

Halfords is committed to managing its business in a socially responsible manner. Our corporate social responsibility ("CSR") programme is designed to address the important CSR issues that we face, to facilitate appropriate management behaviour and be aligned with the Group's business strategy. Our aim is to continually improve our management of the social, environmental and economic issues within our control or influence throughout the business and our supply network.

We believe the management of CSR is not only the right thing to do, it also makes good business sense, and we see it as a core business consideration as it gives us strategic, commercial and reputational benefits. We aim to achieve standards of responsible care across a number of key areas, including: customers, trading, health and safety, the environment, employee welfare and the community.

Our customers are more likely to enter our stores because they trust our advice and our offer. They are more likely to buy from us because they trust us to provide products of the highest quality that are safe and easy to use and that have been sourced in an ethical manner ensuring that no community associated with such sourcing has been abused or destroyed, and that the effect of our products on the environment has been minimised as far as possible. Prospective and current employees are more likely to join and stay with us if they feel valued, are treated fairly and equally and feel that their contributions are recognised and rewarded and that they are helped to realise their potential.

The Group is currently reviewing its ongoing CSR policy to ensure it meets the changing nature 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 this policy. The policy commitments will be translated into actions using quantifiable objectives and targets. Paul McClenaghan, Director of Trading, takes the lead in ensuring that the policy supports the strategic objectives of the business. The Halfords executive will monitor 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 will review the policy and our performance against that policy annually.

CUSTOMERS

Overview

We market high quality products that 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 over 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.

The quality of our products is fundamental to the continued growth and success of the Halfords brand. Our aim is to ensure that our product offer exceeds customer expectations in terms of safety, performance and value for money. Through fresh insights and innovation driven by our customer focus we also seek to offer customers new products that are stylish, imaginative and which provide effective solutions.

Our products are manufactured to consistently high standards, meeting our own internal standards and complying with local regulatory standards. We also aim to develop a programme to manage materials used in own-brand products, and to influence, where possible, the same for proprietary products. We will identify products containing ingredients which, whilst not illegal, are designated as chemicals of concern by non-governmental organisations and work with suppliers to develop or substitute these with lower risk alternatives.

Halfords strives to achieve rapid introduction of new and improved products by adopting a disciplined and customer focused approach to product development. We recognise the importance of keeping abreast of new concepts and technologies within our chosen product ranges and we are keen to work with suppliers who continually bring forward innovative and exciting new concepts. For example, in April 2008 we launched the first in-dashboard satellite navigation system for under £400.

Service

We are committed to putting our customers first. Our store managers are accountable for delivering consistently high service in our stores, giving our customers complete peace of mind, 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, email, letter or fax. This year we enhanced our support by increasing our availability to seven days a week.



All contacts into our Customer Service team are treated in the order in which they arrive and each customer's query is logged and allocated to an adviser who will personally see the query through to the end. We aim to respond to all queries within seven days unless further investigation is required, with most telephone queries being resolved the same day. We also use collated feedback data to focus our training and development programmes and further improve the service we provide.

Lifestyle

At a time when the issues surrounding health and obesity have become increasingly important, Halfords, as the largest retailer and advertiser of cycling, actively encourages people to participate in this outdoor activity. We currently stock about 160 different bikes, of which more than 60 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 small children as the relative dimensions of the bike are very different from those of an adult.

Through our Business Services department we continue to market "Cycle 2 Work" schemes, arrangements that allow employers to offer to their employees the use of a bike for work. The scheme offers significant savings, making use of the Government-backed initiative to increase more sustainable means of transport to work. We currently manage 869 schemes (2007: 576) on behalf of employers, allowing their employees the opportunity to embrace a keep-fit lifestyle.

In 2005 we introduced our Halfords branded range of camping and outdoor equipment and in 2006 we complemented these, with the launch of the premium brand *URBAN Escape* range. We aim to treble this range through product innovation and development by the end of summer 2008.

Accessibility

Halfords treats its responsibilities under the Disability Discrimination Act very seriously, in respect of both our customers and colleagues. 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. We have 447 stores in the UK and in the Republic of Ireland in three different formats. Of these, 231 have mezzanine floors

and accessibility to these floors is dependent on the age of the stores and whether it has been possible to install lifts. In total, 59% of these stores have lifts, and wherever possible fit-outs will be made in the remaining 41%.

Halfords is a member of the Employers' Forum on Disability, which is a not-for-profit employers' organisation, with over 375 members, who employ approximately 20% of the national workforce. The forum provides self-help, bringing its members together to share best practice on disability. It provides events at both a regional and national level where members meet, share best practice and keep up to date with disability issues. Additionally, members benefit from a dedicated information line to help them understand and manage both the legislation and the best practice approach to disability.

Products and the environment

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

We are in the process of developing a full range of environmental friendly car cleaning products, and in January 2008 launched our *Naturals* range which includes: shampoo, polish, and cleaners for alloy wheels, glass, carpets, cloth and leather upholstery and dashboards, bug and tar remover and trim revitaliser. *Naturals* products are water based and do not contain phosphates, solvents or petroleum distillates and will biodegrade to water, CO₂ and mineral salts. *Naturals* contain coconut, corn, potato and wheat. *Naturals* are not tested on animals and do not contain ingredients with animal origins. They are packaged in bottles manufactured from 30% recycled High Density Polyethylene ("HDPE") and 70% virgin HDPE which may cause the outer bottle to vary slightly in colour, but allows recycling at local recycling banks. The label is also fully recyclable and features the recycling logo.

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Also under the *Naturals* range we have introduced a range of cleaning cloths manufactured from bamboo which is one of the fastest growing plants in the world. It reaches maximum height in around three months making it truly sustainable and reducing the need for pesticides and fertilisers used to grow similar materials. Bamboo is 100% biodegradable, 100% natural, untreated and free from dyes. It is also more absorbent than cotton and can hold up to 10 times its own weight in water. It is naturally antibacterial, antifungal and antistatic, characteristics which are retained in its fabric form. Bamboo fibre is not only extremely strong and durable, it is silky soft and comfortable to use. The bamboo we use is not a source of food for pandas and therefore does not impact on their food supply.

From July 2007 all UK Retailers had obligations under the Waste Electrical and Electronic Equipment ("WEEE") Regulations to provide recycling facilities for their customers free of charge. In April 2007, Halfords joined the UK WEEE Distributor Take-back Scheme ("DTS") because we felt that joining was the most responsible decision for the environment; making it easier for our customers to recycle, aiming to increase the overall amounts of waste electrical items recycled, and ensuring a secure route for re-use of materials. Additionally, customers returning any old car batteries to our stores are now offered a £2 voucher to be spent in the store. This promotes recycling and assures the correct disposal of hazardous waste as well as allowing proper recycling of a battery's component parts. Further customer awareness of this recycling route is planned for next year, in preparation for the Hazardous Waste — Special Waste Regulations that are likely to come into force during 2008.

We also offer customers a £20 money-back replacement service for alternators and starter-motors. These are then returned to our distribution centre for refurbishment.

Our stores in Ireland have also implemented the WEEE Regulations, which became law in 2007. This assures in-store like-for-like take back of products, and contributions to the Producer Recycling Fund, to ensure responsible recycling of this electrical waste.

Product quality and safety

We have always treated safety and quality as absolute priorities in the products we sell.

Halfords operates a rigorous product introduction procedure to ensure that all products are safe, legal, fit for purpose and meet the requirements of our exacting technical specifications. We take into account all appropriate British, European and International standards and ensure compliance with all relevant legislation and codes of practice. Our product testing methodologies vary by product type and are primarily driven by the requirement to ensure safety. For example, our roof bars and cycle carriers are subjected to rigorous testing on automotive test tracks, cycle clothing is assessed to ensure that materials give the desired performance (colour fastness, breathability, waterproofness, etc.) and hand tools are analysed to verify materials are sufficiently robust.

Our *Apollo* children's bikes are designed to the new European Standard for bikes (Comité Européen de Normalisation, "CEN") and are subject to very rigorous fatigue testing, particularly the frame, cranks, and pedals. These tests aim to replicate the use that a customer puts a cycle through.

A key element of the new standards is safety, and all bikes are designed or sourced with this in mind. To ensure safe use we demand a minimum content requirement for the owners' manual, which ensures that it is as comprehensive a document for the customer as possible.

Most of our products are subjected to user trials in real life situations, so that we can verify that instructions are correct and easy to understand and, most importantly, that the products actually work.

Halfords is committed to not only supplying safe products, but also to ensuring that they are used safely. As one of the UK's leading retailers of child seats, we have invested in the training of more than 2,000 store colleagues in the demonstration and free fitting of child seats and have recently received accreditation from RoSPA for our in-house training programme. We also run roadshows at Halfords stores across the UK, working with road safety officers to give free advice and fitting services to parents and guardians, and we also promote our own national child seat safety week at all superstores to raise awareness of the issue.

We continuously review concerns reported by our customers and where improvements are identified, we endeavour to instigate speedy product enhancements.