

# Corporate Social Responsibility

Halfords' corporate social responsibility ("CSR") programme is aligned with the Group's business strategy, addresses the important CSR issues that we face and informs appropriate management and colleague behaviour.

We believe effective management of our CSR makes good business sense. In doing so, we will seek to ensure that Halfords, which is a household brand, has a positive impact on the communities and environment in which we work, be it through our operations, products and services or through our interactions with our customers, colleagues and suppliers. We are proud of our business and we see CSR as a core business consideration as it derives strategic, commercial and reputational benefits. We aim to achieve standards of responsible care across a number of key areas, including: customers, trading, health & safety, the environment, employee welfare and the community.

We are concerned to ensure we do the right things and our aim is to continually improve our management of the social, environmental and economic issues within our control or influence these throughout the business and our wider supply network. The Group has reviewed its ongoing CSR policy to ensure it meets the needs of the markets and communities in which it operates and that the associated Key Performance Indicators ("KPIs") accurately reflect the Group's success or otherwise in implementing its policy.

In 2009 Halfords engaged with Business in the Community ("BITC") to review and advise on the Group's current CSR strategy and activities with the view to driving continual improvement and integration within the business. This will be reported on fully in next year's Annual Report. For the period to 2 April 2010 the Group continued to follow its "ACTING RESPONSIBLY" policy.

The policy commitments are translated into actions and KPIs are used to assess success against our internal targets. Paul McClenaghan, Commercial Director, takes the lead in ensuring that the policy supports the strategic objectives of the business. The Halfords Executive monitors performance with regard to these objectives and targets via an internal report. It is, however, the Board's responsibility to ensure that the Group operates in a responsible manner, and the Board reviews the policy and our performance against that policy annually.

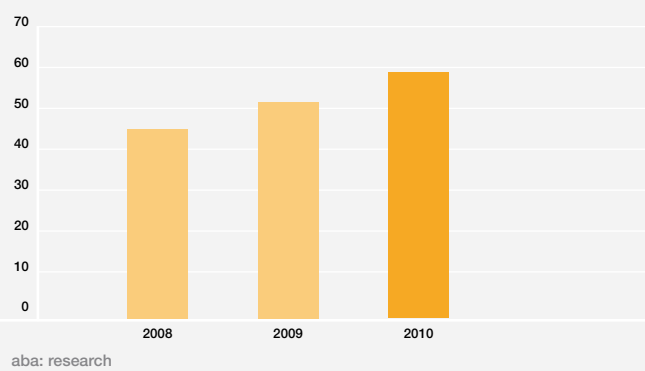
## CSR OVERVIEW & KEY PERFORMANCE INDICATORS

### CUSTOMERS

#### Stores & customer service

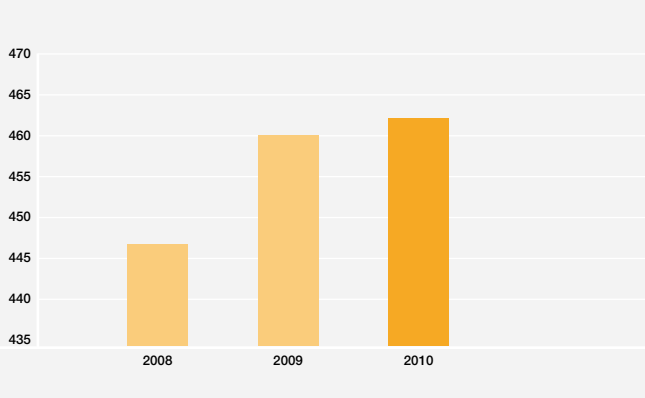
We market high quality products that we believe meet or exceed the requirements of appropriate legislation, international conventions and codes of practice. Where external guidance does not exist, we apply our own exacting standards. With a complex product range of around 10,000 items, we talk with our customers every day to ensure that our range meets their requirements and that they understand how to use our products safely. Halfords has a large number of regular customers who see their key drivers of satisfaction being choice of products and brands, store environments and ease of shopping, knowledgeable staff with a will-do attitude and competitive, value-for-money pricing. Surveys are regularly carried out across our customer base, asking customers to score certain questions, such "Would you definitely use Halfords again?" or "How likely is it you would recommend Halfords to a friend?" In 2009/10 59% of customers asked said they were very likely or extremely likely to use Halfords again.

Percentage of customers who would "definitely use" Halfords stores again



Our store network is extensive and we endeavour to locate a Halfords store within 20 miles of any UK customer. At the time of writing 99% of the UK population live within 20 (straight-line) miles of a Halfords store and 90.4% live within a 20 minute drive of a store. Our store portfolio continues to grow in quality and quantity.

Number of Halfords Stores in the UK and ROI

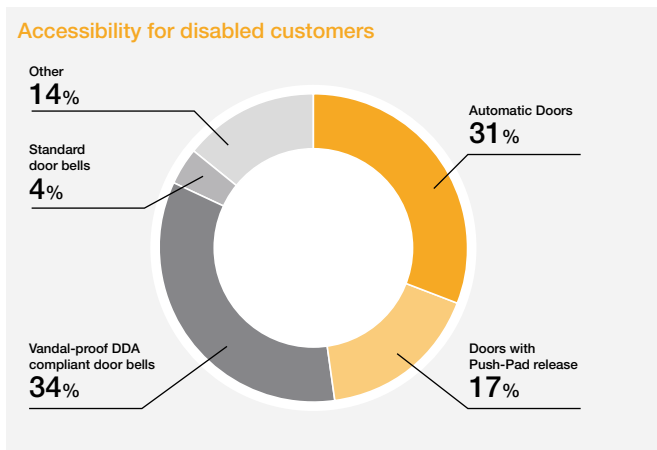


This network is fully supported by a dedicated Customer Service team based at our Head Office in Redditch where our customers are able to contact us by phone, e-mail, letter or fax. This year, we have consolidated our web and store contact centres giving our customers and stores the opportunity to contact us through one single phone number and e-mail address. This has enabled us to offer increased support to our store colleagues and be more flexible to our customers' needs.

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### Accessibility

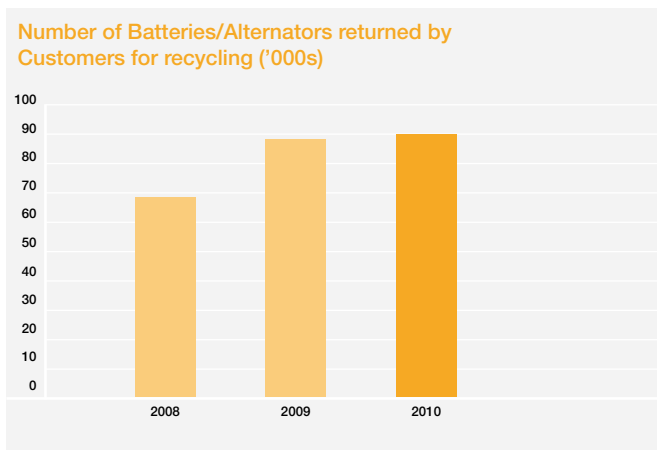
We treat our responsibilities under the Disability Discrimination Act ("DDA") very seriously and we recently introduced mobility products into 248 of our stores. We are committed to ensuring that both customers and colleagues have access to our stores and we have taken various actions in order to help us to fulfil our responsibilities, including training our store colleagues in disability awareness, responding to some of the physical obstacles in our stores and other access issues, and auditing our website for ease of navigation. In 2009 we committed to annual audits of all of our stores to ensure consistent levels of accessibility. The most recent results are shown below.



### PRODUCTS AND THE ENVIRONMENT

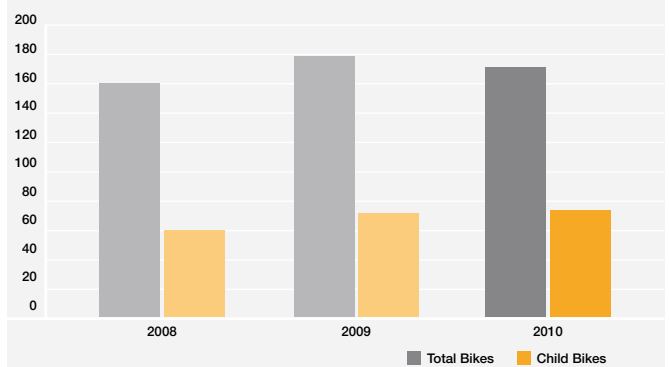
We continually assess the environmental impacts of our products, packaging, procedures and services at all appropriate stages, e.g. design, procurement, supply, sale, use and disposal. As our business is strongly influenced by consumer choice, we promote good practice in the provision of environmental communication to customers and colleagues.

We also ensure, that, where possible, customers can contribute to product recycling. As an example, customers returning old car batteries to our stores for recycling by us are offered a £2 voucher to be spent in the store to encourage recycling. In the period to 2 April 2010 our customers returned 90,000 batteries, an increase of 2.3% over 2009.



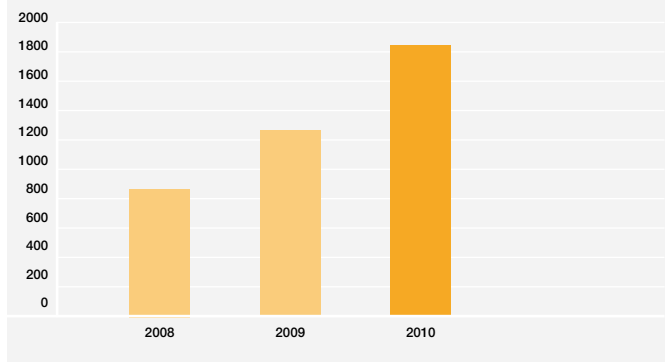
At a time when the issues surrounding health and obesity have become increasingly important, Halfords, as the largest retailer of cycling products, actively encourages people to participate in this outdoor activity. We currently stock 170 different models of bicycles, of which 73 are aimed at children between three and eight years of age. We design these bikes with the customer in mind and our children's bikes are specifically designed for the measurements and stature of a child, as the relative dimensions of the bike are very different from those of an adult. In the year to 2 April 2010, we sold over a million bikes for the third year running, approximately 1 out of 3 of all bikes sold in the UK.

### Number of bicycle models stocked



We continue to market "Cycle 2 Work" schemes that allow employers to offer to their employees the use of a bicycle for work. The scheme offers significant savings, making use of the Government backed initiative to increase more sustainable means of transport to work. Over the last three years, we have increased the number of schemes that we manage on behalf of employers by over 113%, thereby allowing their employees the opportunity to embrace a healthy, keep-fit lifestyle.

### Number of "Cycle 2 Work" schemes managed by Halfords

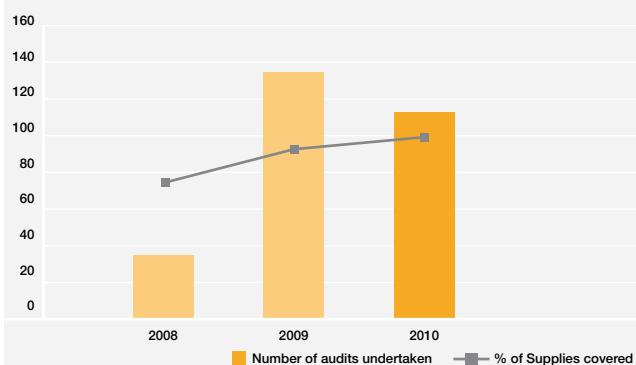


**SUPPLIERS**

**Ethical trading**

We place great importance on the selection of our suppliers and, where appropriate, will visit manufacturing sources to verify that effective quality procedures are in place and that supply chain costs are minimised. We are always striving for improvement and we believe it is important that our suppliers are responsive to feedback from our customers and store colleagues. Halfords recognises that the development of close supplier partnerships is essential for the ongoing provision of an innovative and “value-for-money” product offer. Halfords has a Sourcing Code of Conduct (“the Code”), which can be viewed on the Company’s website (*halfordscompany.com*). This is sent to all potential new suppliers as part of the Supplier Questionnaire, before orders are placed with the supplier. Compliance with the Code is independently audited. The response to the questionnaire is reviewed and, if the supplier does not provide an acceptable alternative assessment report, an audit by an independent auditor such as Bureau Veritas, is arranged. Over the last few years we have substantially increased the supplier audit coverage in the Far East where a significant amount of our products are now sourced. This ensures that the majority of our sourced products are covered by such audits, both in line with the growth of our business and our demand for greater compliance.

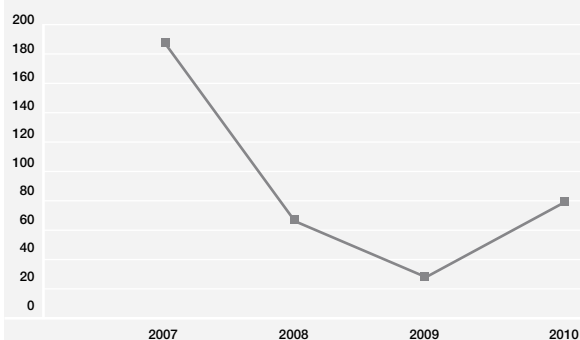
**Far East Supplier Audits**



**Supply chain transportation**

Given that so many of our products are imported we pay particular attention to the carbon footprint that this could create. We continue to monitor the air freighting of our products from suppliers, and only do so in cases of extreme urgency.

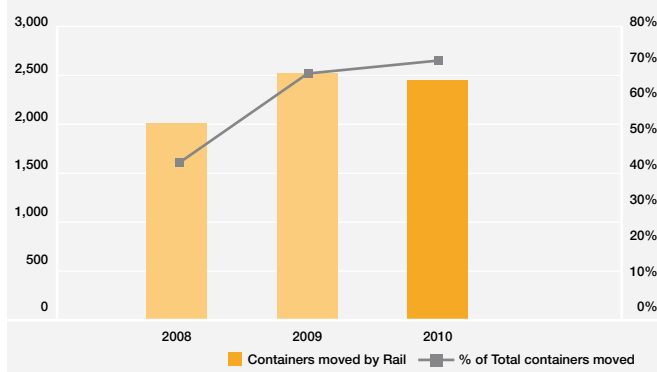
**Product Airfreighted (tonnes)**



Since 2007 we have significantly reduced the weight of products shipped in this way, although there are occasions that necessitate the use of airfreight as an efficient and fast means of delivery to ensure products are always available to our customers. In 2009/10 we airfreighted more high value, core products as consumer demand out-performed against our forecasts.

Generally, we concentrate on ensuring that containers that are delivered into our distribution centres (“DCs”) are done so via sea deliveries for onward transportation via road or rail. We work hard each year to reduce our reliance on road transportation and, in 2009/10, 69% of all containers delivered were moved by rail to a hub in the Midlands for onward transportation to our DCs

**Number of Containers moved by Rail**



**HUMAN RESOURCES**

**Employer of choice**

Our growth in stores and turnover would not have been possible without the unfailing support and commitment of our colleagues employed across stores, distribution centres, and our head office operations. Thus, we recognise that our colleagues are our single most valuable asset and we are committed to a fair but robust approach to equal opportunities in all areas of our business, with people gaining promotion on merit. We have high expectations of all colleagues and everyone is required to perform and deliver value. This creates an environment that is challenging and rewarding, enabling colleagues to develop quickly and pursue new opportunities. Our staff turnover rates have fallen by 21% in the last four years.

We are committed to being seen as an employer of choice within the communities in which we operate. We seek to employ people, who are passionate about customers, love coming to work, strive to achieve their best and enjoy dealing with customers. By ensuring colleagues have interesting jobs, with real accountability, Halfords can provide the opportunity to develop careers. We recognise and reward high performance, with six different bonus schemes spread across the business, and a range of competitive benefits and incentive schemes. Our colleagues are people who consistently look for opportunities to deliver a first-class service, going the extra mile for our customers. Some 4,000 of our staff hold accredited fitting qualifications,

**HEALTH AND SAFETY**

**Safety management**

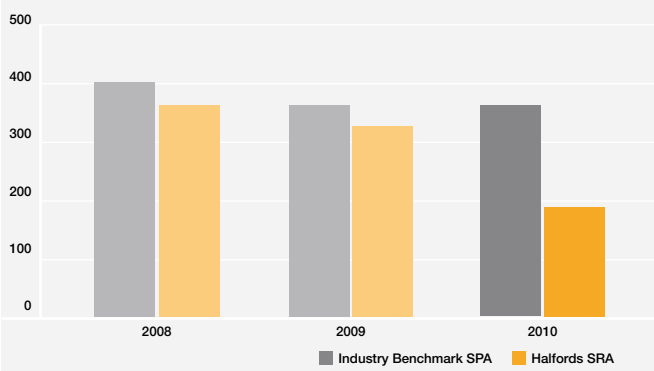
Halfords is committed to high standards of occupational health and safety to minimise the risk of injuries and ill health to employees, contractors, visitors and others who come into contact with the business. The Group believes that effective occupational health and

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safety management is fundamental to a successful business and we constantly review our procedures and risk management standards to identify opportunities for further improvement.

We monitor our safety performance on a range of indicators including our reportable accident statistics and accident rates arising from our "focus hazards". Our overall annual injury incident rate remains below the industry benchmark at 190 per 100,000 employees (2009: 340). This represents an improvement of 44% in 2010 and continues a downtrend of the last few years.

Colleague major accidents per 100,000 colleagues



### ENVIRONMENT

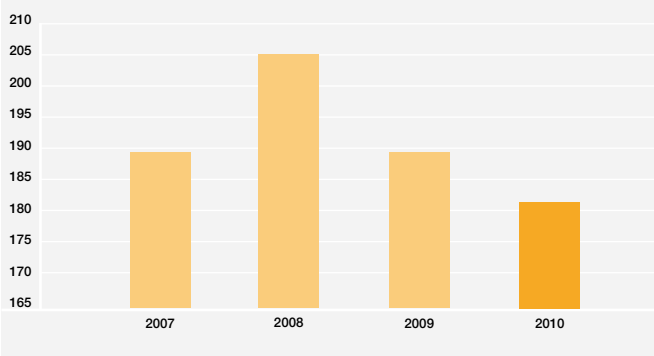
Our stores, offices, and fleet of delivery vehicles have direct impacts on the environment. We also understand that there are indirect impacts caused by the production and use of our products. Our commitment is to understand and to continually improve the performance and management of our environmental impact throughout the Halfords supply chain.

In managing our environmental responsibilities, our overall objectives relate to the following key areas:

#### (a) Minimising our use of natural resources – water

We place emphasis on resource use, in order to understand and improve the efficiency of our use of raw materials, energy and water throughout Halfords' operations. Our goal is to minimise our potential for causing pollution to air, water and land.

Water consumption per store (cubic metres)

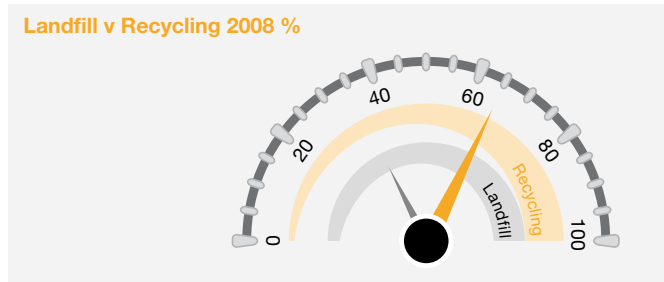


#### (b) Minimising our use of natural resources – waste

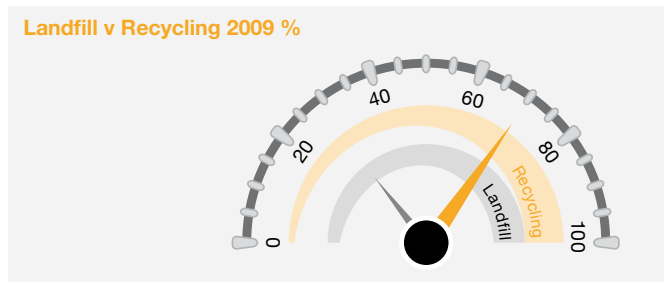
We aim to prevent waste generation in our activities, including product and packaging design, warehousing, distribution and sale and reuse of materials, and to maximise recovery and recycling of waste prior to disposal. We achieve this by increasing the quantity of cardboard, paper and plastic waste we recycle in the business and reducing our use of landfill sites.

As a result, the volumes of waste material recycled versus that sent to landfill increased from 56.4% in 2007 to 74.5% in 2010.

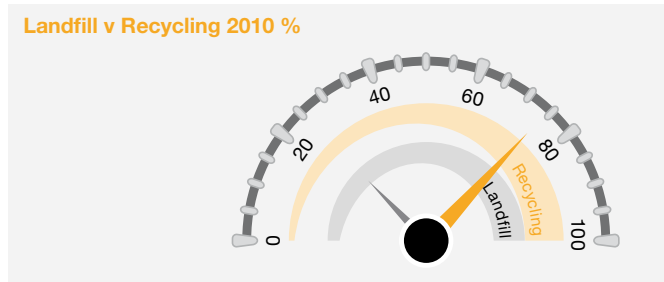
Landfill v Recycling 2008 %



Landfill v Recycling 2009 %



Landfill v Recycling 2010 %

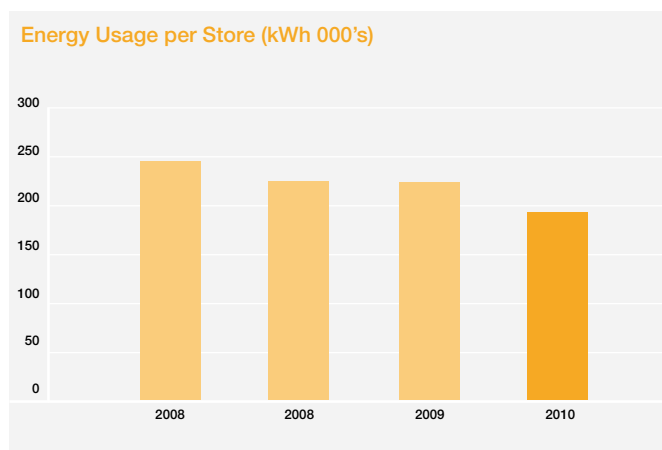
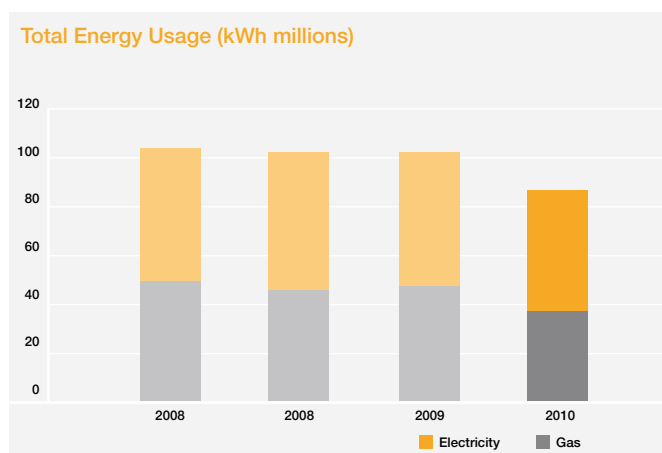


**(c) Minimising our use of natural resources – Energy & reducing CO<sub>2</sub> emissions**

For our stores, we are setting a challenging reduction target of reducing our CO<sub>2</sub> emissions by 15% to 20% over three years against the baseline year of 2007. Individual store targets will be set once the scope for savings has been identified and an action plan and a method of monitoring performance agreed store by store. This target represents a potential 7,000 tonnes of CO<sub>2</sub> savings.

This year our total energy consumption has decreased by 13.9% as the action plans and performance monitoring by store begin to take affect.

The following graph represents the energy used by our stores and our head office and distribution centre.



**(d) Fuel and transport fleet efficiency & reducing carbon emissions**

In line with European Emissions Directives, Euro 4 emission standards for commercial vehicles were introduced in October 2006. This aims to improve the levels of Carbon Monoxide, Hydrocarbon, Nitrogen Oxide and particulate emissions that cause harm to the environment. Working with DHL, our carrier, we ensure that all of the Halfords fleet complies with Euro 3 emissions standard (introduced in October 2003), and new vehicles delivered from September 2006 conform to the new Euro 4 standards.

To more fully understand our impact on Greenhouse Gas (“GHG”) emissions, we have converted the transport fleet fuel usage to total CO<sub>2</sub> emissions. In 2009/10, DHL drove, on our behalf, 9,393,452 kilometres, a reduction of 2% on last year and we used 49,724 less litres of diesel. The CO<sub>2</sub> equivalent usage, calculated based on DEFRA’s 2009 Freight Transport conversion factor, shows a 1.6% improvement year on year. The transfer to our new DC in Coventry provides us with further opportunity to cut CO<sub>2</sub> emissions.

	2007	2008	2009	2010
Kilometres driven	9,491,422	9,786,649	9,571,380	9,393,452
CO <sub>2</sub> equivalent (kg)	7,932,414	8,311,283	7,711,390	7,585,301
CO <sub>2</sub> kg/revenue (£m)	10,662	10,423	9,526	9,272

**IN THE COMMUNITY**

**Overview**

Our policy on charitable giving is to concentrate on supporting one main charity and, in the year to 2 April 2010, we have worked with Macmillan Cancer Support. We have supported a number of their initiatives including the Macmillan Coffee Morning and the Macmillan Big Picnic, as well as creating our own fund-raising activities. The biggest event was a Halfords/Macmillan Cycle challenge, which saw c.400 colleagues take part in a Cycle Relay linking our store in Elgin with our store in Penzance via 50 of our stores. We are also committed to supporting the communities we serve and individual stores also support local initiatives. We will continue to support Macmillan Cancer Support for the next financial year.

**Industry forums**

Halfords values opportunities to work closely with trade associations, research institutes, standards authorities, universities and government organisations to improve performance standards and safety. Representatives from the Halfords Quality department are members of British and International standards technical committees associated with automotive accessories and cycles.

**In the future**

Halfords will continue to work towards improving its management of the social, environmental and economic issues that are within its control and will continue to work with BITC to ensure that we focus on the core areas of Corporate Responsibility whilst at the same time being proud custodians of the Halfords brand and its impact on its stakeholders. It makes good business sense that we ensure the right and proper interaction between our Company, our stores and our products, and our customers, their communities and their environment.