



## SUPPLY CHAIN

### Overview

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.

### Suppliers

Halfords Asia has a Sourcing Code of Conduct ("the Code"), which can be viewed on the Company's website ([halfordscompany.com](http://halfordscompany.com)). This is sent to potential new suppliers within the Far East, 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 at the supplier's expense.

We recognise that this Code must be developed to reflect practical experience and changing circumstances. We will continue to develop and share best practice with our suppliers, other retailers, non-government organisations and Government.

Halfords will only trade with those companies who fully comply with our policy or those taking verifiable steps towards complying with the policy. In the event of any failure to comply, we reserve the right to end the business relationship and cancel outstanding orders. We do, however, recognise that withdrawal of our business in the event of non-compliance may cause severe hardship to those employed. We aim, therefore, to work with our suppliers, to achieve compliance and carefully review progress made before considering severing the relationship.

Following the independent audit of the Code any supplier that receives a score of D or lower is required to issue a corrective action plan. The corrective action plan is reviewed by Halfords Asia Quality Department, and if approved, a date is set for follow-up with the supplier. Depending on the type of non-compliance this follow-up may include a specific factory visit, or be included at the next planned visit. The timescales will, again, depend on the nature of the non-compliance.

In 2007, audits were performed on suppliers providing 77% of our Far East purchases. Of these audits, three required corrective action plans to be formulated due to minor shortcomings in one of health and safety or employment conditions. During 2007, the Group set up a further 45 new suppliers which, in line with our Code of Conduct, will be fully audited a maximum of six months after set-up, with the intention of auditing prior to supply.

The Code of Conduct assessment results and progress on any corrective action plans are issued in a monthly report and reviewed between Halfords Asia and UK Head Office senior management.

### Ethical trading

The Code states our policy on legislation, child labour, conditions of employment, wages and benefits, health and safety and environmental policy.

We undertake all reasonable and practical steps, including factory, warehouse and tied accommodation inspections and audits, to ensure that our standards are being implemented throughout the businesses of our suppliers and that local legislation and regulations are complied with. We will assess any instances of non-compliance on a case-by-case basis and will then tailor remedial action appropriately. We will only trade with those who fully comply with this policy or those who are taking verifiable steps towards compliance.

We oppose the exploitation of children and young people and, in addition to national employment laws, we require of our suppliers that children under the age of 14 years, or those below the age for completion of compulsory schooling, must not be employed full-time.

We oppose 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 permit the exploitation of, or discrimination against, any vulnerable group. Workers must have the right to form and join organisations to facilitate freedom of association and collective bargaining and all workers must have written employment details, which must pay due regard to the welfare of individuals. We support fair and reasonable rewards for workers. Wages should reflect local norms and should meet or exceed any legal minimum wage levels. Wages must be paid in cash, or by cheque or bank transfers. Workers must receive full written details of their pay. While local and cultural differences will be observed, workers must not be expected to work in excess of 60 hours per week on a regular basis, including overtime. Any overtime must be voluntary. Workers will be entitled to at least one day off in seven. Individual workers have the right to choose not to take their days off should they so wish.

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We require that appropriate health and safety training, including training in fire safety, be provided for all people in all working areas. All activities must be carried out under conditions that have proper and adequate regard for the health and safety of those involved. Management arrangements must be in place to detect, avoid and respond to potential threats to health and safety.

We promote our own business objectives with those in our supply chain to minimise the environmental impact of our operations and also encourage the consideration of social issues in business.

#### **Supply chain transportation**

Many of the products delivered into our national distribution centres ("NDCs") are imported in containers via sea deliveries for onward road transportation, although some are delivered via air freight. We have worked hard during the year to reduce the number of containers transferred from ports via road and in 2007/08 40.7% of all containers delivered were moved by rail to a hub in the Midlands.

The air freighting of products from suppliers is only used in cases of extreme urgency, and in 2008, through improved supply planning and forecasting, volumes shipped in this way reduced from 187,043 kg in 2007 to 67,641 kg in 2008, a reduction of 64%.

#### **EMPLOYEE WELFARE**

##### **Overview**

Our growth in stores and turnover would not have been possible without the unfailing support and commitment of our 10,500 colleagues employed across stores, distribution centres and Redditch head office. 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 both challenging and rewarding, thus enabling colleagues to develop quickly and pursue new opportunities.

We are committed to being seen as an employer of choice within the communities in which we operate, and as well as providing training and development to colleagues, in 2007/08 we were finalists in the National Council for Work Experience Awards for Best Work Experience Provider; Over 250 Employees — long-term placements. We also offer a range of benefits and incentive schemes.

##### **Opportunity and diversity**

We recruit, train, promote and retain skilled and motivated people irrespective of sex, age, marital status, disability, sexual orientation, race, religion, ethnicity or nationality. In line with this commitment we also promote a culture of openness and responsibility within our business. The Group has in place specific disciplinary and grievance procedures, and welcomes the reporting of genuine and serious grievances or alleged breaches of policy. No colleague will suffer as a consequence of notifying such alleged breaches in accordance with the Fraud and Whistle-blowing Policy.

In accordance with our core values, we believe that every colleague should be treated with the same respect and dignity and we are committed to providing a working environment that is free from bullying and harassment. We will not tolerate bullying or harassment in the workplace either as a management style or between work colleagues, and will take disciplinary action against any colleague who is proven to have bullied or harassed others.

##### **Development**

In order to promote career development, the Group provides all colleagues with access to relevant training and development schemes. With a complex product range of over 10,000 items alongside portfolio reformatting, colleague training and development is seen as crucial to the success of our business. Sales advisers at Halfords need expertise in many product fields and be able to meet a wide variety of customers' needs. Specialists need to be able provide their 'specialist' services and also demonstrate an ability to sell other products.

Training is key to encouraging our store teams to embrace new initiatives that are critical in delivering our targets. The Halfords' point of difference is excellent product knowledge, fitting capability and enthusiasm of our teams to serve and assist the customer. Good examples of this are in-house certification for all those who successfully completed the training to fit electronic products for our customers in their cars and in 2008 we introduced Cytech training for all our *Boardman* specialists.