

Achievements

Our annual injury incident rate for colleagues remains below the industry benchmark.

We have put great emphasis on producing occupational safety documentation information for distribution and retail operational colleagues that is tailored for them to use effectively. Our first priority is for safety procedures to be suitable for the user rather than compliance with the textbook requirements. Over the past twelve months the following actions have been taken:

- The occupational safety and fire monitoring processes were combined into a “one stop” safety review tool.
- Risk specific training guides were issued for stores e.g. for working safely around large goods vehicles and with roll cages.
- A new induction process and DVD were produced for stores with extensive occupational fire and safety coverage.
- Occupational safety elements were integrated into new guides and DVDs and supplier training for store colleagues for **wefit** activities such as air conditioning checking and recharging, battery and bulb fitting.

Occupational and risk assessment workshops have been held for store and deputy managers, store safety coordinators and DC team leaders. The workshops have all included emphasis on analysis of corporate safety culture and individual safety behaviour to build the confidence to shift behaviour and challenge accepted practices.

We introduced our occupational safety risk management model to our store operational colleagues in the Czech Republic, which their safety consultancy wove into the Czech store safety management procedures.

We have continued to build on our relationships with our lead authority partners. We have liaised closely with our occupational safety lead authority partners at Stoke City Council on our risk reduction strategy. This has assisted us to ensure that our actions and timescales are appropriate. We have a unique tripartite lead authority partnership with Stoke City Council Building Control and North Staffordshire Fire and Rescue Service. This has enabled us to consistently and effectively improve fire safety management.

IN THE ENVIRONMENT

Overview

Our stores, offices, and fleet of delivery vehicles have direct impacts on the environment. We also know 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.

Good environmental performance demonstrates high standards of corporate responsibility and generates cost saving opportunities. We believe that every individual has an important role to perform in ensuring that environmental standards are properly applied. The Group has in place emergency procedures to minimise the environmental impact of potential incidents.

An Environmental Steering Group has been formed, consisting of senior managers from all operational activities of the business. The Group monitors performance in regard to our objectives, targets and indicators and provides advice and guidance ensuring compliance with relevant environmental legislation.

We aim to create a culture of awareness of the cost and impact of environmental issues across the business, including assessing the environmental impact of capital projects. The Group considers the environmental impact of the products that we sell, taking care to minimise the use of materials that deplete our natural resources, and recognises its responsibility with regards to the use of chemicals in our supply chain. We have developed an energy strategy and this involves evaluating alternative energy sources that we consider to be appropriate to our business needs. We operate a utility reduction programme, the results of which are tracked on a Carbon Trust funded database.

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

Natural resources and pollution prevention

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, as well as our products and our packaging. Our goal is to minimise our potential for causing pollution to air, water and land as follows.

Water — To reduce our overall usage of water in the business

Independent assessments of usage have continued to be carried out in our stores, head office and distribution centres. A water specialist is surveying all of our sites to establish if correct charging is taking place, but also to identify leaks and wastage.

A list of sites with no or defective washroom controls has been compiled in 2007, and Aqualogic Hydrocell+ controls have been fitted. This resulted in substantial savings on volumes, totalling 12,000 m³. This site surveying programme continued into 2008 and an additional 1,226 m³ was saved.

The annual billed consumption of water for our stores from 1 April 2007 to 28 March 2008 was 83,397 m³ (2007: 80,451 m³). When aligned with the increase in the number of stores from 426 to 450 this represents a reduction per store of 2% year on year. This excludes stores where water billing is to the landlord direct.

In order to improve water usage with our head office and distribution centres, we have installed an electronic 'smart' water meter to the sites' water infeed pipe. This will allow accurate monitoring of water usage patterns throughout the day and identify water leaks at an early stage.

Waste management

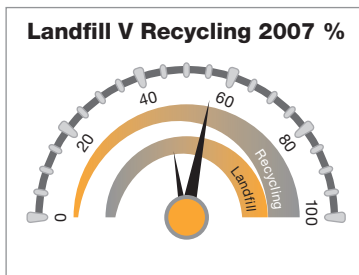
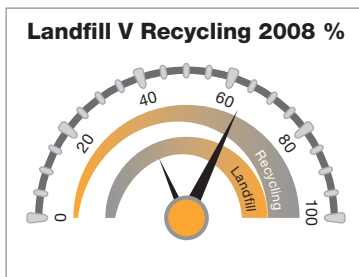
We aim to prevent waste generation in our activities, including product and packaging design, warehousing, distribution and sale and reuse of materials, and to maximise recovery and recycling of wastes prior to disposal through our management of waste recycling and reduction in the amount of packaging we use in our products.

Landfill and recycling — To increase the quantity of cardboard, paper, and plastic waste we recycle in the business and reduce landfill.

Stores and Distribution Centres

In order to prevent inefficient transportation of waste material the majority of recycling activity is through localised collection from individual stores. Where, however, greater levels of recycling can be achieved cardboard and other materials are backhauled for central recycling at our Redditch distribution centre. This is an addition to recycling 100% of the cardboard produced in both our Redditch-based distribution centres.

As a result of this strategy the volumes of waste material recycled versus that sent to landfill increased from 56.5% to 64.1% during the financial period ended 28 March 2008.



Further improvements in this area are anticipated in 2008 from the small number of stores where recycling is significantly below the Group average and through increased product refurbishment which is subsequently sold from the distribution centre.

Offices

The Group continues to use paper recycling and shredding initiatives and in 2008 all desk waste bins were removed and recycling bins were introduced for the segregation of aluminium cans, plastics and general waste. This has increased the amount of waste recycled by *circa* 60%.

During the last 12 months all A4 paper usage has been transferred to recycled paper, including stationery and high production paper. Paper shredded and recycled under our confidential waste scheme saved 135 Trees (independently verified by Shred-it Ltd). The introduction of highly efficient 'airblade' hand dryers has led to the removal of all paper towels and saved 1,200 kg p.a. of landfill.

Product packaging — To achieve an overall reduction in the weight of packaging used year-on-year

We have a proactive Packaging Cost Reduction Project and Halfords complies with the Producer Responsibility Obligations (Packaging Waste) Regulations 1997, which requires UK companies to recover and recycle packaging against specific targets. Halfords meets this obligation through membership of an industry compliance scheme. The Group has been audited by the Environment Agency to ensure full understanding and compliance with the regulations and we passed this audit successfully.



Greenhouse gases and CO₂ emissions

Greenhouse gases (“GHGs”) are so called because they contribute towards the greenhouse effect. There are six main GHGs, mainly emitted by burning fossil fuels. CO₂ accounts for some 80% of UK emissions. The contributing role of man-made GHGs to climate change is accepted by most countries. The most significant contributor to GHG production is the combustion of fossil fuels, and like any business that burns fuel, Halfords in our transport fleet (diesel fuel) and heating (gas) will have direct GHG emissions. Halfords also has indirect GHG emissions incurred in the generation of electricity consumed.

To begin to understand and achieve CO₂ emissions reduction objectives, Halfords has estimated our CO₂ emissions. This is based on DEFRA reporting guidelines for UK business, using conversion factors for energy and fuel usage. For future years the turnover conversion factor will also be used to enable the setting of targets and make year-on-year comparisons.

Fuel and transport fleet efficiency

In line with European Emissions Directives, Euro 4 emission standards for commercial vehicles were introduced in October 2006. This will mean improvements in Carbon Monoxide, Hydrocarbon, Nitrogen Oxide and particulate emissions that cause harm to the environment. All of 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 GHG emissions, we have converted the transport fleet fuel usage to total CO₂ emissions. The CO₂ equivalent usage, calculated based on DEFRA reporting guidelines, shows a five per cent improvement year on year.

	FY 2008	FY 2007	FY 2006
Kilometres driven	9,651,775	9,491,422	8,725,957
CO ₂ equivalent (kgs)	9,201,762	9,048,884	8,319,108
CO ₂ kg/revenue (£m)	11,545	12,162	12,216

This improvement has been achieved from a series of activities across the transport operation and will continue into the forthcoming year. Key initiatives include:

- Continued improvements by operating vehicles with more efficient engines and gearboxes, including leasing of additional tractor units, that have higher fuel efficiency, used for moving trailers at our distribution centres.
- Completing a comprehensive driver training programme carried out with our logistics partner, DHL. This emphasises responsible driving and safe vehicle checking, in addition to fuel efficiency and smooth driving and braking.
- Reductions in the number of empty-running vehicles, by collecting (back-hauling) loads from our suppliers following delivery to our stores. This, clearly, reduces the number of vehicles on the roads, but does not directly contribute to Halfords fuel reduction or CO₂ emissions. We currently have 10 suppliers where we back-haul regularly, returning to one or more of our distribution centres.
- Evaluation of Euro 4 and Euro 5 tractor units and rigid vehicles.
- Evaluation of tyre pressures checks, adjustments and idling time for their impact on fleet fuel economy and efficiency.
- Continual evaluation of our fleet requirements with DHL. This will ensure the optimum design of transport to maximise capacity, improve aerodynamics, and will consider increased double-decker options.

All Company essential user cars must be diesels. Where colleagues can choose a Company car as part of their benefits package, CO₂ emissions for the list of cars they can choose from are published and whether those cars are Euro 4 compliant (greener, more tax efficient). The majority of colleagues who can choose a Company car continue to choose diesel.

The Group currently provides approximately 200 colleagues with either a Company car or car allowance and the average emissions per Company car is 160g/km. We aim to continually reduce this, through a variety of measures, including driver training, enforcing an engine efficiency ceiling on car choice and greater control of mileages driven.

Energy

(a) To reduce energy use

We are moving into the second year of a three-year bespoke action plan with the Carbon Trust for implementing energy saving measures both in the Redditch head office and in stores.



The first year of this three-year programme has focused on

improving measurement of all utilities so that comparisons can be made between stores, thereby leading to understanding of good and bad practice. In order to achieve this we have installed SMART metering into the majority of our stores. This metering allows us to remotely analyse energy used every half hour in every store. The data is loaded into a central database and provided to suppliers as well as feeding a Web-based reporting tool to enable us to monitor and target store energy consumption.

Sub metering has been installed into head office to enable separate monitoring of facilities in the distribution centre and offices. The data from these meters will feed into the online system to provide information that can be used to understand and reduce energy consumption at head office.

We have completely revised the lighting and heating that we install into new stores. Lighting has moved from inefficient Hi bay lighting and halogen spotlights to modern efficient T5 tubes with electronic ballast linked to dimming systems and occupancy sensors. This has been seen on a sample of stores to produce a 15% reduction in energy used per square metre. We are using ECA approved HVAC and Heat Pump systems in order to heat these stores with the highest efficiency.

Actions planned for the remainder of the programme include:

- Benchmark and implement online energy management and a 'Monitor and Target' system.
- Develop and implement energy conscious design guide for store development.
- Engage and empower facilities contractors to participate in the above plan.
- Provide training for store managers.
- Develop and disseminate Energy Use guides for store managers.
- Develop plan to incorporate renewable energy sources in stores.

(b) To reduce CO₂ emissions

For our stores, we are setting a challenging reduction target of 15% to 20% over three years (5% to 7% per year) 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 CO₂ savings.



Working in partnership with ENER-G, actions to deliver this reduction include:

- Developing specific action plans for our 50 highest carbon footprint stores.
- Implementing energy management systems and voltage reduction plans.
- Installing improved photo-cell and tamper proof timers for store signage.

This year we have reduced energy consumption by 3.04% in total, which translates to a decrease of 8.14% per square metre. Carbon equivalent of energy used has reduced by 1.68% in total, or 6.85% per square metre. Individual store targets will be set for 2009 once store colleagues have been trained to monitor their progress.

The following graph represents the energy use by our stores and our Redditch office and distribution centre.

Energy Usage

Millions kWh

