

Corporate Responsibility

Despite 2007/08 being a challenging year for the Group, we continued to make significant progress in how we react with our various internal and external stakeholders, notably in moving significantly towards a more environmentally sustainable way of operating, as well as strengthening our health and safety culture. This approach makes good business sense, even more so at a time of challenges in our marketplace, but it also underscores our long term fundamental commitment to continuous improvement in these areas of our activities.

People

Our production facility at Annerville, Clonmel, is the most advanced and integrated cider making plant in the world. This achievement is down to our vision of what our business should be and down to the people who are making that vision happen. Innovation is a key dimension of how we do things. Across the extensive site, we have excellent buildings, efficient layouts, good work flows and great systems. But its success as a facility depends mostly on the quality of our people.

Annerville is more than just a combination of bricks, mortar and metal. The welfare of the people who work here is paramount as well. We have an extremely good track record in reducing our rate of accidents and injuries. Building on that, this year we were accredited to the internationally recognised health and safety standard, OHSAS 18001. This certification took us two years to achieve. It involved not just installing new systems, procedures and practices but – just as importantly – creating a mindset between workforce and managers that constantly puts health and safety at the centre of how we do our business.

Our policy is to achieve and maintain the appropriate internationally recognised standards governing all facets of our business. We have already achieved and are implementing the Quality Assurance standard ISO 9001, the Food Safety standard ISO 22000 and the Environmental Management Systems standard ISO 14001.

2007/08 was a difficult year for us on the employment front because of the circumstances we faced in the cider market. Our headcount was reduced by 150 and

we said farewell to people who had been with us for many years. We implemented a comprehensive support system for all of our employees to help them make the transition and it is a compliment to the way we work at Annerville that many of them have indicated that, should the conditions in the future allow it, they would be more than happy to return to employment with us.

At the same time, while managing our major rationalisation and redundancy programme to equip us to deal with the future challenges in our business, we introduced measures to improve and refine our performance management system. We resourced our new cider operations in Barcelona and Munich. Our business changed considerably during 2007/08 and we are determined to continue to drive change. We are on a journey to create a portfolio of internationally recognised alcoholic beverages and we are bringing our people on board with us. Our strategy is to attract the right people to work for us, people with potential, equip them and give them the support they need to perform and provide an employment environment that makes them wish to remain with us.

Environment

Caring for our environment in a sustainable manner is common sense. We aim to minimise our impact on the wider environment by implementing carefully planned policies and continuous improvement initiatives. As an IPPC –licensed site we regard compliance with permitted emission levels as a minimum performance indicator. Running our business in ways that help the environment also makes commercial sense because it reduces medium term costs.

There is increasing awareness of the importance of reducing carbon footprints as part of a range of measures to counter climate change. In 2007/08, with external expertise, we measured our current carbon footprint. This exercise has given a base-line against which to plan to reduce our carbon footprint into the future and to help us develop a series of practical plans to achieve this outcome, in areas like orcharding, manufacturing, offices, transport and distribution.

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Cider making involves fermentation and CO₂ is a by-product of this process. A significant investment has been made to recover the CO₂ and, this will ultimately be used to carbonate our products. This has two gains: it cuts our purchases of CO₂ and reduces our carbon footprint.

Energy usage reduction is a key element in reducing our carbon footprint. To complete the suite of world-class operational standards that apply at Annerville, we signed an agreement with Sustainable Energy Ireland to work towards the achievement of Energy Standard IS 393. When we achieve this, we will be one of a small number of companies in Ireland certified to that level.

In November 2007, the Minister for the Environment, John Gormley TD, leader of the Green Party, was present at the official opening of the world's first ever 'cradle to grave' carbon neutral industrial building. Our new bottling hall houses three state-of-the-art bottling lines, capable of bottling fifty thousand bottles of cider every hour. The envelope of the building was constructed using carbon neutral materials, all of them traceable from manufacture to end-use and capable of being fully recycled whenever the building is decommissioned. To achieve full carbon neutrality, CO₂ emissions used in manufacturing the building materials were offset by equivalent savings in renewable energy and energy efficient projects elsewhere. These projects have social as well as environmental benefits for local communities in developing countries.

Water is a natural resource, which needs careful management so that supply and quality is sustained into the future for use by businesses and the wider community. In 2007/08, we established a protection programme for the water aquifers supplying Annerville and the wider community. This will help ensure future supply and quality water to all users in the locality.

Reduction of water usage is a key target, the achievement of which will be facilitated by the investment made in 2007/08 in equipment to track water usage throughout operations. Significant investment was also made in best-practice water attenuation systems designed to manage drainage of storm-water from the site.

Our development of the anaerobic wastewater treatment plant at Annerville exemplifies our innovative approach to process improvements. We completed the second part of this project in 2007/08. We recover all the site's wastewater to a single location where it is treated biologically. The resulting clean water eventually makes its way back to the nearby River Suir and an important by-product of the cleansing process is methane biogas, which we now use on site to fuel our boilers. This has resulted in savings on the amount of natural gas we need to purchase externally and has reduced our carbon footprint. Further benefits of the anaerobic technology are reduced operating energy costs and significantly less solid waste generation from the process.

We continue to set and achieve ambitious targets for reducing and recycling solid waste from our manufacturing plant, building on our previous success as a leading national Repak award winner in this sector.

We export millions of glass bottles of Magners, our main format being the pint bottle. In Ireland, our glass bottles have been re-usable for many years, but this is not the case in Great Britain. We looked at ways of reducing the weight of bottles for export and have begun the first phase of a programme to minimise glass weight while retaining robustness. This initiative not only reduces our own costs and carbon footprint but also that of our suppliers by reducing the raw material, energy and transport costs.

Marketplace

Our marketplace in recent years has become increasingly complex. We sell considerable quantities of cider in diverse export markets and Tullamore Dew is the leading Irish whiskey in many overseas markets. Our strategy is based on reflecting consumers' changing tastes and needs and responding to these through product innovation, new forms of packaging and better marketing.

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Our products are made from natural ingredients, brewed or distilled with craft and care and backed by a time honoured heritage and tradition. Every time one of our products is consumed it is judged on its fine taste. They are premium products easily distinguishable by taste from their competition. We, therefore, invest much time and effort into product quality and assurance systems and operate these to world class standards.

Alcohol adds to the enjoyment of life when consumed sensibly. We support a number of public campaigns that encourage drinkers to be sensible. We are members of Mature Enjoyment of Alcohol in Society (MEAS), an independent body that campaigns on the issues of drink driving, under age drinking and binge drinking. We have long been members of the Cider Industry Council, whose main aim is to tackle under age drinking. We also worked closely with the Irish Spirits Association to create a marketing code of practice.

Community

At the moment many of our apples come from County Armagh, in Northern Ireland, and we continue to develop our concept of sourcing as much as possible of our apples from the island of Ireland. We do this for sound marketing and business reasons because it emphasises our cider's legitimate claim to naturalness, tradition and a distinctive sense of being original and Irish.

However, we are keen to increase the numbers of apples grown in our hinterland around the plant at Annerville. To encourage local farmers, a few miles from Clonmel, not far from the historic mountain of Slievenamon, we have planted 45 hectares of new orchards at Killurney. We have introduced a new technology for growing apples, called a fruit wall. Instead of using traditional trees, we grow the apples like grapes on a vine. The initial investment cost is higher but we get a crop within three years, compared with the traditional ten years.

Killurney is a way of showcasing to farmers the relative ease with which apples may be grown and harvested. We hope that more farmers in our hinterland, whether full-time or part-time will include apple growing in their enterprises, and thus access the good commercial returns that can be made. We provide long term contracts for growers that give them a greater degree of commercial certainty. Increased growing of apple trees is good for the environment because it reduces our carbon footprint. We are in discussion with the Department of Agriculture, Fisheries and Food about how we can progress this ambition further.

The loss of 140 jobs last year at Annerville was a serious blow to Clonmel and its environs. Bulmers, and increasingly Magners, is synonymous with Clonmel and south Tipperary and through our wage bill, purchasing and payment of taxes we are an enormous boost to the economy of the area. We still are. And the decisive action we took ensures that we will be into the future.

Despite those events, there is still enormous regional pride in our business as well as loyalty. With local support, we have put in place all the statutory planning permissions we require for any future developments under our Site Master Plan. We have invested in finishing the development works on our site to a very high standard and our road frontage at Annerville provides a striking introduction to Clonmel on one of the main roads into the town.

We continued our active involvement in the local community. We support Clonmel Chamber of Commerce, we donate to a number of local charities and our Annerville Awards are a popular and coveted acknowledgment of sporting achievement in County Tipperary.

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