

Musgrave

G R O U P



MANAGING OUR ENVIRONMENT

Musgrave Ethical Trading Policy

Working together to deliver sustainability





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INTRODUCTION

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 Musgrave SuperValu and Centra retail franchise business, Musgrave Wholesale Services operates Ireland's leading wholesale cash & carry operation, with eleven 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 through its Musgrave Budgens Londis (MBL) division, and has a wholesale and retail distribution company in Spain; Distribuidora de Alimentacion del Sureste SA (Dialsur). Based in the Alicante region of South Eastern Spain, it operates a chain of franchised retail outlets and a chain of Cash & Carrys.

Although we source as much of our products as is possible from local suppliers, we also source product overseas. Our trading teams endeavour to meet the demands of our customers (independent retailers and food service operators) and consumers by sourcing product of the highest quality. We endeavour to develop long-term partnerships with our suppliers such that our business relationships are mutually beneficial and in keeping with our well established values.





TRADING ETHICALLY

Musgrave is a company with a long established record of acknowledging and managing its Environmental and Social Responsibility. We are also endeavouring to ensure that these same values are embedded in our trade with direct suppliers, especially those supplying own brand products.

Musgrave believes that, as a responsible organisation, we must ensure that the goods we source are produced in a sustainable way from an environmental and social perspective. In May of 2004, Musgrave underscored this commitment by becoming the first Irish company to sign up to the principles of the United Nations Global Compact.

www.unglobalcompact.org

THE UNITED NATIONS GLOBAL COMPACT

The Global Compact was first proposed by the UN Secretary-General Kofi Annan at the 1999 World Economic Forum in Davos, Switzerland. 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, preservation of the environment and labour practices. In June of 2004, a 10th principle dealing with Anti-corruption was added to the Compact. As members of the Compact, Musgrave subscribes to these 10 guiding principles and is committed to championing them in our day to day operations.



THE UNITED NATIONS GLOBAL COMPACT 10 PRINCIPLES

The Global Compact's ten principles in the areas of human rights, labour, the environment and anti-corruption enjoy universal consensus and are derived from:

- The Universal Declaration of Human Rights
- The International Labour Organisation's Declaration on Fundamental Principles and Rights at Work
- The Rio Declaration on Environment and Development
- The United Nations Convention Against Corruption

The Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment, and anti-corruption:

Human Rights

Principle 1: *Businesses should support and respect the protection of internationally proclaimed human rights; and*

Principle 2: *Make sure that they are not complicit in human rights abuses.*

Labour Standards

Principle 3: *Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;*

Principle 4: *The elimination of all forms of forced and compulsory labour;*

Principle 5: *The effective abolition of child labour; and*

Principle 6: *The elimination of discrimination in respect of employment and occupation.*

Environment

Principle 7: *Businesses should support a precautionary approach to environmental challenges;*

Principle 8: *Undertake initiatives to promote greater environmental responsibility; and*

Principle 9: *Encourage the development and diffusion of environmentally friendly technologies*

Anti-Corruption

Principle 10: *Businesses should work against all forms of corruption, including extortion and bribery.*

The full text of the principles is available at www.unglobalcompact.org



MUSGRAVE GROUP – ETHICAL TRADING POLICY

A question often asked is: 'why is ethical trading important?'

As the UN Secretary General, Kofi Annan, remarked:

"...together, we can and must move from value to values, from shareholders to stakeholders, and from balance sheets to balanced development. Only then will we 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..."

As global trade has grown and developed, increased competition has placed ever increasing strains on corporate values. Several recent high profile US corporate scandals have caused companies to question the drivers of business and the level of responsibility which they must take for their actions.

Musgrave believes that as a global player, we have a moral obligation to ensure that the way in which we source our products does not impact negatively on either the environment or the individuals who produce these goods. We likewise have a responsibility to uphold our reputation and the value of our brand.

We have made a commitment to manage our Environmental and Social impacts through the implementation of our Environmental and Social Accountability Policy and have demonstrated our performance through our Environmental and Social Accountability Reports. Musgrave is committed to ensuring that all of our supply chain stakeholders, regardless of where they live or work, are treated with respect and dignity and are able to live in an environment undamaged as a result of production. In basic terms we are aiming to encourage "Sustainable Development", which is defined as: "development which meets the needs of the present generation without compromising the ability of future generations to meet their own needs." We want also to ensure that those with whom we trade are similarly committed to these principles.



In developing this policy, we have focussed on international best practice, International Labour Organisation (ILO) conventions and on those areas outlined in the UN Global Compact's 10 principles, from which we have distilled the following areas of focus:

- 1.** Terms of Trading (No undue pressure to cut costs)
- 2.** Promotion of worker rights and human rights in general
- 3.** Freedom of association and the right to collective bargaining,
- 4.** Hours of Work
- 5.** The elimination of all forms of forced or compulsory labour (Bonded labour)
- 6.** The elimination of all forms of child labour
- 7.** The elimination of discrimination in respect of employment and occupation,
- 8.** Health, safety and welfare of employees,
- 9.** Sourcing products from oppressive regimes,
- 10.** The promotion of greater environmental responsibility.
- 11.** The elimination of corruption, including extortion and bribery.



WHERE DOES MUSGRAVE STAND ON THESE ISSUES?

We recognise that as a commercial entity, we may have a limited sphere of influence in matters of human or labour rights particularly in countries where such concepts are alien or un-regarded. It is a significant challenge to try to change tradition, however, this must not become an excuse for inaction. We therefore hold the following views:

1. TERMS OF TRADING (NO UNDUE PRESSURE TO CUT COSTS)

Musgrave conducts its business in accordance with traditional core values which include:

- honesty
- building long-term stable relationships and
- not being greedy.

We will not exercise undue pressure on our suppliers, and expect that they act similarly with their suppliers and so on down the supply chain.

2. PROMOTION OF WORKER RIGHTS AND HUMAN RIGHTS IN GENERAL

Musgrave expects that people working for our suppliers will be treated fairly and with respect. Musgrave requires that the national laws and regulations of the country of employment are observed, but, as a minimum, that international human rights and labour law is applied.

3. FREEDOM OF ASSOCIATION AND THE RIGHT TO COLLECTIVE BARGAINING

Workers shall be free to be members of a lawful labour association and shall not be discriminated against as a result.

4. HOURS OF WORK

Work and overtime hours shall not be excessive and shall provide for adequate periods of rest. Hours of work shall not exceed those laid down in national law in the country of employment. As a minimum, hours of work shall not exceed those recommended in ILO conventions.

5. THE ELIMINATION OF ALL FORMS OF FORCED OR COMPULSORY LABOUR (BONDED LABOUR)

Forced, Compulsory or Bonded labour shall not be used. Workers shall receive a fair wage, which, as a minimum, shall comply with national law in the country of employment for that sector.

6. THE ELIMINATION OF ALL FORMS OF CHILD LABOUR

Children shall not be employed in any situation, which is likely to deprive them of educational opportunities or which places their health safety or welfare at risk. Local and national laws and regulations shall be complied with, but, as a minimum, in the absence of local legislation, ILO conventions in respect of Child labour shall be observed.

7. THE ELIMINATION OF DISCRIMINATION IN RESPECT OF EMPLOYMENT AND OCCUPATION

Discrimination, in whatever form, on the basis of race, national extraction, social origin, caste, religion, colour, gender, marital status, age, disability, union membership, or political opinion, is wholly unacceptable.

8. HEALTH, SAFETY AND WELFARE OF EMPLOYEES

The health safety and welfare of all employees shall be protected. Suppliers shall address risk and comply with all national legislation in this regard.

9. SOURCING PRODUCTS FROM OPPRESSIVE REGIMES

Musgrave does not intend to involve itself in the internal politics of any country from which it sources its goods, however, where clear evidence of abuses of human rights exist or where trade is used to support the activities of corrupt or oppressive regimes, Musgrave will cease all trade with that country.

10. THE PROMOTION OF GREATER ENVIRONMENTAL RESPONSIBILITY

In keeping with our views on Sustainable Development, suppliers must, as a minimum, comply with all local and national laws and regulations in respect of their environmental impacts.

11. THE ELIMINATION OF CORRUPTION, INCLUDING EXTORTION AND BRIBERY

Musgrave is opposed to all forms of corruption, including extortion and bribery. Musgrave will not engage in such practices nor will it accept its suppliers engaging in corrupt activities.



PUTTING THIS POLICY INTO PRACTICE

Our aim is to ensure that this policy is embedded within our daily trading and supply chain operations. It is the responsibility of trading managers to ensure that suppliers are aware of and comply with the requirements of this policy. It is imperative therefore that this policy is communicated to all trading staff and suppliers and that a mechanism exists for training and raising awareness.

Implementation of this policy shall be through standard operating procedures, which form an integral part of each division's trading operations. Such procedures shall reflect Musgrave Group Policy and are required to address;

- **Responsibility**
- **Risk assessment/analysis**
- **Communication**
- **Staff Training**
- **Supplier Audits**
- **Measures of performance**
- **Remedial Actions**
- **Record Keeping**

In practical terms, supply chain management is the responsibility of trading departments and their active participation is an essential requirement, however, because of the complexity of issues such as culture and language, Musgrave shall augment internal supply chain knowledge with external expertise in the area of supplier ethics. This expertise shall be particularly focussed towards training/capacity building and the risk assessment and auditing of suppliers.

Direct suppliers shall be required to supply goods only from approved sites. Approval shall be on the basis of preliminary risk assessment and, where deemed necessary, through site inspections.

We shall communicate our policy clearly and effectively to our employees and suppliers with the aim of raising awareness of the issues and of best practice. We recognise that our ability to directly influence tradition or custom and practice particularly overseas or in developing countries may be limited, however, we are committed to ensuring that our products, particularly our own-brand products are sourced only from suppliers who share our commitment to sustainability.

This policy recognises that environmental and social standards vary throughout the world and it is not our intention to try to supersede local laws; however, Musgrave is committed to protecting its reputation and upholding its values as an honest ethical company. We will not knowingly enter into or continue business relationships where the activities of our direct suppliers are clearly inconsistent with this policy.

It is the responsibility of trading managers to ensure that adequate controls and procedures are in place in their departments and that the principles outlined in this policy are fully communicated to our own buying teams and to our suppliers and effectively implemented.

THE INTERNATIONAL LABOUR ORGANISATION (ILO) CONVENTIONS

The International Labour Organisation (ILO) is the agency of the United Nations charged with the development of international labour standards. It has adopted international labour standards in the form of International Labour Conventions and recommendations, which are international treaties, and are subject to ratification by member States.

Eight ILO conventions have been identified as fundamental to the rights of workers, regardless of the levels of development of individual member states. These conventions are:

FREEDOM OF ASSOCIATION

- ILO Convention 87 (Freedom of Association)
- ILO Convention 98 (Right to Organise and Collective Bargaining)

THE ABOLITION OF FORCED LABOUR

- ILO Convention 29 (Forced Labour)
- ILO Convention 105 (Abolition of Forced Labour)

MAINTAINING EMPLOYEE EQUALITY

- ILO Convention 111 (Discrimination in employment and occupation)
- ILO Convention 100 (Equal Remuneration)

ELIMINATING CHILD LABOUR

- ILO Convention 138 (Minimum Age)
- ILO Convention 182 (The worst forms of child labour)

Full details of all of these, and other conventions, and the ratification by member states can be found on the ILO website at: www.ilo.org

DEFINITIONS

CHILD

Any person less than 15 years of age unless local minimum wage law stipulates a higher age for work or mandatory schooling, in which case the higher age shall apply. If however, local minimum age law is set at 14 years of age in accordance with developing country exceptions under ILO Convention No. 138, the lower will apply.

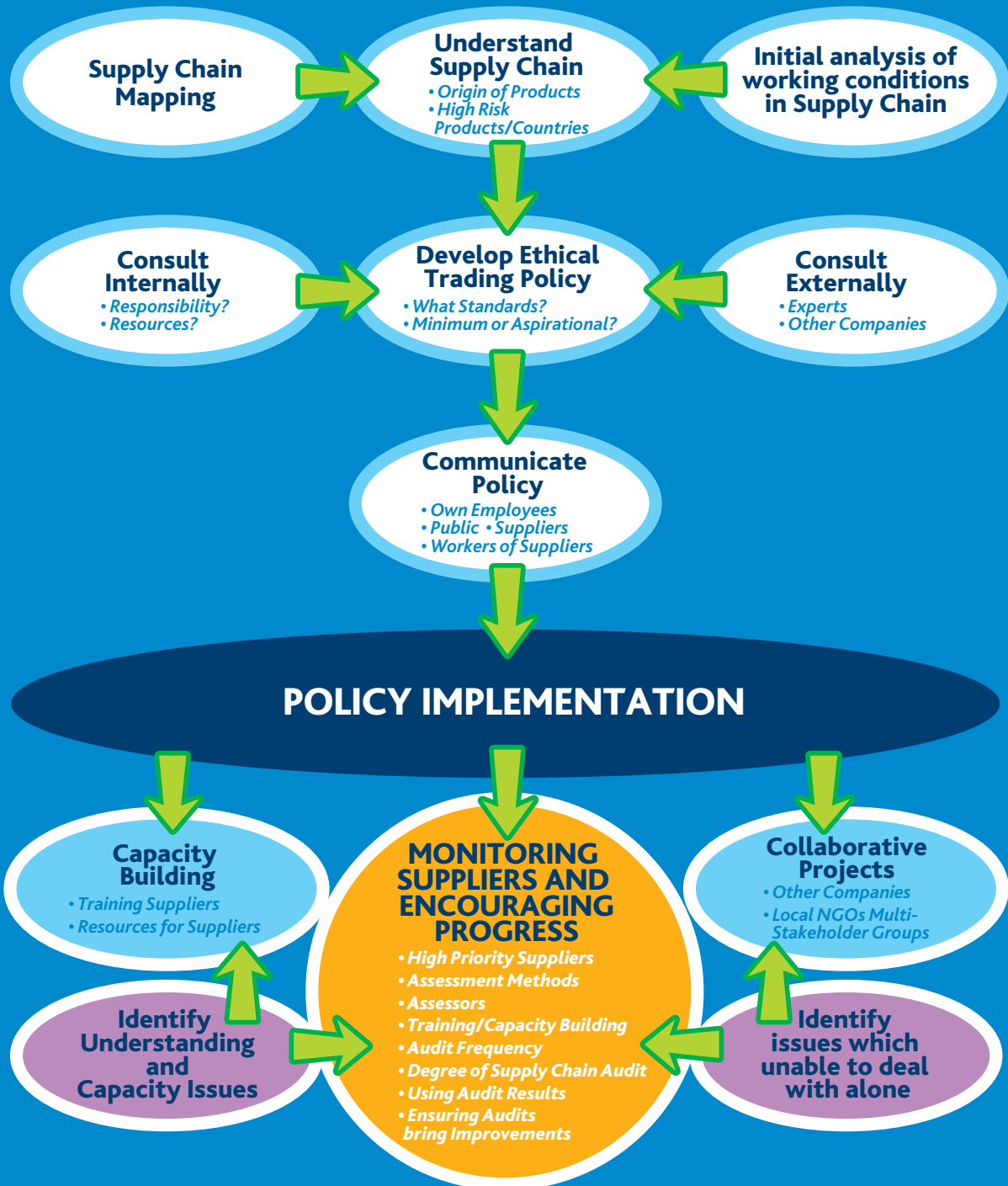
YOUNG PERSON

Any worker over the age of a child as defined above and under the age of 18.

CHILD LABOUR

Any work by a child or young person younger than the age(s) specified in the above definitions, which does not comply with the provisions of the relevant ILO standards, and any work that is likely to be hazardous or to interfere with the child's or young person's education, or to be harmful to the child's or young person's health or physical, mental, spiritual, moral or social development.

APPENDIX I (Making Progress)





Designed and produced by The Design House [01] 660 4700.
Printed on Cyclus Offset made from 100% post consumer recycled waste.
The by-products from the pulp and paper manufacture are used for composting
and fertiliser, cement making and heat energy conversion.

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