

CORPORATE SOCIAL RESPONSIBILITY

Halfords' corporate social responsibility programme is designed to align the Group's operations with the important corporate social responsibility issues for our business and to facilitate appropriate management approaches.

Our aim is to continually improve our management of those social, environmental and economic issues within our control or influence throughout the business and our supply network.

A summary of our policies and developments in these areas over the past year is given below. Our full Corporate Social Responsibility Report 2007 can be found on the Company's corporate website, www.halfordscompany.com.

We group our areas of engagement into four broad categories: how we source our products and market them, how we deal with our colleagues, how we affect the environment and how we interact with the communities in which we operate. Our principles within these areas are given below.

In selling our products and services we aim to meet or exceed the requirements of legislation, regulation, industry standards, international conventions and codes of practice. We oppose the exploitation of children and young people, and the exploitation of workers generally, and we support fair and reasonable rewards and conditions for workers. To this end, we conduct factory, warehouse and tied accommodation inspections and audits to ensure that our standards are being implemented. Further, the health and safety of workers employed in our supply chain is a key concern for us. We require all activities to be carried out under conditions that have proper and adequate regard for the health and safety of those involved.

In the workplace, engaging with our colleagues is a key objective for Halfords. One of our greatest achievements regarding this engagement was our ability to reward our people following the flotation of the Company in 2004 and let them share in our future success as a listed company. To do this we successfully launched a company share option scheme that invited employees to accept a grant of options. The most innovative aspect of this scheme was the decision to include all of our people, subject to a service requirement, irrespective of their position within the business. We are particularly proud of this achievement, as similar schemes are usually designed for the executive or senior management population. This grant of options becomes eligible for exercise in June 2007. We also encourage wider share ownership within the business through a sharesave scheme, which is available to colleagues, subject to eligibility criteria.

Colleague engagement and support are vitally important to the Group and several initiatives are in place to achieve this, e.g. an intranet site has been set up enable colleagues to post comments on any business matter and a Group-wide colleague engagement survey was launched towards the end of the year. Specific support sessions have been created for major business changes, such as the introduction of new systems. In addition, training and development programmes are in place throughout the business to maximise people's skills and advancement.

With environmental issues our commitment is to understand and improve the performance and management of our environmental impact throughout the Halfords supply chain. We aim to achieve a high standard of responsible care for people and the environment, whilst maximising business efficiency and growth.

As a part of our community engagement the Group has chosen The Meningitis Trust as our Charity of the Year. This involves all of our employees in the UK and the Republic of Ireland in fund-raising initiatives to support the Trust. On average, one person in the UK dies every day from meningitis and it kills more children under five than any other infectious disease. The Halfords partnership will focus on raising awareness amongst our staff and customers and raising money to support the charity's many campaigns.