

Corporate Social Responsibility Committee Report



Helping to keep families safe on their journeys and **encouraging** an active lifestyle.”

Read more online at www.halfordscompany.com/investors/governance/our-committees

An audit of our CSR activities revealed that although there is a huge amount taking place across the business it is sometimes isolated and fragmented. I was therefore delighted to be asked to Chair a new Board Committee: to bring all this activity together, to define our CSR strategy, to agree priorities; to set our objectives and agree our measurements of success. Our strategy now centres on the following four areas:

- Finding, supporting and developing great people throughout their Halfords journey;
- Helping to keep families safe on their journeys and encouraging an active lifestyle;
- Managing our impact on the environment in a responsible and ethical manner; and
- Maintaining the highest standards amongst our suppliers.

Our new CSR Committee has adopted Terms of Reference and approved a CSR Policy. These are available at <http://www.halfordscompany.com/investors/governance/our-committees/csr-committee>. We will meet at least three times a year and review the progress we are making in these four key areas.

Helen Jones
 CSR Committee Chairman
 1 June 2016

Awards



For the third year running Halfords featured in the Sunday Times Top 25 best Companies to work for, staying at 18th place for the second year in a row.



Halfords was named a Top 100 Apprenticeship provider by the Skills Funding Agency.



Halfords was a finalist for Retail Week's CSR Initiative of the Year.



Halfords and Re~Cycle won Third Sector Business Charity's Partnership award and a National CSR Community Partnership Award for their collaboration.

Finding, supporting and developing great people throughout their Halfords journey

We continue to aim to be an employer of choice, where colleagues enjoy equal opportunities to help customers and to prosper within a rewarding and inspiring team. We strive to ensure all colleagues enjoy their work and have opportunities to consistently amaze customers through their friendly expertise. As such, we continue to invest in our 3-Gears, apprenticeship and leadership development programmes and actively look for ways in which we can promote and increase the diversity of our workforce.

3-Gears programme

Our ability to offer great service is one of our key differentiators and a central part of our strategy, under the 'Service in our DNA' pillar. 3-Gears, a qualification programme that trains and rewards retail colleagues as they progress through the gears and gain expertise, has a fundamental role to play in helping us progress.

- Gear 1 applies to all colleagues and is completed over their first three-month period with Halfords.
- Gear 2 involves a nine-month training programme which leads to an expert level of product knowledge, with a specialism in either Auto & Leisure or Cycling.
- Gear 3 colleagues are our Gurus. They are product experts who are qualified to train others. In FY16 we introduced a new motoring Gear 3 colleagues in every car parts fitting store, alongside our existing Gear 3 colleagues in cycling.

By the end of FY16 72% of our eligible colleagues had qualified for Gear 2 and we had over 600 Gear 3 level colleagues.

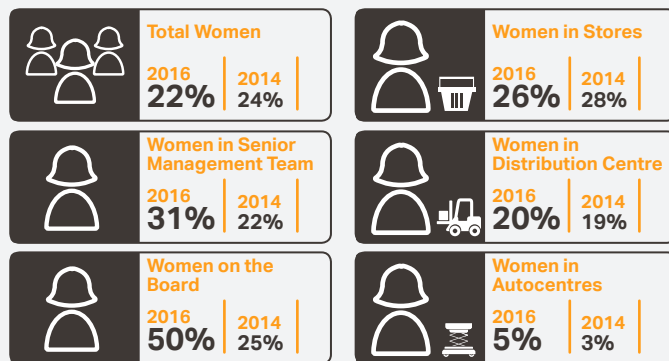
Apprenticeships and Traineeships

Helping to get young people onto the career ladder is nothing new for our Halfords Autocentre business, which has now been operating its apprenticeship scheme for over 21 years, comprising of a three-year fully funded technician programme leading to the Institute of Motor Industry NVQ 3 and Diploma. There are currently 208 apprentices in the business with a further 187 planned for the year ahead.

Building on Autocentres' success, in FY16 Halfords Retail placed 1152 apprenticeships in its first 12 months, going over and above the standard model by offering a pre-apprenticeship traineeship programme. Open to people who are unemployed, long-term unemployed and NEETS (not in education, employment or training), 600 traineeships have been placed, with 178 candidates going on to full apprenticeships.

Diversity

We recognise the value that diversity brings, but also that we're on a journey to redress the balance in some inherently male dominated areas and that this will take time.



Getting a foot on the ladder

"At a time when we have record employment in the UK, traineeships not only provide life changing opportunities for young people, but they also deliver brilliant results for business.

"This is why it is great to see a major retailer like Halfords make a real commitment to traineeships by not only running the programme, but increasing the number of places it has offered year on year. Initiatives like this will play a significant role in helping to reach the Government's target to create three million apprenticeships by 2020."

Employment Minister, Priti Patel



Corporate Social Responsibility Committee Report continued

Helping to keep families safe on their journeys and encouraging an active lifestyle

There's no doubt that the digital age has huge advantages, providing an opportunity to stay in touch with friends and family around the world, at the touch of a button. However statistics from UK Active, Cycling England, provide a shocking knock-on effect:

- Kids today are the least active in history
- Children in the UK spend an average of 6 hours per day in front of screens
- In England 71% of 12-year old boys and 81% of 12-year old girls do not meet minimum physical activity guidelines of 60 minutes per day
- Physical inactivity costs the UK £20bn per year *

* Statistics drawn from - https://parliamentarycommissiononphysicalactivity.files.wordpress.com/2014/04/move1_ig_long1.pdf

Just one hour of activity every day could make the difference of a lifetime. Getting out and about on a bike is a perfect opportunity to do just that, giving families the opportunity share valuable time together. From speaking with our customers, a major concern is safety and the confidence to fix things, as and when problems occur.

Against that background, Halfords decided to share colleagues' knowledge and expertise, giving customers the confidence to get out on their bikes more. This is done through workshops the majority of which focus on primary school children, an age when they are often

starting to cycle without adults and are also doing Bikeability. Last year the workshops were extended to women, in association with British Cycling's Breeze network; the company also trialled motor workshops, sharing basic car maintenance skills.

Last year 39,000 people benefited from our free maintenance workshops which helped them to cycle and drive more safely. Since their launch, these workshops have so far benefitted 104,000 people.

Managing our impact on the environment in a responsible and ethical manner

In 2013 Halfords established a long-term partnership with Re~Cycle, a UK based charity that transforms lives through bicycle re-use. Providing a sustainable end-of-life solution, Re~Cycle diverts unwanted bikes from landfill/disuse and transforms the lives of people and communities both here in the UK and in Africa.

The partnership provides opportunities for customers to donate unwanted bikes via national trade-in events and also at over 75 stores on an on-going basis. Over 20,000 bikes have been donated so far, resulting in 300 tonnes of bikes being diverted from landfill / disuse and benefitting an estimated 120,000 beneficiaries in Africa (household research in Ghana shows that each bike is used by an average of six people). Enthused Halfords' colleagues have also raised over £295,000 to help support the charity's costs.

Some of the children's bikes go to a cycle workshop we have set up at Onley prison (further details are found on page 12). Those bikes are re-conditioned and, along with new helmets, are donated to primary schools in disadvantaged areas, with over 330 donated so far.



Energy Usage

During the year, we also complied with our obligations under the new Energy Savings Opportunity Scheme ("ESOS"). The energy audits required by large enterprises under this EU legislation, were completed in both the UK and the Republic of Ireland.

Sustainability

Set out below are the metrics that we have reported in previous years. With the formation of the new CSR Committee these metrics will be reviewed and improvement targets will be established for each one.

Distribution Centre Transport	2015	2016
Kilometres Driven Total ¹	9.5m	10.5m
Litres Fuel	2.6m	3.1m
Number of Retail Deliveries	90.5k	89.6k
Volume Delivered	830.8k BFE ²	755 BFE ²
Efficiency: BFE ² per Load	46.5 BFE ²	42.2 BFE ²
Distribution Centre Operations	2015	2016
Units Despatched	71.0m	74.0m
Units Received	69.0m	76.9m
Bikes Despatched	1.3m	1.3m
Bikes Received	1.3m	1.38m
E-Fulfilment Orders	724k	750k
E-Fulfilment Units Despatched	884k	756k
Warehouse Pallet Moves	336.7k	596.8k
Distance Travelled Internal MHE ³ to Distribution Centres	600k miles	Not available
Recycling	2015	2016
Distribution Centre Driven Recycling Revenues (cardboard, plastic)	c £300k	£282k
Tonnes of Car Batteries Recycled by Retail	2,825 (equivalent to 183,000 batteries)	200,000 units
Car Batteries Recycled by Autocentres	9,306	10,041
Tyres Recycled by Autocentres	450,413	473,435
Oil Recycled by Autocentres	1,066,600 litres	1,163,449 litres
% of Autocentres Waste Recycled	87	90
Water Consumption	2015	2016
Retail Water Consumption	70,414m ³	52,742 m ³
Autocentres Water Consumption	46,795 m ³	44,782 m ³
Global Greenhouse Gas Emissions ⁴	2015 tCO ₂ E	2016 tCO ₂ E
Retail Combustion of Gas	6,636.51	6,488.28
Autocentres Combustion of Gas	2,219.90	3,329.25
Cars on Company Business ⁵	871.78	889.22
Retail Directly Purchased Electricity	28,630.46	28,507.45
Autocentres Directly Purchased Electricity	4,197.51	4,648.26
TOTAL	42,556.16	43,862.46
Company's Chosen Intensity Measurement: tCO ₂ E per £1m Group Revenue	41.50 ⁶	42.90

- This represents the kilometres driven by transport under our direct control and does not include kilometres driven by third party courier firms. During the year we commenced more frequent deliveries to our Retail stores. This increases the kilometres driven by our own delivery fleet but reduces the number of courier deliveries.
- Bulk Flow (picking cage) Equivalent
- Mechanical Handling Equivalent
- Carbon Trust Conversion Factors Energy and Carbon Conversions 2013 update
- An estimate based on previous usage, taking as a basis the Average Petrol Car and Diesel Car Carbon Trust Conversion Factors Energy and Carbon Conversions 2013 update
- Based on a 53 week period

Maintaining the highest standards amongst our suppliers

We are strongly opposed to the exploitation of workers and we will not tolerate forced labour, or labour which involves physical, verbal or psychological harassment, or intimidation of any kind. We will not accept human trafficking or the exploitation of children and young people in our business and undertake all possible steps to ensure that these high standards are maintained. In compliance with the Modern Slavery Act 2015, which came into force in October 2015 we have published an anti-slavery and human trafficking statement and will continue to monitor our obligations in this regard.



Read more online at www.halfordscompany.com/investors/governance/the-halfords-anti-slavery-and-human-trafficking-statement

We have a Code of Conduct on Ethical Trading which is also published on our website. We are committed to reviewing our policies each year to ensure they remain up to date and fit for purpose. In order to manage effectively the risks across our supply chain we have created a tiered system of adherence which recognises that products sourced from different locations carry different risks and therefore need managing in different ways.