

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.



In addition, a career pathway has been created, with several development programmes to develop our people internally to maximise their opportunities, examples of which are:

- A Deputy Manager Development programme, enabling us to source and develop store-based deputy managers, thus providing opportunity and incentive for our Sales Advisory teams.
- A Store Manager Development programme to create opportunities for deputy managers to further progress their careers.
- In our offices, Management Development programmes provide a balance between pragmatic business skills and core people skills for junior and senior managers.
- Graduate Development Programme. Graduate trainees follow a structured development programme, which gives them:
 - an all-round appreciation of the business, taking in experience in both stores and head office;
 - an in-depth focus in the areas of buying, supply and marketing; and
 - a variety of off-job workshops and seminars.

These programmes are part of Halfords' continued ambition to develop its own senior managers of the future and are supported by active talent and performance management processes.

Through our talent management process, the senior management teams in Head Office have undergone an extensive, objective review of the performance and capability of their teams. This has resulted in some explicit succession planning, an identification of development needs, and will lead to personal development plans in the coming year. This process will feed participants into the Management Development programmes.

There is a performance management process, whereby performance objectives for the year are agreed and reviewed between line manager and colleague. To support this process we run a series of workshops aimed at ensuring that both line managers and colleagues are fully equipped with all of the skills required to make the process effective.

Incentives

Our range of bonus schemes include, within stores, a sales adviser quarterly bonus scheme and store specialist, manager and deputy manager annual bonus schemes. We also operate office and management annual bonus schemes and there is also a bonus scheme in the distribution centre. Bonus payments are dependent on an achievement of a variety of Group, team and individual measures.

All colleagues are eligible to join, after a qualifying employment period, the Group's money purchase pension scheme where contributions are made jointly from both employer and colleague. Currently, the pension scheme has approximately 1,400 members in the UK and Republic of Ireland. As well as providing retirement benefits, the plan provides colleagues with life assurance.

The Group actively encourages its colleagues to own its shares and more closely align an element of employee reward to business value enhancement. The Halfords Sharesave scheme has operated each year since 2004, open to all colleagues with three months service or more. Colleagues were granted a share option and invited to save between £5 and £250 per month for three years. These savings could then be used to purchase shares at a price of up to 20% discount to the market value at the date of the grant.

The 2004 scheme matured in 2007 and over 1,500 colleagues were able to share in Halfords' success. The average colleague had saved £75 per month since 2004. They received an average of £3,950 in 2007, a tax-free gain of £1,250.

In 2007, all colleagues were, again, invited to participate in the Sharesave scheme; 1,058 colleagues in the UK, Republic of Ireland and Hong Kong chose to participate. Over 2,000 Halfords colleagues currently participate in at least one of these annual schemes.

We also operate a Company Share Option Scheme ("CSOS"). This scheme was first launched in 2004 to all colleagues with at least three years' service in recognition of their hard work and dedication leading up to the Company's flotation. These colleagues had the opportunity to exercise their options in June 2007. A typical colleague, with 750 share options made an average tax-free gain of £1,000.

Awards have also been granted in 2005, 2006 and again in 2007 when they were granted to approximately 640 colleagues to the store manager level and managerial grades in the UK Head Office, Republic of Ireland, Hong Kong and Czech Republic.

We also mirror to our own colleagues the Cycle 2 Work scheme that we provide to other employers (see page 29). The scheme offers significant savings, making use of the Government-backed initiative to increase more sustainable means of transport to work. This means that by sacrificing a proportion of their salary our colleagues can save income tax and National Insurance that would otherwise have been payable. Colleagues can also make use of their 15% discount to make it an outstanding scheme. This scheme was first made available in 2004 and has been relaunched annually. Each year we see approximately 300 colleagues acquire bikes through the scheme at overall discounts that can exceed 50%.

Feedback

Every year we run a colleague engagement survey to measure how successful our engagement improvement action plans have been. All responses are analysed and follow-up action will be taken forward, as necessary. In 2007, the overall engagement score was 63%, which compares favourably with the UK benchmark, which is also 63%. Action planning, at Group and local level is implemented, following detailed analysis of these results, to help drive colleague engagement. The 2008 survey will take place in October and November.

HEALTH AND SAFETY

Overview

Halfords is committed to operating high standards of Health and Safety, designed 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 Health and Safety is a fundamental ingredient to a successful business and we constantly review our standards for effectiveness, driving through and embedding a Health and Safety culture throughout the organisation. Regular audits are undertaken as part of the Group's improvement strategy to help benchmark against both legal requirements and the Group's procedures.

Risk reduction

Our philosophy is to enable confident proportionate occupational Health and Safety management and actively pursue targeted risk reduction measures.

We are encouraged by the successes from our risk-focused agenda throughout the year:

- A comprehensive site transport safety strategy has been applied and shared with our main haulage partner, waste collection company, third party carriers and direct delivery suppliers.
- Storage and handling at height has been made safer through supply chain initiatives, clearer storage disciplines, improved means of access and additional handholds on bicycle packaging.
- Fire detection, warning and evacuation measures in our older high street stores have been upgraded.
- Evacuation chairs have been retrofitted into super mezzanine stores to provide an additional means for prompt, safe evacuation of persons with limited mobility from the mezzanine area.
- A programme to upgrade water systems in stores with calorifiers and storage tanks was commenced to remove environments where legionella could proliferate.
- A new **wefit** canopy has been introduced incorporating safe construction and use principles.