €3 that shoppers in Europe spend on bananas, banana plantation workers receive on average the equivalent of 4 cents.⁹ This means that many labourers are working an 11-12 hour day and are still not able to feed their families. Even in supermarkets where Fairtrade is championed, the majority of bananas sold are not fairly traded.¹⁰ Most supermarkets stock a small range of Fairtrade products, primarily focusing on plantation-grown, imported products that, in the past, have been associated with the slave trade, such as coffee, tea, chocolate and bananas. For many of the producers, working conditions have changed little from one hundred years ago. Governmental and non-governmental organisations are working with a range of companies to promote ethical trade through the implementation of model codes of conduct for labour standards including the independent monitoring and verification of the codes.¹¹ Supermarkets should be aiming for Fairtrade certification across their own-brand ranges in a similar way to the achievement of their animal testing policies.

Supermarkets are well placed in society to be promoters and bastions of positive environmental and social change. Unfortunately they have yet to fully acknowledge the extent of their external impacts. Government, consumers and environmentalists need to work hand-in-hand with supermarkets, so that they take responsibility for their social and environmental impacts and work to eradicate them.

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- 1 *Supermarkets and Superstores, Keynote January 2005*
- 2 *The Typical Shopping Basket - UK, Mintel Market Intelligence August 2005*
- 3 *Ethical Consumer Issue 86 December 2005/ January 2004 pp.10-15*
- 4 *Green and Pleasant Land, The Co-operative Group July 2001*
- 5 *Supermarkets Five-Year Failure to Cut Pesticides in Fruit & Veg Press Release, Friends of the Earth 17 September 2005*
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- 7 *Ethical Consumer Issue 86 December 2005/ January 2004 pp.10-15*
- 8 *Ethical Consumer Issue 86 December 2005/ January 2004 pp.10-15*
- 9 *Sainsbury's: Making Life Taste Bitter for Banana Growers Press Release, Friends of the Earth 25 July 2005*
- 10 *Sainsbury's: Making Life Taste Bitter for Banana Growers Press Release, Friends of the Earth 25 July 2005*
- 11 *www.eti.org.uk 30 October 2005*

Product Certification & Labelling

In the majority of instances, product labelling is governed by legislation, for example EU Directive 2000/13/EC relating to the labelling, presentation and advertising of foodstuffs, and the individual state regulations that bring that Directive into legislation. In RoI, we work with the Department of Agriculture and Food, the Food Safety Authority of Ireland, Local Health Authorities and the Office of the Director of Consumer Affairs on issues relating to product labelling. Where amendments are required to product labels, Musgrave takes immediate action in the case of 'own brand' products, or, in the case of a branded product, passes the issue on to the supplier.

BORD BIA CERTIFICATION

All 'own brand' eggs, bacon and beef carry the Bord Bia (RoI Food Board) logo. The role of Bord Bia is to act as a link between RoI Food and Drink suppliers and existing and potential customers and it operates quality assurance schemes for eggs, beef, pork and bacon.

The Beef Quality Assurance Scheme (BQAS) and the Pigmeat Quality Assurance Scheme (PQAS) are integrated schemes involving the farmer, production plants and participating customers. Eggs that are produced and packed in accordance with the requirements of the Bord Bia Egg Quality Assurance Scheme code carry the Quality Assured logo on packs, and on point of sale materials in the case of loose sales.

ORGANIC TRUST

The Organic Trust certified MSVC's four distribution centres (both ambient and chill) in the Republic of Ireland in January 2004 for wholesaling, storage and distribution of pre-packed, certified organic products and produce.

The Organic Trust Limited is a registered body approved by the Department of Agriculture and Food in RoI and UKROFS in the United Kingdom for the Inspection and Certification of organic producers and processors under EU Regulation. The Organic Trust Symbol offers consumers an assurance of the integrity of organically grown produce and safeguards the interests of organic producers.

BUDGENS: FRESH MEAT FARM ASSURANCE

All Budgens 'own label' fresh meat and poultry is now produced by British farmers. Setting a precedent amongst smaller retailers, the move responds to increased customer demand for food sourced from British farmers. The Red Tractor Logo is an independently recognised 'Farm Assurance' scheme, which ensures that high standards of animal welfare is maintained, with full traceability of our meat to the farms of origin.

GB National Farmers Union President, Sir Ben Gill says: "The fact that all the products are produced in accordance with the British Farm Standard is good news for shoppers as it means they are buying food they can trust. Products carrying the Little Red Tractor logo are produced to independently inspected standards, with care for animals and the environment."

FOODTRACE

FoodTrace, a unique initiative allowing complete traceability on fresh meat sold at butchers' serve-over counters, was launched by Musgrave SuperValu-Centra in 2003. A dedicated Food Safety and Quality Assurance team was established by the company, employing 30 people in food traceability programmes, supplier auditing and monitoring food quality right along the food chain from grower to the supermarket shelves. The company has budgeted €6m annually on initiatives to enhance food safety and quality assurance and traceability programmes on fish, poultry and fresh meat have all been strengthened.

FAIRTRADE LABEL

Musgrave continues to support the work of the Fairtrade Foundation, offering Fairtrade products such as bananas, tea and coffee. All products carrying the FAIRTRADE Mark meet standards set by the international body Fairtrade Labelling Organisations International (FLO). FLO permits more than 800,000 producers, workers and their dependants in more than 45 countries to benefit from labelled Fairtrade. It guarantees that products sold anywhere in the world with a Fairtrade label conforms to Fairtrade Standards and contributes to the development of disadvantaged producers.

Trading standards stipulate that traders must pay a price to producers that covers the costs of sustainable production and living; pay a 'premium' that producers can invest in development; make partial advance payments when requested by producers; and sign contracts that allow for long-term planning and sustainable production practices.



Musgrave: Supporting Local Suppliers

Musgrave has a long working relationship with local suppliers in all its regions of operation. Import substitution is taken into consideration by purchasers wherever possible, especially for fresh produce. Two examples of such trading arrangements in RoI are given below.

PEPPERS FROM MARTIN FLYNN, RUSH, NORTH COUNTY DUBLIN

MSVC is the first and only national supermarket group sourcing primarily RoI peppers, in preference to overseas products, which currently predominate the marketplace. SuperValu and Centra sell in the region of €1.5million worth of peppers per year, and the glasshouse-grown variety from Flynn's farm, which has been sourced by Musgrave Group, is part of our strategy to source 100% Irish fresh produce where possible.

The new Irish peppers range are predominantly the red "Special" variety, with the yellow "Fiesta" and green "Pargo" variety also available. The peppers are picked and packed by order every day, to be delivered onto shelves in SuperValu and Centra within 24 hours.

New varieties of plum, vine and cherry tomatoes have also been exclusively developed by Flynn's for SuperValu and Centra, which is a first for Irish growers and, again, represents a significant reduction in 'food-miles'.



PIECE OF CAKE FOR COOLMORE FOODS

Coolmore Foods, based in Bandon in West Cork, supplies luxury bakery products to SuperValu stores throughout Ireland, for the Group's 'own brand' range.

The Coolmore range includes luxury muffins, tarts, pies and cakes, all produced in Bandon with fresh ingredients, and marketed in the SuperValu own brand range. They are produced for daily distribution to stores countrywide, through the retail group's central chilled distribution facility in Cork.

The contract with Musgrave SuperValu-Centra will mean an additional 25% turnover for the Bandon bakery, and the company is already planning to extend distribution to Centra stores, giving over 500 potential retail outlets countrywide for this new range.

Shea O'Dwyer, joint owner of Coolmore Foods;

"This business with SuperValu is a great boost to us, giving us countrywide distribution for our product and the potential to really grow our sales."

Ian Allen, Bakery Trading Manager, MSVC RoI

says that the Coolmore Foods deal makes sense on a number of levels: "We know that by giving a commitment to local producers that we can then rely on quality product, produced to our standards, with excellent service levels and more environmentally-sustainable. We also know that shoppers in SuperValu support our efforts to work with local suppliers."

A man with short hair and a blue shirt with a patterned tie is smiling and looking at the camera. A young girl with blonde hair, wearing a white lab coat over a blue and white checkered shirt and a yellow raincoat, is also smiling and holding a red and a green bell pepper. The background is a greenhouse with green plants and other bell peppers in various colors (yellow, red, green).

...the peppers are
picked and packed
by order every day,
to be delivered
onto shelves in
SuperValu and
Centra within
24 hours...

- ■ It is becoming increasingly evident that supermarkets need to go back to their roots - the local context. Sourcing locally does not only have huge environmental benefits, but it can also have substantial positive effects on the local economy.

Our Communities



Musgrave endeavours, wherever possible, to limit the potentially negative impacts of our activities on the communities in which we operate. In general, we find that our impacts on communities are very positive – in terms of additional services, employment and local investment. For example, the new distribution warehouse facility being constructed in RoI at Kilcock, Co. Kildare, will bring significant employment and related spin-offs to the area, as well as making our operations more efficient. Where we receive complaints from neighbours, they are dealt with directly at a local level, through consultation and corrective action, where necessary.

**ANNUAL REPORT OF MUSGRAVE
GROUP DONATIONS: 2002**

It is our intention annually to make donations to charity, education and other sponsorships of the order of 1% of our profits (before tax). Our donations for the reporting period are detailed below.

Our 2002 figure is higher because it contained a €450,000 donation to Cork Civic Trust for a building conservation project (further details in 'Our Communities', page 89). The 2002 donations amounted to 1.1% of profits, with the 2003 figure equating to 0.5% of profits.

	2002 €	2003 €
Donations	612,000	291,000



Our Stores

LOCATION OF BUDGENS UK STORES, MAY 2004



- ▲ Budgens
- ▲ Franchise
- Forecourt

LOCATION OF SUPERVALU AND CENTRA STORES, ROI AND NI, MAY 2004



INDEPENDENT VIEWPOINT: Sustainability and the Grocery Retail Sector – New Economics Foundation



As the world has become increasingly globalised, the grocery retail sector has followed suit. Today, a supermarket is more likely to be a multinational corporation, than a sphere where local retailers and consumers come together, as in its early days. As supermarkets are spreading their boundaries, they are also getting increasingly consolidated and capital intensive. In 2001, the world's top 30 grocery retailers were active in 88 countries and had combined sales that exceeded €1 trillion, equating to almost 10% of the global retail market.¹ It is not surprising that the world's largest company by revenues today is a supermarket, Wal-Mart.

Despite the many seemingly positive impacts of the globalisation of the grocery retail sector, such as the provision of cheap food and the availability of products previously considered luxuries, there are several drawbacks in terms of sustainability. As we are increasingly relying on food from other parts of the world, grocery transports are contributing growing amounts of greenhouse gas emissions to the atmosphere. A typical family dinner can run up several thousands food miles and excess packaging and chemical preservatives use up large amounts of non-renewable fossil fuels. All this adds up to a huge environmental bill that we will have to pay back in terms of climate change.

But sustainability is not only about environmental costs. In its broadest sense, it is about meeting the needs of the present without compromising the ability of future generations to meet their own needs. As supermarkets increase their dominance across the world, with less reliance on the local context and local availability, they are also increasingly undermining local economic structure where they operate. Small scale farmers and local shops are now rapidly disappearing all across the world, due to unfair demands and intensified competition from supermarkets.

The ways that supermarkets use their bargaining power over small suppliers are numerous. Farmers in Poland have been reported to be required to pay an 'entrance fee' for their produce, which often exceeds the monthly salary of most Polish food producers.² In the UK, a report by the Competition Commission found a total of 52 ways in which supermarkets exploit their dominant position over suppliers. As a response, a code of practice was introduced, but with limited impact, as the fear of being blacklisted has overridden the demand for justice. Initiatives in Germany and Spain have had similar experiences. As a result many suppliers are left with little return on their produce. In the US, for example, farmers only get 9 cents out of every food dollar, while distributors, marketers and input suppliers take the rest.³

The increased competition is also taking a toll on small local shops. In the 1990s, an estimated 1,000 independent grocery shops disappeared in the UK each year and similar patterns have been reported in many other places, such as Thailand and the Baltic countries. As Eastern Europe and China are opening up their markets, they are getting increased interest from the global retail industry. This could have detrimental effects on their local markets. China has so far had a rule on a local partner requirement, but this rule is likely to be relaxed under China's entrance to the WTO. Thailand has also legislated to protect local shops, but despite this, supermarkets' share of retail food sales rose from 35 to 43% between 1999 and 2001.⁴

Petra Kjell is a researcher at nef and has contributed to several reports on issues such as global retailing, ethical consumption, corporate social responsibility and climate change.

nef (the new economics foundation) is an independent think-and-do tank based in London, UK, that inspires and demonstrates real economic well-being.

See www.neweconomics.org



It is becoming increasingly evident that supermarkets need to go back to their roots – the local context. Sourcing locally does not only have huge environmental benefits, but it can also have substantial positive effects on the local economy. Research has shown that large remotely owned businesses, that don't have an active policy of buying locally, are more likely to drain wealth away from an area than locally rooted micro and small businesses, which are particularly good at irrigating money. A study by nef (the new economics foundation) found that £10 spent on a local organic box scheme in the UK generated £25 for the local economy, compared with £14 if spent in a supermarket. These findings are likely to be replicable in most parts of the world.

The desire for locally produced food is not only a good idea in theory, but increasing evidence shows that there is a growing concern about how and where groceries are sourced from. In Guyana, for example, imports of food and live animals almost doubled between 1994 and 1998 and there is a worry of increased dependence on imported food products. A growing number of consumers are also willing to pay more for locally sourced produce. Surveys in the US have consistently found that more than two-thirds of consumers are willing to pay more for meat and produce from their own country.⁵

This pattern has already been established in the organic and fairtrade movement. In Germany, almost one in three now feels that it is worth paying more for organic food.⁶ Consequently, sales are on a constant rise. Between 2001 and 2002, the value of the global sales of organic food and drink grew by 10 percent and was estimated at US\$23 billion.⁷ Worldwide sales of fairtrade labelled produce have experienced an even higher growth rate, and grew by a staggering 42% between 2002 and 2003.⁸

It is evident that supermarkets have contributed to some of the success of the organic and fairtrade movement and some have already caught on to the increased interest in the local. This could indicate that there is a genuine interest in sustainability in the sector. However, there is a risk that concepts, such as organic, fairtrade and local, are used mainly for publicity purposes. If supermarkets truly want to become more sustainable, these concepts need to be more than just catchphrases for a limited number of groceries. To really make a difference the values behind them need to be internalised throughout the organisational structure as a whole.

References:

- 1 *M+M Planet Retail (2001) 50 retailers now account for 10% of global retail sales*
- 2 *Olbrich M, Multinational Grocers in Poland – Impact and Opportunities, M+M Planet Retail*
- 3 *Norberg-Hodge H & Gorelick H Bringing the Food Economy Home*
- 4 *Mekay E (2004) Global Supermarkets Elbow Aside Small Farmers, IPS*
- 5 *Howard P (2005) Consolidation in Food and Agriculture. Implications for farmers and consumers*
- 6 *FoodandDrinkEurope.com (2004) Prices still hampering organic food market*
- 7 *Organic Monitor (2005) The Global Market for Organic Food & Drink*
- 8 *Fair Trade Labelling Organisation (2004) Facts and Figures*

Stores in the Community

KELLY'S SUPERVALU, BOYLE, COUNTY ROSCOMMON

SuperValu in Boyle is a family business owned and operated by Paul and Mary Kelly. Paul Kelly is a third generation grocer who started working in the family-owned shop in the mid-1980s. With the backing of Musgrave SuperValu-Centra, Paul developed a brand new 4,500-square foot SuperValu in the centre of Boyle in 1989.

Paul and Mary Kelly celebrating their win in the SuperValu of the Year 2004 competition



By 2001 this SuperValu store could no longer meet the needs of the growing local community, and the business was moved to a purpose-built 11,000 square foot store. Although a relatively small supermarket, Kelly's SuperValu in Boyle operates to the highest standards and recently won the 2004 SuperValu of the Year title.

An extract from the judges report reads... "Fresh food is excellent in Boyle, with hot food and delicatessen, seafood and fresh meat all expertly managed and promoted very effectively. Fruit and veg participation in the store, alone, is over 10%, with consistent sales growth attributed to the rigorous management systems operated in the store."

Community involvement is well planned and supported locally in SuperValu Boyle, with sports and social sponsorships, as well as active participation in both Keadue and Boyle Tidy Towns, and Boyle Musical Society & Arts Festival. A National Hygiene award winner since 1990, SuperValu Boyle employs a staff of over 60, and is a key player in the commercial and community life of Boyle.

PADDY O'LEARY'S CENTRA, TOWER, BLARNEY, CO CORK

Paddy O'Leary has been retailing with Centra for over 25 years and is a third generation businessman in Tower. He took on the family shop in 1978, aged twenty-one, when the population of Tower was just 250. The store was 1,000 square feet in area.

Joining the Centra Group gave Paddy the back-up he needed to provide a competitive local service, with the prices and range that meant people didn't have to travel further afield for their food shopping.

As Paddy O'Leary says himself ...

"The shop was designed to cater for the everyday needs of the community. The only way to survive in business in those days was to foster close, personal links with your customers. It was expected that you carried your customers' bags to the car, took time to stop for a chat, and generally let the customers know that you appreciate their custom. These were the principles I built my business on, and they are the principles which have made my career so personally rewarding."



Having prospered under the Centra brand, Paddy O'Leary consistently revamped and improved the shopping facilities in Tower. In 2003 he developed a totally new store, reinvesting substantially to enhance the local service he provides. O'Leary's Centra is now an 8,000-square foot supermarket, developed close to his former smaller Centra Foodmarket. Additions to the store include an off-licence, bakery, deli and meat counter, as well as a coffee dock, making the store not only an important local shopping facility, but a popular meeting point also for Tower's population of 4,000.

A presentation to Paddy O'Leary to mark 25 years trading with Centra, from Sales Director Martin Kelleher

SARAH & KIM DIKE, BUDGENS, STOKE-SUB-HAMDON, SOMERSET

Husband and wife team Sarah and Kim Dike, along with sons Craig and James, opened the doors to their new Budgens store in Stoke-Sub-Hamdon near Yeovil in April 2004. The local family were determined to keep their convenience store in the town following its devastation by fire, but had to overcome a number of hurdles along the way.

“Two years ago, we had to stand and watch with our customers as our previous convenience store burned down, but their support has spurred us on to work towards this new venture, while trading under difficult conditions with portacabins”, said Sarah.



When asked why the family opted to trade with Budgens team, the storeowners noted “it was the chain’s emphasis on fresh produce and depth of range which attracted us to apply for the Budgens franchise in Stoke-Sub-Hamdon. Their support in planning and merchandising has been invaluable, as has been the encouragement received from our loyal customers and staff”.

The store has been transformed into a spacious, bright and modern convenience store, its aisles lined with fresh local fruit and vegetables, choice cuts of British meats and fresh fish, a wide range of groceries, frozen foods, newspapers, magazines, cards and a superb off-licence.



In-store ATMs

In February 2003, MSVC entered into partnership with Bank of Ireland in rolling-out 250 retailer ATMs in SuperValu and Centra stores throughout the country. The provision of in-store ATMs is another important service to our customers. Over half of the ATMs in this first phase of the 2-year project will be installed in rural locations, of which 20% are in areas where the nearest ATM is 7km to 20km away.



...this is achieved by ensuring a real focus on all areas of the business that are important to the customer, the legislators and the retailer...

Supporting the Independent Retailer

STORE OF THE YEAR AWARDS

The Store of the Year Awards for SuperValu and Centra stores have been running since 1996, and is a fundamental part of the Musgrave business. It goes much further than a prize-giving exercise – its aim is to develop the standards of SuperValu and Centra stores right across the Group. This is achieved by ensuring a real focus on all areas of the business that are important to the customer, the legislators and the retailer.

All stores are obliged to participate in the competition in RoI and NI. It is expected that the competition will be extended to Budgens stores in GB when a significant number are run by independent retailers. At present, it is possible to control standards, as the stores are company-owned.

Stores go through a rigorous auditing procedure, whereby each store is firstly audited by the Regional Manager for that area. Following a progressive selection process, successful competitors will thereafter be audited by other Regional Managers, culminating in a select number of stores being evaluated by a high-profile independent judge. The Centra Store of the Year Award 2003, for example, was

adjudicated by Dr Alan Collins, Professor of Retail Studies at NUI (National University of Ireland), Galway. Stores are graded on their audit performance and all store owners/managers are provided with a copy of the audit report in order that they can work on continually improving their performance and standards of service.

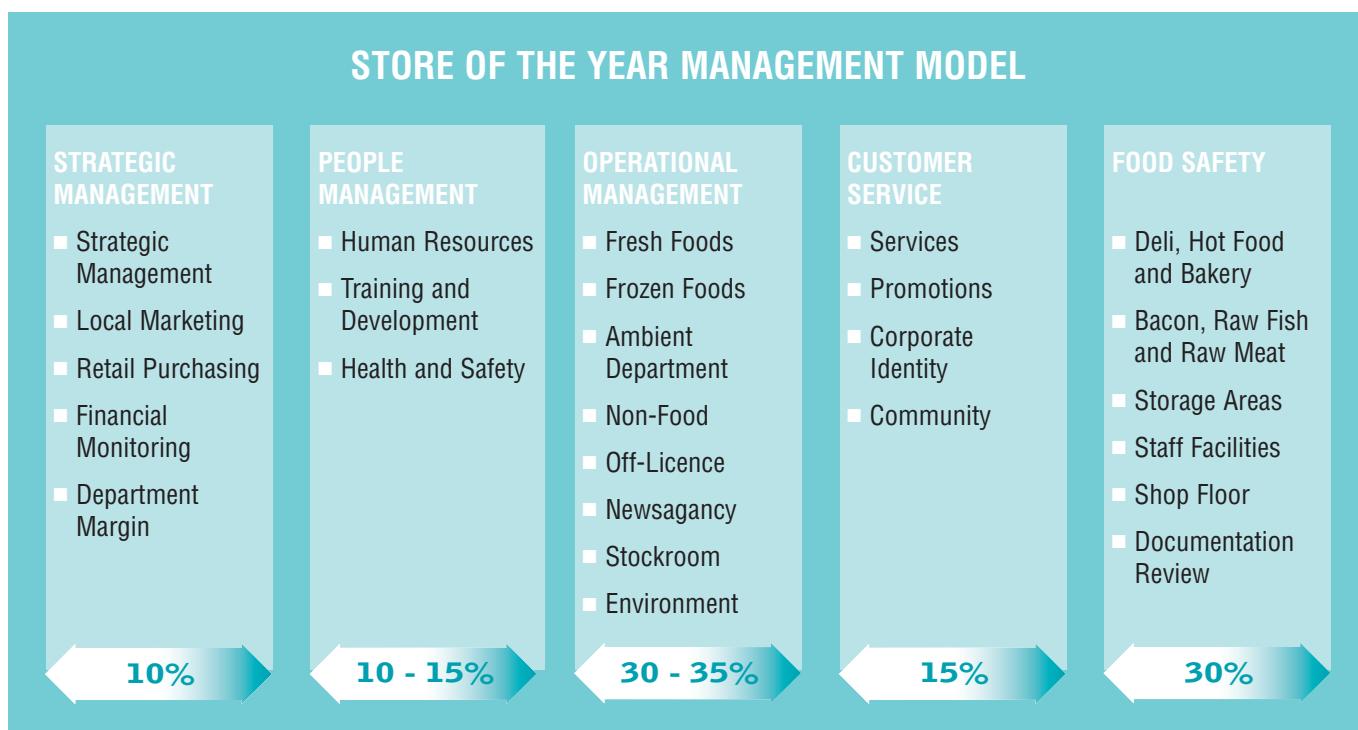
The audit is particularly important to retailers new to the Group, as it focuses on where stores are performing well and on areas which need to be improved in order to meet with best practice standards of Musgrave. The audit criteria are shown in the diagram opposite.

Environmental issues are included in 'Store of the Year' requirements. Since the implementation of the Environmental Policy Charter in 2000, the 'value' of the marks in the audit attributable to environment has steadily increased. The audit covers environmental issues such as:

- Environmental Policy Charter Awareness
- Packaging Regulation Compliance
- Waste Management Practices
- Waste Management Infrastructure
- Environmental Management Record-keeping

STORE OF THE YEAR AWARD WINNERS	2002	2003
Centra Store of the Year (RoI)	Griffin's Centra Westmoreland Street, Dublin 2	Casey's Centra Castlebar, Co. Mayo
SuperValu Store of the Year (RoI)	O'Connor's SuperValu Westport, Co. Mayo	Caulfield's SuperValu Bandon, Co. Cork
Centra Store of the Year (NI)	McAuley's Centra Botanic Avenue, Belfast	O'Kane's Centra Draperstown, Co. Derry
SuperValu Store of the Year (NI)	O'Kane's SuperValu Omagh, Co. Tyrone	O'Kane's SuperValu Dungiven, Co. Derry

STORE OF THE YEAR MANAGEMENT MODEL



COMMUNICATIONS MECHANISMS

MSVC (RoI and NI) has developed a chain of regional and national managerial support services to store owners and managers. In RoI, for example, all 500 (approximately) independent stores are grouped geographically into 'cluster regions' and supported by 25 Regional Managers. The NI system is similar, with a total of 8 Regional Managers serving the 100 (approximately) stores in that region. With the majority of the GB stores moving to a franchise arrangement in time, the cluster system will be phased in too. For Budgens' current franchise retailers there are Business Development Managers that perform a similar role to that of the Regional Manager at MSVC.

'Cluster regions' are typically comprised of 20 to 25 stores. Each Regional Manager will meet with store managers in his/her cluster group three or four times annually, to discuss operational issues in stores. Often a meeting will focus on a particular theme or topic, for example 'own brand' or meat produce. Regional Managers conduct site visits to each of the stores in his/her region approximately ten times each year, and much more frequently for new stores, or if a store is experiencing particular issues.

Store owners are organised into Councils (SuperValu and Centra each have their own councils), where they hold a seat for two years as representatives of retailers in their region. The Sales Directors facilitate Council Meetings every six weeks – attended by the representative retailers and MSVC directors. Council Meetings allow MSVC to propose new initiatives and strategies, whilst also providing a forum for retailers to voice their issues.

MSVC holds an annual one-day national conference for store owners and managers. The Conference focuses on current business-critical issues and is a presentation-driven event, interspersed with question-and-answer sessions.

The range of MSVC departments, from trading, store development, finance, etc., interact directly with the independent retailer, most effectively through an intranet system known as "PCOMM". The system is used to convey information on a wide range of issues, including pricing, marketing strategies, fundraising initiatives and environmental/waste matters.

COMMUNICATION WITH OUR RETAILER PARTNERS

A MORNING IN THE LIFE OF DAVID BOYLE, SUPERVALU REGIONAL MANAGER, NORTHERN IRELAND: Thursday May 25th 2004

“This morning, I visited SuperValu Armagh. Sean (the owner) had allocated time and we had prepared an agenda. In preparation, I reviewed my performance indicators for the store and I knew what both I and the store needed to focus on. I reviewed action points from the last visit and closed them all off.

Our first task was to appraise the Fruit and Veg category – there is a new manager in this position. We completed a Fruit and Veg audit checklist, to give Sean a score which allowed him to benchmark against other stores. We produced an action plan for the section to facilitate improvements.

I then completed some standard checks to assess the quality of the store opposite our consumer – Sean knows all this serves to keep his standards high. This is not a scored audit; we used the time to do a tour of the shop discussing any issues arising.

I did a standards point-of-sale (POS) audit, which measures in ‘black and white’ the quality of the promotional offering opposite consumers. This is a scored audit and to satisfy standard requirements, it must be +95% - an easy pass for the store today.

Then we moved onto more office-based "adding value" items. We reviewed sales figures for the previous 3 weeks and discussed the management control form. We then reviewed the Local Marketing plan for the next few months ahead. Specifically we finalised our plans around the visit of the Action Cancer Breast Screening unit to the store. This is a genuine opportunity to get PR whilst providing a very worthwhile service to our female customers. Sean has invited staff and their immediate families to avail of the chance.

I took him through the new Waste Contract details and discussed issues around this initiative. Before I left we previewed the issues we will discuss during the next visit - this allows me to do preparation as necessary.

I got a sandwich and caught up on a few phone-calls before heading to SuperValu, Newry.”

Specialist Services to Retailers

STORE DESIGN DEPARTMENT

The MSVC Store Design department provides advice to retailers on the design and construction of retail outlets.

In mid-2004, MSVC engaged consultants to review the Mechanical and Electrical elements of typical retailers' building contracts (for development or improvement of their stores) with the following objectives:

- Establish Industry best practice and benchmarks for mechanical and electrical installation.
- Provide guidelines for Store Engineers to enable them to advise retailers and design teams on the most up to date technology.
- Ensure that specified equipment is cost effective throughout its life cycle.
- Ensure that stores are designed to operate at maximum energy efficiency.
- Provide a structure that tracks new technology and updates guidelines when required.

MSVC REFRIGERATION ENERGY USAGE TRIALS

At present, the biggest users of electrical energy in retail stores are refrigeration systems, which if installed and maintained correctly will optimise energy-use and minimise energy-consumption.

Installation of equipment developed by Parasense Ltd. allows us to monitor the energy usage of in-store equipment and then create a benchmark. With this benchmark, equipment can be assessed and optimised, through adjustments such as shorter defrost timings, cleaning of condensers, turning off shelf lighting during non-trading hours and other appropriate times.

The outputs from this system are known as 'Smart Moves', which are conveyed to the retailer who in turn passes them onto his refrigeration contractor for implementation. Parasense Ltd. monitor the implementation of these suggested works. 'Smart Moves' reduces the energy usage without reducing the performance of the system. The 'Parasense' unit continually updates the benchmark and monitors the usage on a constant basis.

'ONE-STOP-SHOP' WASTE MANAGEMENT CONTRACTS

As part of the implementation of the Waste Management section of our Environmental Policy Charter, we committed to providing 'best practice' waste management services to our own facilities and those of our retail partners. In this context, we took the initiative of putting 'one-stop-shop' waste management contracts in place.

The focus of these contracts is to provide all waste management services (on a regional basis) through a single service provider. Traditionally disposal, recycling and specialist waste management services were provided by several contractors, even in small stores. The strategy of putting the contracts in place was not only that these services would be amalgamated, but that they would be enhanced by other elements, such as servicing and cleaning of waste management infrastructure, provision of standard template reports on facility performance, and payment of costs through our own central-billing system. It was also envisaged that these contracts would be carefully managed (just as our produce contracts have always been managed) to ensure that participants in the contracts received the services they required.

The first contract was put in place in RoI, in the Musgrave Group heartland of Munster and South-Leinster. There are a large concentration of facilities (nearly 240) in this region, and it was felt that this would provide an economies-of-scale approach that would attract waste contractors, and also provide a template for follow-up contracts.

The first contract was awarded to Onyx Ireland Ltd. Follow-up contracts were awarded in late 2003 in the RoI Midlands Region and the RoI Western Region. Data for participating stores in 2002 and 2003 in the first contract can be seen in the tables below.

In 2004, we put in place a Northern Ireland contract, which is in its early stages, and we are about to complete a contract for the Greater Dublin region of RoI, which will result in direct contract services for 21 of the 26 counties in RoI. By early 2005, it is expected that direct or sub-contracted services will be made available to all 26 counties, through the existing 4 RoI contracts. We will also focus on our waste operations in GB during the next reporting period.

Our focus in managing these contracts is twofold: firstly to ensure a good 'settling-in' period for both contractors and retailers in the 'new' contract areas, and secondly to achieve better diversion from landfill results from our 'mature' contracts – our target for 2004 is 60%. We hope to achieve these targets through improved management practices at more stores, and through the introduction of a more widespread composting service throughout all contracts.

'WAKE UP TO WASTE' IN NORTHERN IRELAND

MSVC NI was one of a number of leading NI retailers to sign up to a 'Retailers' Charter' in 2002, showing their support of the Environment and Heritage Service's 'Wake up to Waste' campaign and their commitment to better waste management.

We provided support for the campaign by:

- Promoting the 'Reduce, Reuse, Recycle' message to customers and staff through in-store awareness-raising initiatives
- Undertaking to reduce plastic carrier bag usage through education and provision of alternative reusable options
- Identifying and exploring opportunities to use recycled materials
- Implementing waste management best practice throughout our business operations
- Providing customer collection points for recycling wherever possible
- Communicating the impact of these waste reduction initiatives to our partners at the Environment and Heritage Service to enable evaluation of the public response to 'Wake Up To Waste' and the Retail Partnership.

2002 WASTE RESULTS – 108 stores serviced at end-of-year, total waste 3,556 tonnes						
MATERIAL	CARD	PAPER	PLASTIC	COMPOST	OTHER	LANDFILLED
tonnes	1,590	153	191	0	0	1,622
% of total	45%	4%	5%	0%	0%	46%
Total Recycled %					54%	

2003 WASTE RESULTS – 130 facilities serviced at end-of-year, total waste 8,174 tonnes						
MATERIAL	CARD	PAPER	PLASTIC	COMPOST	OTHER	LANDFILLED
tonnes	3,485	566	402	90	16	3,615
% of total	43%	7%	5%	1%	1%	43%
Total Recycled %					57%	

“The job does lend a sense of achievement, when we can see significant improvements in the retailers’ recycling figures, and the impression that staff in the stores are excited and driven by these initiatives. Some retailers use some of the costs saved to reward the staff in various ways too!”

*Mike Sheehan,
Contract Manager, Wastewise*



WASTEWISE – A Waste Contract Management Service for Retailers

Wastewise is a specialist contract management company commissioned by Musgrave Group to manage its regional waste management contracts. For the purposes of the contracts in RoI and NI, we have five Waste Management regions, namely South, Midlands, West, Greater Dublin and NI. Mike Sheehan has been working in the first contract area – South, for two years. Mike describes how the contracts operate:

“Each Regional Waste Contractor is provided with a list by Wastewise Ltd of the SuperValu, Centra (and Distribution Centres and Cash & Carry’s if applicable) stores in their contract region. Each store is audited and costed for waste management services. Stores are given a breakdown of the services they will receive from the contractor and Wastewise, for comparison purposes.

Contractors are allowed to appoint sub-contractors when permission has been given by Wastewise. Sub-contractors are allowed to service SuperValu and Centra stores once the proposed sub-contractor is

compliant with all appropriate legislation, and copies of relevant permits and licences have been submitted to Wastewise. The performance of sub-contractors is monitored closely by both Wastewise and the main contractor.

As part of their contract conditions, waste contractors must:

- Update Wastewise on a weekly basis as to the status of all stores in their contract region.
- On a monthly basis identify the waste streams that have been removed from each store and supply Wastewise with details of the amounts by weight.
- Supply Wastewise with copies of all invoices supplied to stores.

When stores sign the ‘One-Stop-Shop’ Waste Management Contract the following information is related to Wastewise by the contractor:

- Store name and identification
- Infrastructure required and whether it is been supplied by contractor or owner
- Which contractor will be removing which recycling stream
- Frequency of collections
- Where waste streams are to be taken (transfer station, landfill)
- When service will commence

When a waste service commences, the store is visited by the Wastewise contract manager who meets with either the owner or the manager, outlines the services of Wastewise and examines the procedures applied in the store to facilitate waste streaming. Targets for recycling are set by Musgrave Group, and Wastewise works with the store to apply best practices in waste management with a view to maximising recycling.

For the first three months the store owner / representative will receive a monthly Waste Analysis Report which identifies which waste streams are been recycled by the store and the weights and percentages being achieved, the aim being to increase recycling and reduce waste to landfill. Reports are quarterly thereafter unless requested by the store. For April 2004, Group diversion from landfill in the contract area was over 666 tonnes; when I started on this job in April 2002 we only recycled 83 tonnes that month.



Mike Sheehan advises John Kelly (proprietor, SuperValu Tulla) on improving store waste management practices

WASTEWISE CASE STUDY: Quish's SuperValu Ballincollig Cork

In February 2003 Wastewise contacted Sean Quish, SuperValu owner, Ballincollig, Cork because previous efforts to reduce the amount of waste to landfill was not being achieved: excessive amounts of waste, for a store of this size, were still being disposed to landfill.

On meeting with the owner of the store Wastewise identified the following problem areas and methods by which recycling could be increased:

PROBLEM	RESOLUTION
7 x 1,100 litre bins on site, collected 5 days per week.	Reduced to 4 bins collected 3 times per week.
Store using small 50kg baler for both cardboard and plastic.	Purchased 450kg baler for card only, continuous baling of plastic in 50kg baler.
Compostable waste being sent to landfill.	Commencement of compost recycling.
Office paper being sent to landfill.	Commencement of office paper recycling, which would be presented with Newspapers & Magazines.
In-store waste being collected in black plastic bin liner bags.	Change to clear plastic bags to enable supervisory staff to monitor waste going to landfill.

“We found that without the help of Mike Sheehan of Wastewise our waste cost would be significantly higher. Both SuperValu, Ballincollig and SuperValu, Tramore have been able to significantly reduce their waste costs with the help of Mike's guidance and advice. Our costs in both stores are also currently running at 50% down on last year.”

*Sean Quish, Owner
SuperValu, Ballincollig*

It was also agreed that Wastewise would supply the store with a monthly Waste Analysis Report and meet with designated staff to monitor improvements and make any changes necessary. The results of these changes, in terms of waste results, are tabulated as follows:

FEBRUARY 2003 WASTE RESULTS: SuperValu, Ballincollig, total waste 24.34 tonnes						
MATERIAL	CARD	PAPER	PLASTIC	COMPOST	OTHER	LANDFILLED
tonnes	3.59	0.09	0.21	0	0.01	20.46
% of total	15%	0%	1%	0%	0%	84%
Total Recycled %					16%	

MAY 2003 WASTE RESULTS: SuperValu, Ballincollig, total waste 23.36 tonnes						
MATERIAL	CARD	PAPER	PLASTIC	COMPOST	OTHER	LANDFILLED
tonnes	11.90	0.57	1.50	0	0.24	9.15
% of total	51%	2%	6%	0%	1%	39%
Total Recycled %					61%	

SUPPORTING CAUSES: Collaboration Initiatives

We have tabulated the amounts of Musgrave Group sponsorship, support and collaboration initiatives, for the reporting period, as follows:

DONATIONS	2002	2003
Totals	€443,933	€552,076

We have divided the main initiatives into four main categories, as follows: Health & Nutrition, Fighting Cancer, Children & Education and Sustainable Communities.

Health & Nutrition

Former model and TV presenter Emma Buckley took up the role of consultant nutritionist with SuperValu in 2003. Emma, who has a BSc in Nutrition, launched SuperValu's Healthy Summer Eating campaign 2003, providing advice for consumers, and a warning on growing levels of obesity and associated illness.

SuperValu launched a new range of leaflets on sensible dieting and healthy eating in 2003, which are distributed four times per year. In addition to this, SuperValu and Agri-Aware introduced a glossy full colour leaflet for primary school children to educate them about the agricultural calendar, harvesting times, ploughing, cultivating, and lambing seasons, and important nutritional information.

“With one in five Irish adults now thought to be obese and the fact that weight issues are becoming more common in children means that this is a very serious problem, which needs to be addressed. Summer is a fantastic time to enjoy fruits and veg at their best and children especially need to be encouraged to eat more.”

Ten years ago the rate was only 1 in 10, so it is a worrying trend. Another worrying fact is that Type 2 diabetes was almost exclusively a disease found in the 50-80 year age group. Now, children as young as 12 are being diagnosed with type 2 diabetes.”

**SuperValu's Nutritionist,
Emma Buckley**



BUDGENS' 'TAKE FIVE' HEALTHY EATING CAMPAIGN AND 'FREE FROM' INITIATIVE

Budgens undertook its bright and fun 'Take Five' in-store campaign in 2003. 'Take Five' recommends five portions of fruit and vegetables a day, to maintain a healthier lifestyle and protect against illnesses such as cancer and heart disease. As part of the campaign, a fortnightly promotional leaflet is published, which includes special offers on "Take Five" products, and in-store promotions help customers identify some of the choice of fruit and vegetables available. The campaign also focuses on encouraging children to start eating regular portions of fruit and vegetables as early as possible.

Food allergies and intolerances affect thousands of people, and symptoms can vary from mild discomfort to major medical emergencies. In consideration of customers' welfare, Budgens stock a wide range of 'Free From' foods for customers with food allergies and intolerances.



Fighting Cancer

TRIATHLON 2002 & 2003 – CRUMLIN CHILDREN'S HOSPITAL

The first Musgrave SuperValu-Centra Triathlon took place in September 2002 and raised €600,000 for Our Lady's Hospital for Sick Children, Crumlin (in RoI) and the Irish Cancer Society. The event was repeated at Farran Woods, a few miles outside Cork City, on September 6th 2003, with 290 participating teams. A large cross-functional team from MSVC, along with a number of retailers, had the mammoth task of organising the triathlon and making sure that everything ran smoothly.

The €1 million raised by the 2002 and 2003 Triathlons is being used to assist the development of an ambulatory haematology / oncology service at the hospital. This purpose-built unit will provide additional facilities for children suffering from conditions such as leukaemia, childhood cancers, haemophilia and sickle cell disease. The new unit will provide accommodation for out-patients treatment for these patients.

SUPERVALU NI & ACTION CANCER

Action Cancer is a Northern Ireland cancer charity, established in 1973. Action Cancer works right across Northern Ireland providing early detection services for the Northern Ireland community, counselling and support services for cancer patients and their families, research at local universities, cancer prevention and health promotion.

Action Cancer receives no Government funding and relies entirely on voluntary donations. SuperValu's partnership with Action Cancer is a unique, long-term (3-year) marketing campaign. During 2002 and 2003, MSVC Northern Ireland donated the following sums to the charity.

	2002	2003
Action Cancer (direct contributions)	€57,056	€54,858
Action Cancer (in-kind contributions - fundraising)	€123,501	€47,702
TOTAL	€180,557	€102,560

“It is fantastic that these funds from the MSVC Triathlon will give such a much needed boost to the new €10 million Medical Centre which will cater for young patients suffering from Cystic Fibrosis as well as an Oncology Unit for outpatients, who will benefit from this for a long time to come. We are very grateful to accept the funds on behalf of all the children whose lives will be made that little bit easier by the completion of this unit.”

Eamonn Coughlan, The Children's Medical & Research Foundation



One of Ireland's most famous athletes, Eamonn Coughlan (on the left of picture) joins fellow Triathlon 2003 athletes at the starting post

MSVC NI were involved in two specific campaigns with Action Cancer in 2002-2003 – the “Driving Home Early Detection Campaign” and the School Action Programme.

As part of the ‘Driving Home Early Detection’ campaign in 2002 and 2003, the company’s support was given to an existing service – the Mobile Detection Unit, which targets areas where uptake of cancer screening services is low. With the support of MSVC sponsorship, this is the first time the service has enjoyed strategic marketing and funding support.

SuperValu pays all costs and uses its PR agency and network of stores to promote the service, enabling the charity to maximise the health impact on society and save lives. 1,000 women are diagnosed with breast and cervical cancer each year in Northern Ireland and the Mobile Unit aims to reduce deaths by providing breast awareness, cervical smear tests and cancer information.

BUDGENS, FUNDRAISING FOR CANCER

Challenging Cancer and Leukaemia in Childhood (CLIC) is Budgens’ designated company charity. CLIC is one of Great Britain’s most dynamic national children’s cancer charities, offering help and support to a growing number of families across the UK. Medical resources, practical help and research are the three main areas of focus for CLIC, who also helps fund, through voluntary donations, specialist nurses, doctors, play specialists, home-care nurses, the training of healthcare professionals within the NHS and the provision of Homes from Home nearby.



Budgens stores raised stg£100,000 (approximately €144,500) for CLIC during 2003 and our target for 2004 is another stg£100,000. Budgens participated in the CLIC Charity Sailing Regatta and held a sponsored 5-a-side football tournament in aid of the charity in September 2003.

“SuperValu’s support is all-encompassing. The company signed up to a long-term partnership, making a significant donation each year to the mobile screening unit. SuperValu also pay all marketing costs - saving us money. This helps increase awareness of the Unit and means we can reach more women. Over 5,000 women were touched by this service over the past 2 years.

With our partner’s help we are making a targeted difference. Female cancers affect the whole family - so the health benefit to society is magnified significantly if we can save lives and early detection does just that. This partnership has exceeded our expectations and we are delighted with the genuine dedication of the SuperValu team from the Managing Director to the Staff on the shop floor.”

Sarah Young, Director of Fundraising and Marketing, Action Cancer



Children & Education

CENTRA NI SCHOOL ACTION PROGRAMME

Centra NI sponsor Action Cancer's healthy lifestyle roadshows for pupils of all ages, with upfront financial support, additional fundraising, in-kind benefits and support from their retailer base in terms of promoting the service locally.



Centra sponsorship fully funds this programme – allowing Action Cancer to visit more schools than ever before with the 'Wally & Wise' puppet show for primary schools, the Pink Lady Roadshow for secondary age girls and the Health in Action show for secondary age boys. School Action roadshows focus on healthy eating, exercise and safe sun messages in order to reduce cancer risk in later life. Centra provide the services of a PR consultant to promote the school roadshows on an ongoing basis – to maximise the profile of the service and uptake of roadshows by schools.

NATIONAL CHILDREN'S DAY



Sunday 5th October 2003 was National Children's Day in RoI, with a series of awards and special events to mark the special attributes of children. The annual charity event is a celebration of Ireland's one-million-plus children, putting a spotlight on them for one day, with the emphasis on having fun and celebrating childhood.

SuperValu is a major sponsor of the event. MSVC supplied "goodie bags" containing cuddly toys, sweets and colouring books and relied on their independent SuperValu retailers to support the initiative at a local level by supplementing the gifts with fresh product on the day, such as fruit and juice or a yogurt drink. In all, 40 children's wards in national and regional hospitals throughout the country were visited, accompanied by clowns, face-painters and cartoon characters to supply the entertainment.



"The Irish Sports Council believes that active participation in sport should be part of every child's life. Buntús provides the essential good start in sport that leads to lifelong participation, bringing with it significant health and lifestyle benefits."

John Treacy, Chief Executive of the Irish Sports Council



BUNTÚS - ENCOURAGING CHILDREN TO GET ACTIVE

For 2004, SuperValu has teamed up with the Irish Sports Council (RoI) to launch Buntús, the nationwide School's Sports Programme (Buntús is an Irish language word meaning 'basics'). The aim of the programme is to encourage children to actively participate in and enjoy sport from a young age in order to maintain a healthier lifestyle. This initiative supports the new Primary School PE curriculum and is recognised by the Department of Education & Science.



Buntús provides comprehensive training for all teachers, while supplying sports equipment, resource cards and support services to schools. This "school's kit" will also contain SuperValu nutritional leaflets, which aim to teach children in a simple and engaging manner how healthy eating and an active lifestyle are equally important for their general health. A SuperValu Buntús video will also be included in each kit, for use within the curriculum. The supermarket group has committed over €2 million to this project over a four-year period. Buntús kits will be distributed, free-of-charge, to over 3,500 primary schools in RoI over the duration of the programme.

JUNIOR ACHIEVEMENT

Junior Achievement is a non-profit making organisation, which provides an opportunity for young people to participate in a range of educational programmes designed to help them understand the world of work. Every year, hundreds of volunteers from business communities go into local classrooms to teach enterprise skills to students and thereby reinforce the value of educational qualifications. Junior Achievement Ireland was set up in 1995, reaching around 35,000 students throughout RoI.

Musgrave's association with Junior Achievement has been ongoing for the last number of years. During 2003, six MSVC employees volunteered to enter a number of Cork classrooms, to talk to the children about their jobs at Musgrave and about the children's own educational development and how that may affect their future career choices.



“Nothing could have prepared me for the thumping heartbeat and sweaty palms at the thought of teaching a class of seven-year-olds! I need not have worried. Within minutes of walking into the classroom I was struck by the wonderment, enthusiasm and flow of words that comes from being seven. On some visits my mind was preoccupied with ‘grown up’ stuff but this gently ebbed away as I became engrossed in their world. Each of the children affected me in different ways and found her own way to shine. I hope they have listened and learned and will grow up to be wonderful people.”

**Edel Hegarty, MSVC IT Department,
Tramore Road, Cork.**

Sustainable Communities

URBAN CONSERVATION – RESTORATION OF UNIQUE CORK HOUSE



50 Pope's Quay is the flagship project of Cork Civic Trust, a non-profit voluntary organisation dedicated to the preservation and enhancement of the city's architectural heritage and environment. Built circa 1730, the distinctive Queen Anne red brick building is unique not only to Cork but to Ireland and is very much a city landmark. Work on restoring the building began in 1997 but was suspended three years later due to a shortage of funds. A donation of €450,000 by the Musgrave Group in December 2002 kick-started the project and allowed the restoration to be completed.

The President of Ireland, Mary McAleese, unveiled a plaque to mark the completion of the restoration of the restored landmark on 30th October 2003. The building is set to become the new headquarters for the Cork Capital of Culture in 2005.

Seamus Scally, Group Managing Director of Musgrave Group is Chairperson of Cork Civic Trust. "Preserving Cork's past for future generations presents a constant challenge for Cork Civic Trust and apart from local government and corporate generosity we also need the ongoing support of the public through membership of the Trust."

“The restoration and preservation of 50 Pope’s Quay is extremely important to the city and people of Cork and beyond, for a number of reasons, centred around historical significance, architectural preservation and the identification of a new use for the oldest building of its type in Cork as a centre of cultural excellence, and its restoration as a city landmark as Cork becomes European Capital of Culture in 2005.

The support that Musgrave Group lent to the project made a crucial difference to our efforts. From the outset the Musgrave Group supported the project financially. However, had it not been for the Group’s final donation, it is likely that the restoration project would never have reached its conclusion.”

John X Miller,
Director of Cork Civic Trust

TIDY TOWNS (ROI) AND “BEST KEPT AWARDS” (NI)

The Tidy Towns competition is a national competition organised throughout RoI each year by the Department of the Environment, Heritage and Local Government that aims to find the tidiest town in Ireland. The Tidy Towns competition has been running in Ireland for over 50 years and each year attracts more than 700 local communities who compete for a cash award and the title of "Ireland's Tidiest Town".

The competition has been proven to have a real impact on the vibrancy and prosperity of many Irish towns and villages and encourages people to take pride in maintaining their town's heritage by presenting a clean, attractive environment, primarily for their own enjoyment and to attract tourist and commercial investment to the area.

The “Best Kept Awards” campaign was pioneered in the early 1950s when Northern Ireland led the field in this type of community-based competition. Today the scheme is run by The Northern Ireland Amenity Council (NIAC), a group established in 1986 to promote the protection, preservation and improvement of the physical environment in Northern Ireland.

Since SuperValu is associated with the Tidy Towns and Best Kept Town Awards in Ireland, MSVC NI agreed a sponsorship arrangement with NIAC that would secure the long-term support of the awards initiative in Northern Ireland. SuperValu is helping raise awareness of the importance of a clean and healthy environment, with the initiative impacting on communities province-wide, including 10,000 primary school and 6,000 secondary school children.

...SuperValu is helping raise awareness of the importance of a clean and healthy environment, with the initiative impacting on communities province-wide, including school 10,000 primary school and 6,000 secondary school children...

INDEPENDENT VIEWPOINT

The 'Tidy Towns' Competition: Its role in Irish Government policy

Liam Whelan, Dept. of Environment, Heritage and Local Government

Sustainable development is about meeting the needs of the present generation without compromising the ability of future generations to meet their own needs. It is about getting the balance right between the economy, social issues and the environment so that we are able to enjoy economic prosperity, social progress and a high quality environment – both now and into the future. It's about getting these three elements working together for a better quality of life, instead of gains in one area being offset by losses in another.

At international and national levels, Government can, in overall terms, go a long way towards meeting the challenge inherent in sustainable development, and a wide range of policies and initiatives are underway. But sustainable development is not only about Government and what it will do. It is about everyone – Government, social partners, business, interest groups and individual citizens – in their different roles and capacities making the right decisions and playing their full part in policy and action towards sustainable development.

Therefore, in working to break the link between economic growth and environmental damage, we look to business and the economic sectors to join in this work, and seek to engage the interest and support of individuals and community groups.

As an important part of its wide remit, which is informed throughout by the sustainable development agenda, the Department of the Environment, Heritage and Local Government seeks to enhance the broad environment and quality of life in our towns and villages by organising and developing the national Tidy Towns and related competitions, in an annual partnership with up to 700 communities around the country, and with sponsorship by business and the support of local authorities. Tidy Towns is a popular and effective example of what can be achieved when these interests combine and co-operate in the common good.

The competition, which has been running in various guises since 1958, has two principle aims:

- to create an awareness of the important role which local communities can play in improving their local environment in all its aspects, and
- to encourage local communities fulfil that role by providing a forum through which towns and villages around the country can compete for a wide range of awards.

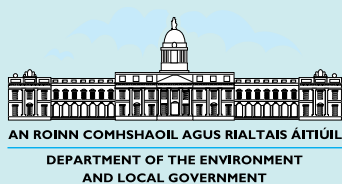
Communities are encouraged to establish local committees, with the overall aims of:

- improving the quality of life for residents and visitors to their area,
- maintaining the heritage and distinctive character of the area and develop it for future generations,
- involving all the community in the development of the area and, of course,
- achieving success for the area in the annual Tidy Towns competition.

The competition specifically targets important elements that comprise the “local environment” – for example, the maintenance and enhancement of the built environment, conservation and creation of indigenous wildlife areas, effective litter control and a good standard of general tidiness. Committees are encouraged to develop a three or five year strategic plan, with specific objectives under a wide range of categories. The flexibility of the competition structure allows the introduction of new sustainable development initiatives, such as this year’s Race Against Waste project, which will reward areas implementing best waste management practices. And of course, in the process of achieving these individual objectives, broader values, such as the volunteer ethos and better community cohesion, are fostered and enhanced.

Overall, it is generally acknowledged that Tidy Towns has developed into one of Ireland’s most successful voluntary movements. It is now a national institution; a celebration of the huge contribution which local communities continue to make in improving their local environments.

SuperValu, as national sponsor of the Tidy Towns Competition for over a decade, has made a significant contribution to the ongoing success of the competition. Under a 1999 Partnership Agreement with the Department, SuperValu has also undertaken to embark on a number of initiatives which support our sustainable development objectives – for instance, encouragement to customers to use environmentally friendly packaging, use of CFC-free refrigeration, a new transport initiative and recycling projects generally. It also undertook to encourage retailers to work with local Tidy Town Committees and local authorities to devise and implement environmental initiatives in line with the Department’s policy of promoting Local Agenda 21. The Department acknowledges this longstanding and successful partnership with SuperValu in promoting and developing Tidy Towns, and supporting the sustainable development agenda.



Liam Whelan is Principal Officer in the Urban and Village Development Section of the Irish Department of the Environment, Heritage and Local Government

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NOTES (* = CORE INDICATORS):

[2.8] Musgrave does not have a 'capitalisation' as such. Normally the word 'market capitalisation' refers to publicly quoted companies being the number of shares in issue multiplied by the market price per share. In Musgrave's case, there were 58,726 shares at 31/12/03 with an agreed (with Revenue) value of €3.60 per share giving a value of €211m. In terms of book values, shareholders' funds were €229m and net debt was €384m.

[3.12] In our business, communication with consumers to determine shopper preferences would normally result in 'own' brand development in a certain direction, or undertaking a specific marketing campaign. No shopper surveys in relation to environment/social issues were conducted during the reporting period however.

[EC4*] Musgrave Group aims for 100% of its suppliers to be paid on time, and in accordance with agreed terms. Accurate records are available only for MUK, which paid 79% of its suppliers in accordance with terms in 2002, and 83% in 2003. No complaints were recorded in relation to this matter amongst other Group divisions.

[EC11] All of MUK's suppliers are from the UK. 98% of suppliers for MWS are from Ireland, with the remaining 2% from Northern Ireland, UK, Far East, Holland and others. Data is incomplete for MSVC and MSVC NI.

[EC6*]

Dividends	2003	2002
	€'000	€'000
Dividends on equity shares:		
Ordinary dividends of 20.0c (2002: 18.15c) per ordinary share:		
- paid	9,234	8,334
- proposed	2,936	2,786
	12,170	11,120

[EC9*] Zero subsidies received.

[EN1*] Total materials use other than water, by type: Not relevant to any of Group divisions.

[EN2*] Percentage of materials used that are wastes from sources external to the reporting organisation: Not relevant to any of Group divisions.

[EN18] Energy consumption footprint of major products: Not relevant to any of Group divisions.

[EN19] Other indirect energy usage and implications: Not measured.

[EN20-22] Water supplies at Musgrave Group facilities generally comes from local authority mains supplies, with the exception of MWS in Ballymun, Dublin, which, in addition to the use of local authority supply, also uses an on-site well. Water volumes not recorded.

[EN6*], [EN24], [EN25] None of our facilities are located in environmentally-sensitive, biodiversity-rich or protected areas. The majority of our facilities are located on land of impermeable surface. Our estimates for impermeable surface area are 75% in MUK, 80% in MSVC, Fonthill, Dublin and 95 to 100% in MSVC Cork, MSVC Galway and MSVC Belfast.

[EN7*] No major impacts on biodiversity associated with activities and/or products and services in terrestrial, freshwater, and marine environments as all sites are in industrial/ commercial locations.

[EN23] Total amount of land owned, leased, or managed for production activities or extractive use: zero.

[EN26] No development into natural habitat areas.

[EN27] Objectives, programmes, and targets for protecting and restoring native ecosystems and species in degraded areas: N/A.

[EN28] No IUCN Red List species.

[EN29] No business units currently operating or planning operations in or around protected or sensitive areas.

[EN31] All hazardous or potentially hazardous waste produced or handled at Musgrave is collected, transported and disposed of in accordance with relevant European and national legislation. Musgrave Group does not produce significant volumes of hazardous materials as part of its operations, but incidental items generated as part of day-to-day activities, are carefully stored prior to collection by permitted and licensed waste contractors at each facility.

[EN32] No water sources and related ecosystems/habitats significantly affected by discharges of water and runoff.

[EN33] Performance of suppliers systems for managing upstream and downstream impacts not audited.

[EN14*] No studies conducted on significant environmental impact of principal products and services.

[EN15*] Percentage of the weight of products sold that is reclaimable at the end of the products' useful life and percentage that is actually reclaimed: No data.

[EN16*] Fines for non-compliance: None.

[EN35] Total environmental expenditure for 2002-2003 was not recorded, however we have identified specific environmental initiatives to the value of €685,825 during the reporting period on items such as backhaul fuel saving, refrigeration plant, environmental team projects, bunding of tanks and drain interceptors.

[LA8*] The company does not have a HIV/Aids policy.

[LA11*] The composition of senior management in terms of male/female ratio in all Musgrave Group business units for 2003 was 76% male: 24% female.

[HR2*] There is no formal procedure for investigating and evaluating human rights performance of our suppliers, however a number of checks are carried out within the Group divisions. For example, within MWS, trading managers identify members of the supply chain to audit in line with the needs of the business. MWS deals mainly through agent arrangements and this normally secures the best sourcing routes for particular products.

[HR11] All our security personnel are outsourced and thus training is not conducted directly by Musgrave Group, with the exception of Budgens' security personnel are trained in the use of minimum force.

[HR12] No policies currently to address the needs of indigenous people.

[HR13] No jointly management community grievance mechanisms/ authority.

[SO2*] Musgrave Group has a formal policy in relation to the receipt of gifts or personal incentives, which states that any incentives earned by company performance will be used to the benefit of the business, donated to charity, or raffled among appropriate individual employees or teams of employees. Company employees may not pressurise suppliers for personal incentives.

[SO3*] We do not seek to have political influence in our organisation.

[SO5] No donations in excess of €5,077 have been made (as per Electoral Act, 1997).

[SO6] No court decision regarding cases pertaining to anti-trust and monopoly regulations.

[SO7] No policies, procedures/management systems, and compliance mechanisms for preventing anti-competitive behaviour.

[PR4] No instances of non-compliance with regulations concerning customer health and safety.

[PR5] No complaints upheld by regulatory or similar official bodies to oversee or regulate the health and safety of products and services.

[PR7] No instances of non-compliance with regulations concerning product information and labelling.

[PR10] No breaches of advertising and marketing regulations.

[PR11] No complaints regarding breaches of consumer privacy.

1876

1876

- Thomas and Stuart Musgrave open a grocery business in Cork.

1925

- Ireland's first large grocery warehouse opens.

1960

- VG Symbol Group launched. Musgrave pioneers voluntary group trading.

1961

- Ireland's first wholesale Cash & Carry opened in Cork.

1985

- Ballymun branch wins the Checkout Cash & Carry of the Year Award. Ballymun wins again in 1988, 1991, and 1995.

1987

- Fifteen H. Williams stores acquired for SuperValu Retailers.

1990

- SuperValu again wins the Excellence Ireland National Hygiene Supreme Award.
- New office complex opened at the Galway warehouse. A Centra store wins the Excellence Ireland National Hygiene Supreme Award.

1977

- Musgrave Cash & Carry Ballymun opens on the northside of Dublin.
- Musgrave opens a 7,500 m² Cash & Carry in Belfast.

1979

- SuperValu and Centra retail groups launched in the Munster region.

1992

- A new purpose-built outlet opens in Derry City. Musgrave now has eight large surface-area Cash & Carry's throughout the country.

1995

- SuperValu-Centra Distribution is awarded the ISO 9002 quality standard. A SuperValu wins the Excellence Ireland National Hygiene Supreme Award. Sallynoggin branch wins the Checkout Cash and Carry of the Year Award.

1996

- Five supermarkets in Antrim and Down acquired to establish SuperValu in the Northern Ireland market. A Centra store wins the Excellence Ireland National Hygiene Supreme Award.

2003

1997

- MSVC invests £20 Million to create Ireland's first central chill distribution facility. 21 high street supermarkets in Northern Ireland acquired for SuperValu.
- Musgrave Cash & Carry launched the Day-Today retail support package.

2000

- Musgrave Group acquires a major shareholding in UK supermarket group Budgens plc.
- Musgrave Group Environmental Policy Charter published.

2002

- Musgrave Group offered Stg£175m (€275m) to acquire Budgens.
- At the end of July, the offer for Budgens plc was declared unconditional.
- Musgrave is the world's first company to issue its Environmental and Social Accountability Report in accordance with Global Reporting Initiative guidelines.

1998

- First Environmental Action Team established in MSVC.

2001

- Musgrave Cash & Carry launch a delivered multi-temperature food services business serving Dublin & Leinster.
- Musgrave publishes its first Environmental Report

1999

- SuperValu retail sales break the £1 billion mark.
- Musgrave undertakes environmental baseline review

2003

- The 400th Centra store opens in Rochfortbridge, County Westmeath on Friday, October 17th 2003.
- Musgrave SuperValu-Centra announced a €35 million investment and the creation of 150 jobs in a 150,000sq ft ambient warehousing and distribution operation in Kilcock, Co. Kildare. This new facility is to be fully operational by June 2005.
- Group Environmental Executive appointed.
- Divisional Environmental Action Teams established in all Group divisions in Rol, NI and GB.



Musgrave

G R O U P

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