

# ESG INTRODUCTION

I am particularly excited to introduce our Environmental, Social, and Governance ("ESG") report this year, as it marks the launch of our more expansive and ambitious ESG strategy. With a broader focus and deeper integration across our operations, this strategy is a crucial step in advancing our mission to inspire and support a lifetime of motoring and cycling.



Our ESG strategy encompasses a series of goals and strategic objectives designed to drive meaningful progress across our business. We want to minimise adverse environmental and social impacts throughout our value chain, extend our offering of products and services that support the low carbon economy and build a more inclusive and diverse culture that welcomes all customers and where our colleagues thrive.

We are committed to embedding ESG into the delivery of our corporate strategy through investing in our colleague capability, leading and differentiating in our markets and embedding operational efficiency to enable investment.

As we embark on this journey, I am enthusiastic about overseeing the progress we make that will drive our company forward but also contribute positively to our communities and environment.

## **TANVI GOKHALE**

Chair of the ESG Committee

### Our ESG goals

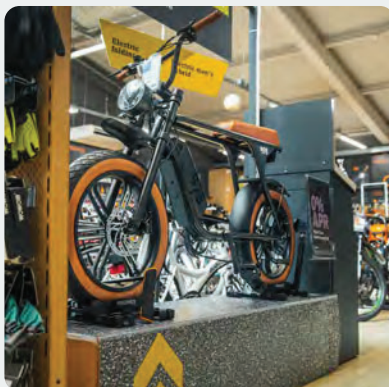
#### Planet



Achieve net zero greenhouse gas emissions, build our resilience to climate change and minimise environmental impacts across our value chain.

[Read more on pages 42 to 45](#)

#### Proposition



Provide products and services that support our customers' transition to more sustainable motoring and cycling.

[Read more on pages 46 and 47](#)

#### People



Build a more inclusive and diverse culture that welcomes all customers and where colleagues thrive. Support charitable organisations and local communities to make motoring more sustainable and get more people cycling.

[Read more on pages 48 to 50](#)

## Our approach to ESG

As we developed our new ESG strategy, we undertook workshops with representatives from all our relevant business functions to determine the ESG factors most important to our business. This exercise was supported by external sustainability experts, with the impacts on business performance, resilience and reputation considered as well as our impact on the environment and stakeholders throughout our value chain.

Using this approach, we have built our ESG strategy to cover the following areas:

### Planet

- Net zero emissions
- Climate resilience
- Packaging
- Responsible sourcing

### Proposition

- More sustainable mobility
- Circular solutions

### People

- Inclusive and responsible culture
- Charity and community

## How we report on ESG

To reflect our new approach, we have changed the way we report on ESG matters to align with the framework of our strategy. We outline the strategic objectives we have created to achieve our three ESG goals within their respective sections. Our ESG information is now structured as follows:

- **Planet** – provides details on how we are reducing greenhouse gas emissions, building climate resilience, offering more sustainable packaging and sourcing responsibly. See pages 42 to 45. We report our Climate-related Financial Disclosures on pages 53 to 59.
- **Proposition** – here we expand on our work to deliver more sustainable mobility and grow the circular solutions available to our customers. See pages 46 and 47.
- **People** – provides information on the steps we are taking to build and retain a diverse and inclusive workforce, to support our colleagues' wellbeing and to give back and advocate for our communities. See pages 48 to 50.

This year, we have also begun integrating specific elements of climate risk and other ESG risks into the management of our other relevant principal risks. Read our Risk Management report on pages 60 to 68 to see how these risks are being mitigated and what we are prioritising.

## Our ESG governance structure



# Planet

**Our planet goal**

Achieve net zero greenhouse gas emissions, build our resilience to climate change and minimise environmental impacts across our value chain.

Our strategic objectives are:

**Net zero**

- Reduce absolute Scope 1 and Scope 2 greenhouse gas emissions ("GHG") 42% by FY30 from a FY20 base year.
- Reduce absolute Scope 3 GHG emissions 25% by FY30 from a FY20 base year.
- Achieve Net Zero GHG emissions across our value chain by FY50.

**Climate resilience**

- Consider climate-related physical risks in strategic business decisions.

**Packaging**

- Set own-brand packaging requirements to minimise environmental impact and increase recyclability labelling.

**Responsible sourcing**

- Reduce potential risks from purchased goods and services across Halfords' global supply chain.

**Reducing emissions to achieve net zero**

Reducing our greenhouse gas emissions continues to be an essential part of our ESG strategy. As an industry leader in motoring and cycling, we have a significant role in delivering emission reductions in these sectors.

This year, our Scope 1 and 2 emissions are 32% lower than our FY20 baseline year but have increased compared to FY24, where they were 46% lower. This increase has been predominately driven by changes we have made to our decarbonisation approach through our new ESG strategy. To see our Scope 1 and 2 emission reduction performance in more detail, see page 43.

Our approach to reducing Scope 1 and 2 emissions is to prioritise initiatives that bring absolute reductions to our emissions with attractive paybacks and/or commercial drivers. This is why we have reduced the amount of renewable electricity we have purchased this year to offer more support to our new approach. Our case study covering investment in lithium-powered batteries for our vans on page 43 is a great demonstration of this approach in action.

In the next year, we will be prioritising the creation of our Scope 1 and 2 climate transition plan and continuing to implement our decarbonisation initiatives.

**Scope 3 emissions data**

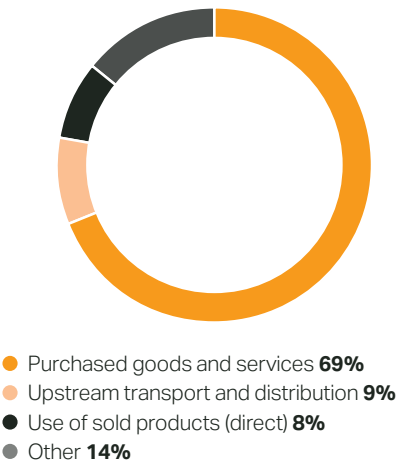
Our Scope 3 emissions represent a significant proportion of our GHG emissions with our latest Scope 3 footprint in FY23 indicating that it could be as high as 96% of our total emission footprint.

This year, we hosted our Asia supplier conference in Shanghai and held sessions covering ESG topics which included the importance of emission reduction in supply chains. Alongside this, we have supported suppliers to undertake emission identification and reporting as crucial first step towards decarbonising their own operations and value chain.

Our FY23 Scope 3 footprint shows that our emissions have decreased by 6% since our baseline year but to meet our targets, we know that more needs to be achieved.

This is why next year, we will also be prioritising the creation of our Scope 3 climate transition plan, beginning our supplier-specific decarbonisation programme and establishing the data processes required to ensure that we can calculate our latest Scope 3 emissions annually.

**FY23 Scope 3 footprint**



## Our statutory emissions and energy data

The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 introduced changes to require quoted companies to report their annual statutory emissions and an intensity ratio in their Directors' report. The 2018 Regulations bring in additional requirements to disclose annual energy use and GHG emissions, and related information.

We calculate our GHG emissions using the GHG Protocol Corporate Accounting and

Reporting Standard (revised edition) and the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. We use the latest Department for Energy Security and Net Zero emission factors to calculate our statutory emissions.

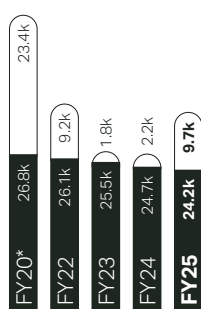
Data for previous years has been restated due to improvements in data capture methodologies, more accurate emission factors and the correction of historical data errors.

It was not practical to calculate the proportion of emissions generated and energy consumed in the UK compared to offshore areas.

Our 'statutory emissions' mean our Scope 1 and 2 emissions, and we use the market-based methodology to account for purchasing renewable electricity. The location-based method is provided for disclosure only.

### Total statutory emissions

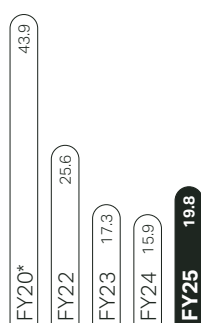
tCO<sub>2</sub>e



- Scope 1
- Scope 2

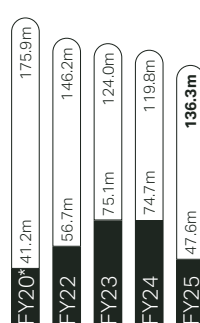
### Statutory GHG emissions

tCO<sub>2</sub>e per £m revenue



### Energy source

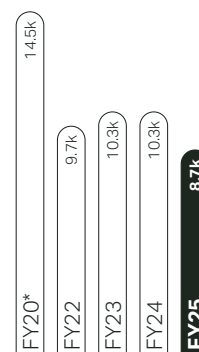
kWh



- Renewable
- Non-renewable

### Total measured Scope 2 GHG emissions

tCO<sub>2</sub>e location-based



\* FY20 (baseline year)

## ELIMINATING ENGINE IDLING FOR OUR MOBILE EXPERTS

We are proud this year to have launched an industry-first lithium powered technology in our Halfords Mobile Expert van fleet.



This cutting-edge technology virtually eliminates engine idling while significantly reducing CO<sub>2</sub> emissions, noxious gases, and fuel consumption compared to conventional systems. This innovative investment in our fleet is the beginning of a phased roll-out and is an important step towards meeting our net zero targets and enhancing our operational sustainability.

**30%**  
average reduction in  
fuel consumption



### Climate resilience throughout our value chain

Building resilience to climate change is a vital aspect of our ESG strategy and to the longevity of our business. Many aspects of our business are intrinsically linked to weather conditions including maintaining our large property portfolio and diverse, global supply chains which are exposed to a variety of climate-related risks.

We created this strategic objective to drive understanding and integration of these risks into our planning so that we will be well placed to mitigate potential impacts ensuring our financial stability and operational continuity. This work will contribute significantly to integrating climate change and wider ESG risk management across the Group over the next year and beyond (see pages 60 to 68 for further details).

### Minimising the impacts of our packaging

As a retailer with an extensive range of own-brand products, we recognise our responsibility to reduce the environmental impact of our packaging. We've made strong progress by increasing the recyclability of materials, moving to responsibly sourced cardboard, and significantly reducing both total plastic use and virgin plastic content. Our strategic objective for packaging builds on this foundation and sets a clear path toward more ambitious results.

We have made significant progress this year by introducing, or actively transitioning to, responsibly sourced card for 60% of our own-brand product sales. Specifically, this means the card contains recycled content or is sourced from FSC or PEFC certified forests. Across our own-brand packaging range, we have also eliminated another 2.8 million individual plastic components and introduced a minimum of 30% post-consumer recycled content in over 2.3 million plastic components. These actions have led to the removal of more than 63 tonnes of virgin plastic from our packaging.

Looking ahead, we are focused on embedding sustainable packaging practices into every stage of product development and onboarding. By the end of FY26, our goal is to reach 90% responsibly sourced card for own-brand packaging and reduce our use of virgin plastic further.



### Buying better through responsible sourcing

This year, almost half of our revenue has come from retail products sourced from 49 different countries, which is why responsible sourcing is such a challenging but important aspect of our business for all our stakeholders. Creating our strategic objective for responsible sourcing supports the continued fostering of long-term relationships with suppliers, the delivery of our ESG strategy and wider business goals, and the maintenance of our competitive edge in the market.

This year, we increased the number of suppliers committed to our Halfords Global Sourcing Code to over 90% of our spend across our garage and retail ranges. This has helped reinforce our commitment to respecting human rights and aligning with international frameworks such as the United Nations Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. The Code sets out the minimum standards we expect from our suppliers and requires them to uphold similar expectations across their own supply chains. Our Global Sourcing Code can be accessed at [www.halfordscompany.com/environment-social-and-governance/supply-chain-ethics/](https://www.halfordscompany.com/environment-social-and-governance/supply-chain-ethics/).

We maintained strong supplier participation in our EcoVadis sustainability ratings programme, with a focus on continuous improvement. We supported our lowest-scoring suppliers with corrective action plans. As a result, 79% of these lowest-scoring suppliers improved, with 36% surpassing the industry benchmark. Overall, 58% of our suppliers increased their score compared to their previous performance. Next year, we will continue to prioritise supplier score improvements and continue to elevate the importance of ESG performance into sourcing decisions. We will also continue to work closely with low-performing suppliers to support measurable progress.

We have strengthened our supply chain risk management by ensuring all factories previously deemed to be in a high-risk region have undergone a risk methodology change. We have utilised a third party risk assessment program to determine frequency of audit. This independent tool enables us to determine audit frequency based on an objective, credible methodology.

In FY26 we will expand our own-brand factory auditing programme beyond our current Asia focus to include all regions. Factories previously considered low-risk based on location are now being assessed through the same external tool, ensuring consistent, risk-based due diligence across our global supply chain. Once this process is fully embedded, we will begin scoping Tier 2 own-brand factories for inclusion in the system, further strengthening supply chain oversight.





# Proposition

## Our proposition goal

Provide products and services that support our customers' transition to more sustainable motoring and cycling.

Our strategic objectives are:

### More sustainable mobility

- Become the industry leader in the electric vehicle aftermarket and e-bike repair and sales.
- Maximise opportunities to improve the vehicle efficiency of the ageing UK car parc.

### Circular solutions as standard

- Leverage circular economy principles as a disruptive selling model, enabling our customers to minimise waste and save money.

## Offering solutions for more sustainable mobility

As a leading provider of motoring and cycling products and services, promoting sustainable mobility is essential for reducing our environmental footprint and supporting our customers to do the same.

Leading our industry through the electrification of transport continues to be an important part of our approach, but refreshing our ESG strategy has helped us identify broader opportunities to lower motoring emissions. We will share further information on these opportunities as we begin to deliver them, but directionally, we aim to inspire and support our customers to make purchases that aid the efficiency and longevity of their vehicles.

We are continuing to enhance our electric vehicle servicing capacity through the expansion of our Fusion garage network and our mobile fleet. These initiatives are helping us meet the increasing demand, particularly from commercial fleets, ensuring we can provide efficient and comprehensive EV servicing solutions.

We also recognise the need to expand and enhance our EV training programs to meet the demands of the electrification transition. This year, we have successfully supported 175 colleagues in achieving their Hybrid Level 3 qualification. Additionally, we have continued our T4 Technician Development Programme which is enabling us to offer more advanced repair, diagnostic and calibration across the latest EVs.

We are also focusing on supporting the growth of the e-bike sector, as this mode of cycling represents 27% of new bikes sold in Europe compared to 9% in the UK. A strong e-bike market can help reduce UK transport emissions and support a more diverse cycling market by encouraging new cyclists who might not have otherwise engaged in this mode of transport.

In FY25, we launched 17 new e-bike products and sponsored E-bike Summit, an industry event that aims to facilitate significant partnerships to drive growth in both e-bike sales and adoption.

## BROADENING OPPORTUNITIES FOR OUR CUSTOMERS TO RECYCLE

Our recycling partnerships have led to a 60% increase in wiper blades collected by Halfords for recycling this year.



The wiper blades will be processed with over 70% recycling rates, and the remaining material captured for incineration with energy recovery. This is an improvement on the previous process where wiper blades were placed in general waste. We will be continuing to expand this programme with a focus on a broader range of high volume motoring products in FY26.

This year, we have also developed our recycling programme to capture inner tubes. We have collected 160,000 inner tubes, and are working with Schwalbe Tyres UK, our manufacturing partner, to put these materials back into the manufacturing process. This creates a circular use of material and is a significant step forward from previous processes where the tubes were placed in general waste.

**500,000**  
wiper blades

**160,000**  
inner tubes

We have supported the Office for Product Safety Standards in their work to combat the safety risks of grey market sellers providing lower quality products and also behavioural challenges if those products allow users to operate the product without pedalling (electric motorbikes).

In FY26, we will continue supporting the e-bike market development by working with the Bicycle Association to further endorse our products as meeting best practice. Additionally, we will carry on working with industry peers via the E-bike Positive campaign to champion quality products and improve consumer awareness. We want to inspire confidence among consumers and organisations in the role that high quality e-bike products can play in society.

### Making circular solutions standard

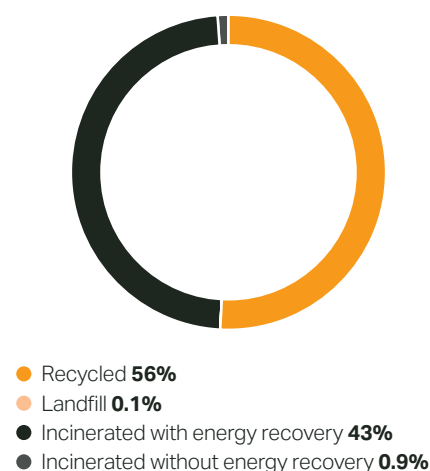
Across our extensive network, we manage millions of repairs each year, significantly contributing to durability and longevity within the motoring and cycling sectors. Our strategic objective for circular solutions aims to leverage our extensive repair activity and expertise and our well established Halfords Motoring Club to introduce more circular economy principles into how we sell our products and services. We are excited to share further information on these opportunities as we begin to deliver them.

What has continued this year, is our commitment to minimising the impact of waste on the environment and implementing more circular waste management. Our case study covering our wiper blade and inner tube recycling partnership on page 46 is a great demonstration of this in action.

Our FY25 waste volumes were relatively flat with a 1% increase to 48,145 tonnes compared to last year. Our recycling rates have increased by 5% compared to FY24 with greater levels of recycling for motor batteries, card and motor oils all contributing to this improvement. We have maintained under 0.1% use of landfill as well as diverting over 200 tonnes of wiper blades and inner tubes from landfill to recycling streams.

Further to our waste management improvements, we also increased our supply chain transparency, with 60 subcontractors removed in favour of direct partnerships. This approach ensures we know where waste is being processed which is especially important for materials that are a cost to dispose of such as tyres, which make up over 50% of our waste by weight.

### Group waste data





# People

Our people goal

Build a more inclusive and diverse culture that welcomes all customers and where colleagues thrive. Support charitable organisations and local communities to make motoring more sustainable and get more people cycling.

Our strategic objectives are:

Inclusive and responsible culture

- Build a more diverse organisation that reflects our customers and communities.
- Embrace a diverse workforce, enhance our understanding of diverse communities, and promote a sense of inclusion and belonging.
- Promote a culture that supports our colleagues to be happy and healthy through a proactive and holistic approach to wellbeing at Halfords.

Charity and community

- Support colleagues to fundraise and volunteer for motoring, cycling, and inclusive charities both locally and nationally.
- Use our influence to advocate for policies that promote active travel and sustainable mobility.



Building a diverse organisation fit for the future

We are a business that is proud to serve our diverse communities. We recognise that by building a diverse organisation, we can meet the varied needs of our customers more effectively, embrace our colleague population, and continue to support inclusion.

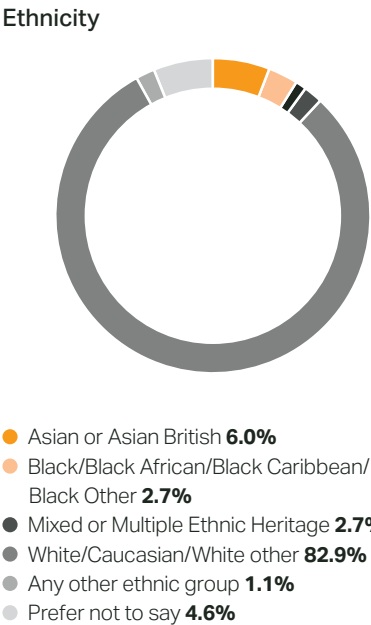
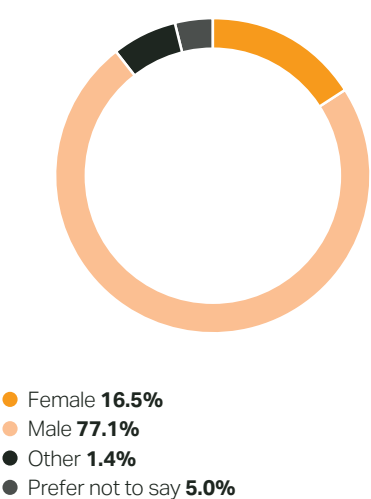
Improving gender balance continues to be an essential part of our ESG strategy. We have committed to achieving a 30% female representation in management positions by 2030 and are aiming for a 30% female representation across our whole business by 2035. Our most recent gender pay gap reporting shows we have reduced our median gender pay gap to 2.6% compared to 6.3% last year. This remains significantly below the national median of approximately 13%. We have achieved this improvement by introducing more female representation in higher paid, more senior roles. We will continue to prioritise gender diversity particularly within our Autocentres business, striving to set industry standards with exceptional diversity and inclusion practices. Our goal is to lead by example and create a workplace where everyone can thrive.

In the coming year, we aim to continue strengthening our EDI people data to support us in taking meaningful action and deepen our understanding of our colleagues. We recognise there are many aspects that contribute to the make-up of our people outside of generic monitoring categories. We strive to spot opportunities across overlapping identities and experiences so that we can continue to improve our understanding of diverse communities and promote a sense of inclusion and belonging.

We also want to evolve our internal leadership development programmes to address gaps in EDI awareness.

Enhancing our recruitment processes to be more inclusive is also a priority and we are aiming to do this through streamlining our systems, providing inclusive hiring training, and providing a more personalised feel for future candidates and colleagues.

Group diversity and inclusion data



# BUILDING A MORE INCLUSIVE AND DIVERSE AUTOMOTIVE INDUSTRY

We were delighted to see Karen Bellairs, Managing Director for Garages, join the 'Automotive 30% Club' as a Patron Member this year.



Joining the Automotive 30% Club as a gold member means we have committed to supporting initiatives aimed at increasing the representation of women in leadership roles to 30% by 2030 in the automotive industry. This was a proud moment for our business and supports our commitments to female representation and creating a more inclusive workplace where women can thrive and advance in a sector where they have been historically underrepresented.

## Cultivating belonging and inclusivity

It is essential that we support our colleagues to feel valued and empowered so that they can contribute their best to Halfords and ultimately our customers.

Our latest colleague engagement survey was widely participated in with 95% of colleagues sharing their perspectives. 75% of those colleagues said they were feeling highly engaged and we believe we can harness this excellent foundation to drive company-wide progress towards achieving our strategic objectives.

We were pleased to see that 87% of our colleagues feel that they can be themselves at work. This is a strong indicator of inclusion and belonging that we want to maintain whilst simultaneously increasing colleague diversity.

The relaunch of our four Colleague Network Groups (LGBTQIA+, Race, Ethnicity, Religion or Belief, Neurodiversity and Disability, and Gender Balance) has successfully increased celebration, inclusion, and belonging with a varied and thoughtful EDI and wellbeing programme of events throughout the year.

Next year, the focus is to strengthen the alignment of outcomes from the groups with projects such as process or policy change, education, as well as more regular qualitative feedback through listening groups and other mechanisms with the Executive Team.

## Supporting our colleagues' health and happiness

Fostering a positive work environment is vital to our business as it directly impacts productivity, engagement, and job satisfaction. It is also essential for attracting

and retaining talent enabling us to thrive and deliver exceptional service to our customers.

74% of colleagues stated they actively seek ways to support their wellbeing and know what Halfords offers as support for them.

We have established various initiatives that are well utilised such as our Employee Assistance Programme, Mental Health First Aiders, "Here to Help" Fund and Wagestream. We have completed several pilots this year including tailored training and nutrition programmes. These pilots have shown us that there are further opportunities to support our colleagues' physical and financial health, in addition to our more established current mental health offering.

## Highlights from our employee engagement survey

The figures below provide a snapshot of some of the key results from our colleague engagement survey.

**75%**

of colleagues told us they are highly engaged

**87%**

of colleagues said they feel they can be themselves at work

**78%**

of colleagues said there are opportunities to grow and learn

**82%**

of colleagues said their leaders display Halfords Leadership Behaviours often

Next year, we aim to build upon these initiatives through the introduction of more proactive and personalised options to provide extra education, drive, and support to our colleagues at any stage of life.

### Championing the causes that matter most to Halfords

Aligning our charitable and community efforts to our brand mission has always been important to our business. We have been proud to support a variety of initiatives including our corporate charity partner MIND and our cycling specific partnerships like the Halfords Academy at HMP Drake Hall.

Next year, we're looking at further defining our charity and community approach. We'll be exploring the opportunities where we can work with local communities and expand our goal of accessibility to cycling to include underrepresented communities.

We want to do this so that we can set more ambitious fundraising goals that empower our teams to lead activities that drives donations to our national and local charity partners.

To empower our teams, we want to introduce a forum where passionate colleagues are centrally supported to drive our charity efforts in every corner of Halfords.

As the UK's largest cycling retailer that wants to inspire and support a lifetime of cycling, it was important for us to create a strategic objective to use our influence to advocate for policies that promote active travel and sustainable mobility.

We have participated in industry efforts via the All Party Parliamentary Group for Cycling and Walking and the Bicycle Association membership to advocate for policy changes on behalf of the cyclist community.

We have also recently hit a milestone in our partnership with HMP Drakehall, a low-security prison for women which has resulted in Halfords employing over 30 women into the business as cycle technicians.

We have developed a successful partnership with Sustrans this year through the launch of the Children's Walking and Cycling Index. More detail on the Index is located in the case study below. Building on what we've achieved this year, we will be supporting the Sustrans' event in FY26 to deliver 'The Children's Walking and Cycling Summit' – an event that will bring together children and decision-makers within the transport sector to present a series of recommendations to government to tackle the barriers presented in the index.

## LAUNCHING THE FIRST UK CHILDREN'S WALKING AND CYCLING INDEX

We partnered with a leading sustainable charity organisation, Sustrans, who surveyed over 1,000 children across the UK to better understand the barriers preventing them and their families from travelling actively.

We want to combat declining numbers of children cycling and increase the opportunities for children to learn important life skills and have access to cycling's physical and mental health benefits.

We hope the findings identified in the Children's Walking and Cycling Index will be timely support for transport decision-makers to influence future policy, during a time where the UK cycling and walking investment strategy is being updated.

See the Index here –  
[www.sustrans.org.uk/the-walking-and-cycling-index/childrens-walking-and-cycling-index/](http://www.sustrans.org.uk/the-walking-and-cycling-index/childrens-walking-and-cycling-index/)

**51%**  
of children want to cycle more

**81%**  
of children want more traffic-free routes for walking and cycling

