

Directors' Remuneration Report

Structure and Content of the Remuneration Report

This Remuneration Report has been prepared in accordance with the provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Group (Accounts and Reports) (Amendment) Regulations 2013 (the "Regulations"). This Report meets the requirements of the UK Listing Rules and the Disclosure Guidance and Transparency Rules.

The information set out below represents auditable disclosures referred to in the Independent Auditor's Report on pages 144 to 149, as specified by the UK Listing Authority and the Regulations.

Committee Composition

During the year the Committee consisted of:

Jill Caseberry (Chair)

Keith Williams

David Adams

Helen Jones

Six scheduled Committee meetings were held during the year, and were attended by all relevant members at the time of the meeting. In addition, a meeting was held primarily to discuss the remuneration relating to a member of the senior management team. After each Committee meeting the Remuneration Committee Chair reported to the Board on the key issues that had been discussed. A number of informal discussions were also held with the Committee members throughout the year when the need arose.

Activities during the Year

During the year, the Committee has:

- reviewed and approved the Directors' Remuneration Report in the FY19 Annual Report and Accounts;
- discussed and approved incentive outcomes for FY19;
- approved FY20 grants under the PSP, the Restricted Management Share Plan ("MSP") (to senior managers below the Board) and the Sharesave Scheme;
- prepared a revised Directors' Remuneration Policy to be submitted to shareholder approval, including changes to remuneration arrangements to reflect the 2018 UK Corporate Governance Code;
- considered the approach to implementing remuneration policy for FY21, including setting Executive Director salaries from 1 October 2019 and reviewing performance measures and considering the approach to

performance measures and target setting targets for FY21 annual bonus and performance share plans;

- reviewed the mechanics and assets of the Employee Benefit Trust and hedging arrangements;
- discussed and approved remuneration arrangements for the executive management team below the Board;
- reviewed the Committee's Terms of Reference;
- reviewed remuneration arrangements for the wider workforce and took these into account when considering executive pay;
- reviewed developments in shareholder guidance; and
- reviewed and approved the appointment of remuneration advisors.

Advisors and Other Attendees

During the year, the Committee has been supported by Clare Moore, Group People Director (to July 2019) and Michelle Burton, Group People Director (from July 2019), together with Tim O'Gorman, Company Secretary (who acts as secretary to the Committee). The Chief Executive Officer and Chief Financial Officer also attend Committee meetings on occasion, at the request of the Committee; they are never present when their own remuneration is discussed. In carrying out its responsibilities, the Committee is authorised to obtain the advice of external independent remuneration consultants and is solely responsible for their appointment, retention and termination. During the year, the Committee has taken advice from Deloitte LLP ("Deloitte"), which advised on the Directors' Remuneration Policy review and its implementation, remuneration reporting, share option evaluations and other remuneration matters. Deloitte also provided unrelated advice on tax, accounting standards and internal reorganisation during the year. Total fees paid to Deloitte in respect of remuneration advice were £37,850 charged on a time and materials basis.

Deloitte is a founding member of the Remuneration Consultants Group and adheres to the Remuneration Consultants Group Code of Conduct when providing services. The Committee considers Deloitte's advice independent and impartial, and is also satisfied that the Deloitte engagement team does not have connections with the Company or its Directors that might impair their independence. The Committee considered the potential for conflicts of interest and judged that there were appropriate safeguards against such conflicts.

Willis Towers Watson also provided the Committee with executive salary market data. Willis Towers Watson is also a signatory of the Remuneration Consultants Group Code of Conduct. Fees paid to Willis Towers Watson for this advice were £3,900 charged on a time and materials basis. Willis Towers Watson also provide insurance broking services and employee benefits services to the Group.

Shareholder Dialogue

We are pleased with the strong level of shareholder support received for our FY19 Directors' Remuneration Report which 99.38% of shareholders voted in support of at the 2019 AGM. We continue to be mindful of the views of our shareholders and other stakeholders and encourage discussion with shareholders on any issue related to executive remuneration. During 2019/20 the Committee undertook a review of our Directors' Remuneration Policy in advance of submitting a revised Policy to shareholders for approval at the 2020 AGM. The Committee has undertaken a detailed consultation with shareholders regarding the proposed changes to the Policy to align with best practice, as well as proposed changes to performance measures for PSP awards to better support the execution of our Strategy. The Committee was pleased with the level of support received for the changes and we thank our shareholders for engaging with us at this time.

In the event of a substantial vote against a resolution in relation to Directors' remuneration, we would seek to understand the reasons for any such vote to determine appropriate actions and detail any such actions in response to it in the Directors' Remuneration Report.

The following table sets out the votes cast at the 2017 AGM in respect of the Directors' Remuneration Policy, and the votes cast at the 2019 AGM in respect of the previous year's Directors' Remuneration Report.

	% of votes For	% of votes Against
FY19 Directors' Remuneration Report (2019 AGM)*	99.38%	0.62%
FY17 Directors' Remuneration Policy (2017 AGM)†	99.04%	0.96%

* 1.107m votes (0.67% of votes) were withheld in relation to this resolution.

† 457,000 votes (0.27% of votes) were withheld in relation to this resolution.

How the Remuneration Policy was Implemented in FY20 – Executive Directors

Single remuneration figure (audited)

	Base Salary (£)	Bonus (£)	Benefits (£)	Pension (£)	PSP ¹ (£)	Other (£)	Total "Single Figure" (£)
2019/20							
Graham Stapleton	550,611	–	44,862	82,592	–	–	678,065
Loraine Woodhouse	353,150	–	12,479	52,973	–	–	418,602
2018/19							
Graham Stapleton	540,329	–	48,832 ³	80,919	–	–	670,080
Loraine Woodhouse	145,833	–	4,667	21,875	–	7,909 ²	180,284

- Graham Stapleton was granted a PSP award upon joining, this did not vest as the performance conditions were not met. Loraine Woodhouse did not hold a PSP award which vested in the year. The table below shows the history of PSP award vesting over the last five years.
- A payment of £7,909 was made to Loraine in April 2019 to replace her pro-rated bonus from her previous employer, Waitrose, equivalent to the amount she would have received based on performance.
- An incorrect figure of £20,869 was reported for FY19 in error, which has been corrected.

	FY16	FY17	FY18	FY19	FY20
PSP vestings (% of maximum)	102.5% ¹	0%	0%	0%	0%

- Previously, up to 150% of the award could vest under the PSP for maximum performance.

FY20 Annual Bonus

The annual bonuses for FY20 for the Executive Directors were based as follows:

Chief Executive Officer	Graham Stapleton	80% PBT and 20% delivery of key strategic initiatives
Chief Financial Officer	Loraine Woodhouse	

The PBT targets and performance against these is set out below:

	Threshold (15% payable)	Target (50% payable)	Maximum (100% payable)	PBT performance for FY20	% of maximum bonus achieved
PBT performance	£57m	£60m	£66m	£57.1m ¹	0%

- This outturn does not include an accrual for Executive bonus payments and therefore the threshold has not been met. The acquisitions of Tyres on the Drive and McConechy's have been excluded from the FY20 Group PBT outturn.

The tables below set out the key strategic initiatives which made up the remainder of the annual bonuses for the Chief Executive Officer and the Chief Financial Officer, along with performance and resulting outturn against each measure.

KPI	Definition	FY20 outturn	Threshold	Maximum	% achieved (out of 5%)
NPS	Retail and Autocentres NPS *Both Retail and Autocentres threshold must be met	Retail 62.4% Autocentres 69%	Retail 62.9% Autocentres 66.5%	Retail 63.2% Autocentres 68%	0%
Employee Engagement	Index achieved for Group in April 2020	Note ¹	79%	81%	Note ¹
Group Services-related retail	Growth in total service-related sales, including product (Retail)	£299.5m	£293m	£301.8m	3.7%
Operating Cash Flow	Group Underlying EBITDA adjusted for the movement in average working capital year on year	£106.8m ²	£101.25m	£107.7m	4.3%

- The Engagement Survey has been delayed due to COVID-19 and therefore no score is available.
- The acquisitions of Tyres on the Drive and McConechy's have been excluded from the FY20 Operating Cash Flow outturn.

Directors' Remuneration Report

Group PBT targets were not met. Any payment under the strategic element of the bonus is subject to the threshold PBT target being met. Given that threshold PBT target was not met Executive Directors will not receive a bonus in respect of FY20. In determining performance outcomes the Committee considered the underlying financial performance of the Group during the performance period, taking into account performance against key financial indicators as well as broader performance and the experience of stakeholders. Whilst the Committee concluded that the threshold would have been achieved and payments triggered, had the business not experienced the impact of widespread store closures in the final week of the financial year, arising from the COVID-19 pandemic, the Committee concluded the proposed incentive outcomes are appropriate in the context of the shareholder experience.

Benefits

Benefits include payments made in relation to a car plus fuel or a cash allowance, private health insurance, life assurance and a driver.

Pension

Pension payments represent contributions made either to defined contribution pension schemes or as a cash allowance. The CEO and CFO both received a contribution of 15% of base salary.

Share Awards Granted During the Year (Audited)

Performance Share Plan

During the period, the following awards were granted to the Executive Directors under the Performance Share Plan ("PSP") as follows:

	Date of award	Type of award	Number of shares ¹	Maximum face value of award ²	Threshold vesting (% of award)	Performance period
Graham Stapleton	20 September 2019	Nil cost option (0p exercise price)	563,074	£954,974	25%	30 March 2019 to 1 April 2022
Lorraine Woodhouse	20 September 2019	Nil cost option (0p exercise price)	361,143	£612,499	25%	30 March 2019 to 1 April 2022

1. These awards were based on 175% of salary.

2. Based on the average mid-market price on three preceding days of the awards of £1.696 on 20 September 2019.

In last years' Directors' Remuneration Report we indicated our intention to grant PSP awards of 200% of base salary to Executive Directors. The Committee continued to monitor the Company's share price performance prior to the grant of awards in September 2019. The Committee determined that, taking into account the Company's share price at that time, compared to the share price used to determine the 2018 PSP award, it was appropriate to reduce the PSP awards granted to 175% of salary.

Performance Conditions

The performance conditions and targets for PSP awards granted during FY20 are as follows:

	Group Revenue Growth – CAGR (25% of the award)	Underlying EPS Growth – CAGR (50% of the award)	Free Cash Flow (aggregate FY20 to FY22) (25% of the award)	
Award (200% of salary)	100% vesting	6.0%	10%	£165m
	Straight-line vesting	Between 3.5% and 6.0%	Between 5% and 10%	Between £125m and £165m
	25% vesting	3.5%	5%	£125m
	0% vesting	Below 3.5%	Below 5%	Below £125m

In addition to achieving these targets, the vesting of awards will be subject to meeting an underpin of net debt to EBITDA ratio no greater than 1.5X throughout the three-year performance period. The award shares that vest will become exercisable in August 2022. The shares that vest will be subject to a two-year holding period.

Deferred Bonus Plan

No awards granted during the year.

Outstanding Share Awards (Audited) Performance Share Plan ("PSP")

The following summarises outstanding awards under the PSP:

	Award date	Grant Price ⁴ (£)	Awards held 30 March 2019	Awards awarded during the period	Dividend reinvestment ⁵	Forfeited during the period	Lapsed during the period	Exercised during the period	Awards held 3 April 2020	Performance period years to	Holding period to
Graham Stapleton	24 Jan 2018 ¹	3.5173	323,615	–	35,600	–	–	–	359,215	3 Apr 2020	50% to 3 Apr 2021, 50% to 3 Apr 2022
	5 Oct 2018 ²	3.1970	343,277	–	37,763	–	–	–	381,040	2 Apr 2021	2 Apr 2023
	20 Sept 2019 ³	1.696	–	563,074	22,537	–	–	–	585,611	1 Apr 2022	1 Apr 2024
Loraine Woodhouse	9 Nov 2018 ²	3.079	233,180	–	25,652	–	–	–	258,832	2 Apr 2021	2 Apr 2023
	20 Sept 2019 ³	1.696	–	361,143	14,455	–	–	–	375,598	1 Apr 2022	1 Apr 2024

- FY18 awards are subject 25% to Group Revenue Growth targets (25% vesting for 3.5% p.a. growth, 100% vesting for 7% p.a. growth), 75% subject to underlying EPS growth (25% vesting for 1.5% p.a. growth, 100% vesting for 6% p.a. growth). In addition, any vesting of the PSP is subject to an underpin whereby the net debt to EBITDA ratio remains below 1.5 times on average for the three years of the plan. The performance targets for this award were not met based on performance for FY20 and therefore this award will lapse.
- FY19 awards are subject 50% to underlying EPS growth (25% vesting for 1.5% p.a. growth, 100% vesting for 6.0% p.a. growth), 25% to Group Revenue Growth targets (25% vesting for 3.5% p.a. growth, 100% vesting for 8% p.a. growth), and 25% subject to Free Cash Flow (25% vesting for £125m, 100% vesting for £165m). In addition, any vesting of the PSP will be subject to an underpin whereby the net debt to EBITDA ratio remains below 1.5 times on average for the three years of the plan.
- FY20 awards are subject 50% to underlying EPS growth (25% vesting for 5% p.a. growth, 100% vesting for 10.0% p.a. growth), 25% to Group Revenue Growth targets (25% vesting for 3.5% p.a. growth, 100% vesting for 6% p.a. growth), and 25% subject to Free Cash Flow (25% vesting for £125m, 100% vesting for £165m). In addition, any vesting of the PSP will be subject to an underpin whereby the net debt to EBITDA ratio remains below 1.5 times on average for the three years of the plan.
- The grant price is calculated by taking the mid-market average across the three preceding days prior to the grant date.
- Interim and final dividends have been reinvested in shares at prices between £1.544 and £1.841.

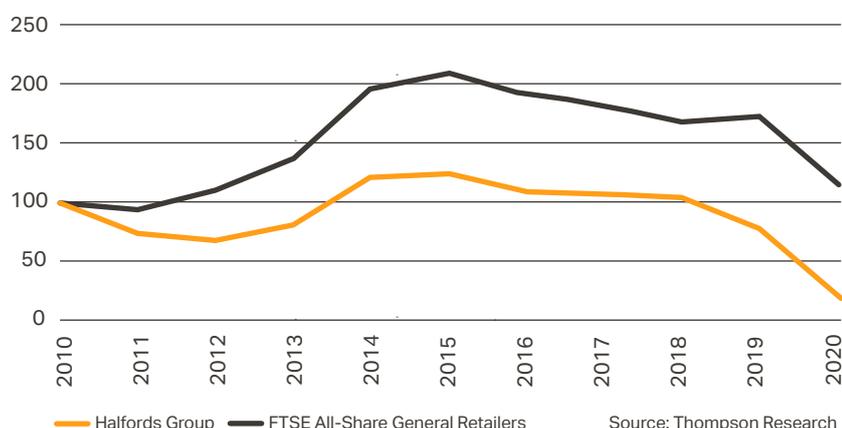
Deferred Bonus Plan ("DPB")

	Award date	Grant price ¹ (£)	Awards held 30 March 2019	Awards awarded during the period	Dividend reinvestment ²	Forfeited during the period	Lapsed during the period	Exercised during the period	Awards held 3 April 2020	Vesting
Graham Stapleton	31 May 2018	3.3760	12,162	–	1,337	–	–	–	13,499	31 May 2021–31 May 2022

- The grant price is calculated by using the mid-market quotation on the date of grant.
- Interim and final dividends have been reinvested in shares at prices between £1.544 and £1.841.

CEO Pay Compared to Performance

The following graph shows the TSR performance of the Company since April 2010, against the FTSE All-Share General Retailers Index (which was chosen because it represents a broad equity market index of which the Company is a constituent).



Directors' Remuneration Report

The following table summarises the CEO single figure for the past ten years and outlines the proportion of annual bonus paid as a percentage of the maximum opportunity and the proportion of PSP awards vesting as a percentage of the maximum opportunity. The annual bonus is shown based on the year to which performance related and the PSP is shown for the last year of the performance period.

		FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
CEO Single Figure (£000)	Graham Stapleton ¹	-	-	-	-	-	-	-	1,818	670	678
	Jonny Mason ²	-	-	-	-	-	-	-	236	-	-
	Jill McDonald ³	-	-	-	-	-	851	741	295	-	-
	Matt Davies ⁴	-	-	499	1,372	645	54	-	-	-	-
	David Wild ⁵	531	617	198	-	-	-	-	-	-	-
Annual Bonus (% of maximum)	Graham Stapleton ¹	-	-	-	-	-	-	-	70%	-	-
	Jonny Mason ²	-	-	-	-	-	-	-	42.3%	-	-
	Jill McDonald ³	-	-	-	-	-	23.5%	-	-	-	-
	Matt Davies ⁴	-	-	50%	97.5%	-	-	-	-	-	-
	David Wild ⁵	-	0%	-	-	-	-	-	-	-	-
PSP Vesting (% of maximum)	Graham Stapleton ¹	-	-	-	-	-	-	-	-	-	-
	Jonny Mason ²	-	-	-	-	-	-	-	-	-	-
	Jill McDonald ³	-	-	-	-	-	-	-	-	-	-
	Matt Davies ⁴	-	-	-	-	-	-	-	-	-	-
	David Wild ⁵	-	99%	-	-	-	-	-	-	-	-

1. Graham Stapleton was appointed in January 2018. An incorrect benefits figure was reported for FY19 in error, this has been corrected and reflected in the total for FY19.
2. Jonny Mason was appointed as interim Chief Executive Officer for the period from September 2017 to the date of Graham Stapleton joining in January 2018, and the figures represent prorated amounts of his bonus and overall remuneration for FY18.
3. Jill McDonald was appointed in May 2015 and resigned as CEO in September 2017.
4. Matt Davies was appointed in October 2012 and resigned as CEO in April 2015.
5. David Wild resigned as CEO in July 2012.

Shareholding Guidelines

The Committee believes that it is important that Executive Directors' interests are aligned with those of the shareholders. Executive Directors are encouraged to acquire and retain shares with a value equal to 200% of their annual base salary. Executive Directors are expected to retain 75% of any post-tax shares that vest under any share incentive plans until this shareholding guideline is met.

	Graham Stapleton	Loraine Woodhouse
Shareholding guideline	200%	200%
Shareholding as at 3 April 2020	28,748	22,395
Current value (based on share price on 3 April 2020)	£18,657	£14,534
Current % of salary	3.42%	4.15%

These figures include those of their spouse or civil partner and infant children, or stepchildren, as required by Section 822 of the Companies Act 2006. There was no change in these beneficial interests between 3 April 2020 and 6 July 2020.

In light of the Code and evolving market practice, the Committee has introduced a post-employment shareholding guideline to support the alignment of interests between Executive Directors and shareholders following an executive's departure from the Board. Under this guideline, Executive Directors will be expected to retain their shareholding guideline (200% of salary) for a period of two-years post stepping down as an Executive Director. This post-employment shareholding guideline will apply to any performance incentive shares that vest from 1 April 2020.

Outside Appointments

Halfords recognises that its Executive Directors may be invited to become Non-Executive Directors of other companies. Such Non-Executive duties can broaden experience and knowledge which can benefit Halfords. Subject to approval by the Board, Executive Directors are allowed to accept Non-Executive appointments and retain the fees received, provided that these appointments are not likely to lead to conflicts of interest. During the year, none of the Halfords' Executive Directors held any Non-Executive roles.

Loss of Office Payments (Audited)

No loss of office payment was made to a Director during the year.

Payments to Former Directors (Audited)

No payments were made to former Directors during the year.

How the Remuneration Policy was Implemented in FY20 – Non-Executive Directors

Non-Executive Director single figure comparison (audited)

Director	Role	Board fees (£)	Senior Independent Director fee (£)	Committee Chair / Employee representative Director fees (£)	Taxable Benefits ¹ (£)	Total "Single Figure" 2020 (£)	Total "Single Figure" 2019 (£)
Keith Williams ²	Chairman	192,400	–	–	–	192,400	132,404
David Adams	Senior Independent Director and Audit Committee Chair	52,000	10,000	10,000	2,224	74,224	72,000 ³
Jill Caseberry ⁴	Remuneration Committee Chair	52,000	–	10,000	715	62,715	5,086 ³
Helen Jones ⁵	CSR Committee Chair	52,000	–	9,583	1,597	63,180	57,000 ³
Dennis Millard ⁶	Chairman	192,400	–	–	–	–	64,758 ³
Claudia Arney ⁷	Remuneration Committee Chair	52,000	–	10,000	–	–	56,914 ³

- Includes hotel and travel costs incurred when attending Halfords' meetings and Board visits.
- Keith Williams was appointed on 24 July 2018. His fee for the role of Chairman is £192,400. Keith did not claim any taxable benefits during the year.
- Due to a payroll error, a portion of fees which related to FY19 were actually paid in FY20. This amount was: £2,000 for David Adams; £164 for Jill Caseberry; £2,000 for Helen Jones; £2,427 for Dennis Millard and £1,836 for Claudia Arney.
- Jill Caseberry was appointed on 1 March 2019.
- To ensure compliance with the 2018 Corporate Governance Code, in March 2019 the Company appointed Helen Jones as the Workplace Voice Representative which commenced on 1 May 2019. The fee for this additional role was set at £5,000 and has been pro-rated accordingly.
- Dennis Millard stepped down as Chairman on 24 July 2018.
- Claudia Arney stepped down as a Non-Executive Director on 1 March 2019.

Non-Executive Director Shareholding

Director	2020	2019
Keith Williams	130,000	80,000
David Adams	9,041	8,157
Jill Caseberry	–	–
Helen Jones	3,000	3,000

These figures include those of their spouses, civil partners and infant children, or stepchildren, as required by Section 822 of the Companies Act 2006. There was no change in these beneficial interests between 3 April 2020 and 6 July 2020.

Non-Executive Directors do not have a shareholding guideline but they are encouraged to buy shares in the Company.

How the Remuneration Policy will be Implemented for FY21 – Executive Directors

Salary

Salaries for Executive Directors were increased by 1.8% with effect from 1 October 2019 in line with the increase received across the wider workforce. Current salaries for the Executive Directors are as follows:

Chief Executive Officer	£555,523
Chief Financial Officer	£356,300

Salaries will next be reviewed with effect from 1 October 2020.

Pension

Executive Directors will continue to receive a pension allowance of 15% of base salary. The Committee carefully considered the level of pension allowance for Executive Directors and no changes have been made to this allowance for 2020/21. While the Committee acknowledges that this level of pension is above the rate that is available to the wider workforce in the UK, the Committee did not consider that it was appropriate to lower the pension allowance for Executive Directors at this stage, given their existing contractual entitlements and limited tenure in role. However, mindful of shareholder guidance that pensions for executives should be aligned with the pension provision available for the wider workforce, the Executive Directors have, however, agreed to reduce their pension to be in line with the rate available for the wider workforce from 1 April 2023.

For any new Executive Director appointed to the Board, the pension opportunity will be in line with the policy for the majority of the workforce.

Directors' Remuneration Report

Annual Bonus

The normal maximum annual bonus for the CEO and CFO is 150% of base salary with 2/3 paid in cash and 1/3 paid in Halfords shares deferred for three years.

Performance measures for FY21 annual bonus

Financial Measures	77.5%
<ul style="list-style-type: none">• Net debt (30%)• Cost reduction (25%)• Underlying PBT, post exceptions (15%)• Operating cash flow (7.5%)	
Strategic Measures	22.5%
<ul style="list-style-type: none">• NPS (7.5%)• Employee engagement (7.5%)• Digital sales (7.5%)	

The strategic measures for FY21 are NPS, employee engagement and digital sales to incentivise management to drive sales in key strategic segments whilst improving the colleague and customer experience.

Targets have not been disclosed at the current time as they are considered to be commercially sensitive. The Committee intends to disclose targets in next year's Directors' Remuneration Report.

Performance Share Plan ("PSP")

The normal PSP award for Executive Directors is 200% of base salary. The Committee is mindful of shareholder guidance that award levels should be adjusted where the share price has fallen significantly compared to prior years. The Committee will take this into account when determining award levels in September.

FY21 PSP awards will be based on the following performance measures:

- 20% based on EPS growth
- 10% based on Group services-related revenue
- 30% based on free cash flow
- 40% based on relative total shareholder return vs. the constituents of the FTSE All-Share General Retailers Index at the share of the performance period.

Given our strategic focus on increasing services related revenue the Committee considered that it was appropriate to replace Group revenue with a more focused services related revenue metric to incentivise and reward management for delivering against the Strategy. Vesting in respect of this portion will also be subject to the Company maintaining an appropriate margin on services revenue.

Group revenue will not be included as a performance measure for 2020. While, growing Group revenue continues to remain an important strategic objective for the Company, the Committee wanted to incentivise a clear focus on growth in Group Services-Related Revenue over the next three years given the criticality of this to future shareholder value creation. Relative Total Shareholder Return has also been introduced as a performance measure to ensure that PSP outcomes are aligned with the value we have returned to our shareholders relative to our key retail peers. Free Cash Flow continues to be included as performance measures for the PSP reflecting our ongoing focus on earnings growth and our objective to increase free cash flow outlined at the capital markets day in September 2018 to strengthen the business over the longer term, as does EPS growth which the Committee considers incentivises management to both grow revenue and manage cost in a balanced way.

Our normal practice is to grant awards in September. In light of this and the continuing economic and business uncertainty facing the Company the Committee has not set financial targets for the 2020 PSP at this time. The Committee intends to set targets in advance of award and targets will be disclosed as part of the RNS at the time of award. In line with prior years the Committee will set targets which are considered to be appropriately stretching in the context of the business' evolving Strategy and business circumstances.

In determining whether any annual bonuses are payable or performance share plan awards vest, the Committee retains the discretionary authority to adjust incentive pay-outs (both upwards and downwards) if the original outcome is not considered to reflect the underlying performance of the Company or the participant over the period, the outcome is not considered appropriate in the context of circumstances that were unexpected or unforeseen at the time the targets were set, or where the outcome is not considered appropriate in the context of the experience of shareholders or other stakeholders over the performance period.

How the Remuneration Policy will be Implemented for FY21 – Non-Executive Directors

Fees

The fees of Non-Executive Directors are normally reviewed every two years. Any changes to these fees will be approved by the Board as a whole following a recommendation from the Chief Executive Officer.

To ensure compliance with the 2018 Corporate Governance Code, in March 2019 the Company appointed Helen Jones as the Workplace Voice Representative and the fee for this additional role was set at £5,000.

The fees of the Non-Executive Directors were reviewed in March 2020 and it was agreed that in the current market a fee increase would not be appropriate. The next fee review is due in March 2021.

Current fees for Non-Executive Directors are as follows:

	FY21	FY20
Chairman	£192,400	£192,400
Base fee	£52,000	£52,000
Additional fees		
Senior Independent Director	£10,000	£10,000
Committee Chair (Audit and Remuneration)	£10,000	£10,000
Employee Voice Representative	£5,000	£5,000
Committee Chair (ESG)	£5,000	£5,000

Change in Remuneration of Chief Executive Officer Compared to Group Employees

The table below sets out the increase in total remuneration of the Chief Executive Officer and that of all colleagues.

	% change in base salary FY19 to FY20	% change in bonus paid FY19 to FY20	% change in benefits FY19 to FY20
Chief Executive Officer	1.8%	0% ¹	No change ³
All colleagues	3.18%	-12.84% ²	No change ³

1. No bonus payable for FY19 or FY20.

2. Based on all colleagues who were paid a bonus during FY19 and FY20.

3. No change to the benefits available for both CEO and colleagues.

CEO pay ratio

Halfords being a UK listed Company with more than 250 employees means that the Company is required to disclose annually the ratio of its CEO's pay to the median, lower quartile and upper quartile pay of their UK employees. Details of this can be found in the table below.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2019/20	Option B	40:1	36:1	28:1

In addition to the ratio of the CEO's pay to the 25th, median and 75th percentile of UK employees, companies are also required to disclose:

- an explanation of the methodology used, including an explanation of the reason where any components of total remuneration have been omitted and a brief explanation of any assumptions used to determine full-time equivalent remuneration;
- the total remuneration and salary value (the £ value) for the 25th, median and 75th percentile employees used in the pay ratio calculation;
- an explanation for changes to the ratio year on year (not applicable for first year disclosures); and
- whether the Company considers the median pay ratio consistent with the company's wider policies on employee pay, reward and progression.

Of the three options set out in the new legislation for calculating the CEO pay ratio, we have used Option B using Gender Pay Gap data. This option was chosen as it represents the most efficient method to determine the respective pay ratios. The colleagues at the three quartiles were identified and their respective single figure values calculated. To ensure the identified colleagues were representative, the total remuneration for a group of individuals above and below the identified colleague at each quartile were also reviewed.

In order to determine the full-time equivalent salary component for the representative colleagues, the hourly rate was multiplied by full-time hours to calculate the full-time equivalent salary. No component of total remuneration was omitted. The base salary and total remuneration for each representative colleague are outlined below.

Component	P25	P50	P75
Base Salary	£16,946.15	£18,719.35	£23,739.06
Total Remuneration	£16,981.65	£18,721.85	£24,454.26

Gender Pay Gap Report

Details of the Group's Gender Pay Gap Report for 5 April 2019 are available at www.halfordscompany.com/corporate-responsibility/colleagues/gender-pay-gap/.

Directors' Remuneration Report

Relative Importance of Pay

The Committee is also aware of shareholders' views on remuneration and its relationship to other cash disbursements. The following table shows the relationship between the Company's financial performance, payments made to shareholders, payments made to tax authorities and expenditure on payroll.

	2020 ¹	2019
EBITDA (underlying)	£185.9m	£98.2m
PBT (underlying)	£53.6m	£58.8m
Payments to employees:		
Wages and salaries	£232.7m	£217.8m
Executive Directors ²	£1.1m	£1.0m
Dividend paid to shareholders and share buybacks	£36.6m	£35.9m

1. The FY20 figures reflect the impact on adopting IFRS 16 and the 53-week period to 3 April 2020, and are therefore, not comparable to the prior period.
2. Based on the single figure calculation, not all of which is included within wages and salary costs.