Our Governance

Contents

Board of Directors

Keith Williams (N)

Chair

Current role
Appointed Chair of the Company and of the Nomination Committee on 24 July 2018.

Additional roles held
Keith is the Non-Executive Chair of Royal Mail Group (previously interim Executive Chair). Keith is a qualified Chartered Accountant.

Past roles
Keith was formerly a Non-Executive Director and Deputy Chair of John Lewis, a Non-Executive Director of Aviva plc, and Chief Executive Officer and then Executive Chair of British Airways, having previously been at Boots, Reckitt and Colman and Apple computer inc. Keith was the independent Chair of the government-supported Rail Review.

Key strengths
Keith brings extensive leadership and plc board experience. He is a highly regarded business leader with a proven record in retail and deep experience in relevant areas such as customer service and digital.

Graham Stapleton

Chief Executive Officer

Current role
Graham was appointed Chief Executive Officer ("CEO") on 15 January 2018.

Additional roles held
Graham is a Non-Executive Director of The Magic Bean Co. Limited.

Past roles
Previously, Graham was CEO of Dixons Carphone plc's software business, Honeybee. Prior to that he was CEO of Dixons Carphone's Connected World Services Division from 2015 to 2017 and CEO of Carphone Warehouse UK & Ireland from 2013 to 2015. Graham's early career covered senior leadership roles in Kingfisher plc from 2001 to 2005 and Marks and Spencer plc from 1994 to 2001, prior to which Graham set up and ran his own business for several years. Graham was a Trustee of the Make-A-Wish charity.

Key strengths
Graham is an outstanding business leader and brings extensive skills and experience to the plc Board.

Loraine Woodhouse

Chief Financial Officer

Current role
Chief Financial Officer ("CFO") since 1 November 2018.

Additional roles held
Loraine is a Non-Executive Director of The British Land Company plc.

Past roles
Prior to joining **Halfords**, Loraine spent five years in senior finance roles within the John Lewis Partnership. In 2014 Loraine was appointed Acting Group Finance Director and then, subsequently, Finance Director of Waitrose. Prior to that, Loraine was Chief Financial Officer of Hobbs, Finance Director of Capital Shopping Centres Limited (now Intu plc) and Finance Director of Costa Coffee Limited. Loraine's early career included finance and investor relations roles at Kingfisher plc.

Key strengths
Loraine has extensive experience across all finance disciplines and has worked within many different sectors, latterly focusing specifically on consumer service businesses.

Committee Membership

(A) Audit Committee
(E) ESG Committee
(EV) Employee Voice Director
(N) Nomination Committee
(R) Remuneration Committee

Helen Jones A E N R EV

Senior Independent Director

Current role
Non-Executive Director since 1 March 2014 and Senior Independent Director from 15 September 2020; Chair of the Environmental, Social and Governance Committee since 7 December 2015 and Employee Voice Director since 1 May 2019.

Additional roles held
Helen is a Non-Executive Director and Chair of the Remuneration Committee and a member of the Audit Committee of Fuller, Smith & Turner plc and Virgin Wines UK plc, a Non-Executive Director and member of the Audit Committee of Premier Foods plc and a Director of Hamsard 3145 Limited. Helen is also a member of the Supervisory Board of Directors of Ben and Jerry's and a Board member of the Toast Ale charity.

Past roles
Previously, Helen was a member of the Supervisory Board and the Audit Committee for Vapiano S.E. Prior to that Helen was the CEO of the Zizzi Restaurants group and was also responsible for successfully launching the Ben & Jerry's brand in the UK and Europe. Helen previously held a senior executive role at Caffé Nero.

Key strengths
Helen brings valuable and relevant operations, marketing and branding experience in consumer-focused businesses.

Jill Caseberry A N R E

Independent Non-Executive Director

Current role
Non-Executive Director and Remuneration Committee Chair since 1 March 2019.

Additional roles held
Jill is currently a Non-Executive Director, Remuneration Committee Chair and member of the Audit and Nomination Committees of Bellway plc, a Non-Executive Director and Remuneration Committee member of C&C Group plc and Bakkavor Group plc, and a Non-Executive Director and member of the Remuneration, Audit and Nomination Committees of St Austell Brewery.

Past roles
Previously, Jill was Non-Executive Director, Remuneration Committee Chair and a member of the Audit and Nomination Committees of Northgate Plc. During her executive career Jill gained extensive sales, marketing and general management experience across a number of blue chip companies including Mars, PepsiCo and Premier Foods. She also founded a soft drink company and established a sales and marketing consultancy.

Key strengths
Jill brings extensive leadership experience from senior sales and marketing roles in consumer goods businesses.

Tom Singer A N R E

Independent Non-Executive Director

Current role
Non-Executive Director since 16 September 2020, and Chair of the Audit Committee since 1 January 2021.

Additional roles held
Tom is a Non-Executive Director of Mediclinic International plc.

Past roles
Tom was the Senior Independent Director and Chair of the Audit and Remuneration Committees at DP Eurasia NV and Chair of the Audit Committee at Liberty Living. Previously, he served as CFO of InterContinental Hotels Group plc, Group Finance Director of British United Provident Association ("BUPA"), CFO and Chief Operating Officer of William Hill plc and Finance Director of Moss Bros plc, having started his career in professional services and spending a total of 12 years at Price Waterhouse and McKinsey.

Key strengths
Tom brings extensive experience of strategy development, corporate governance and numerous finance disciplines.

Directors' Report

The Directors present their report and the audited financial statements of **Halfords** Group plc (the "Company") together with its subsidiary undertakings (the "Group") for the period ended 2 April 2021.

Halfords Group plc

Registered Number	04457314
Registered Office Address	Icknield Street Drive, Washford West, Redditch, Worcestershire, B98 0DE
Country of Incorporation	England and Wales
Type	Public Limited Company

Additional Disclosure

Other information that is relevant to this report and which is incorporated by reference, including information required in accordance with the UK Companies Act 2006 and Listing Rule 9.8.4(R), can be located as follows:

Topic	Report	Page
Modern Slavery Statement	Directors' Report	82
Appointment and removal of Directors	Directors' Report	80
Articles of Association	Directors' Report	82
Auditor	Directors' Report	82
Audit Committee Report	Audit Committee Report	116
Authority to issue or purchase shares	Directors' Report	80
Board of Directors	Directors' Report	80
Board effectiveness and leadership: role and composition of the Board and Committees; meeting attendance; skills and experience; independence; diversity and inclusion; induction and development; evaluation; Directors and their other interests; and Board Committees	Corporate Governance Report	84-108
Branches outside of the UK	Directors' Report	82
Charitable donations	Strategic Report: Our ESG Strategy	52
Colleague engagement	Strategic Report: Our ESG Strategy Corporate Governance Report	51 95
Colleagues' involvement; training, diversity and inclusion; and disability	Strategic Report: Our ESG Strategy Corporate Governance Report Nomination Committee Report	43, 47-48, 51 105 113
Community	Strategic Report: Our ESG Strategy	52
Compensation for loss of office	Directors' Report	82
Creditor payment policy	Directors' Report	82
Culture	Corporate Governance Report	94
Directors' biographies	Board of Directors	76
Directors' indemnities	Directors' Report	81
Directors' interests	Directors' Report	80
Directors' Remuneration Report and Remuneration Policy Summary	Directors' Remuneration Report	122
Directors' Responsibilities Statement	Directors' Responsibilities Statement	136
Diversity and Inclusion	Strategic Report: Our ESG Strategy Corporate Governance Report Nomination Committee Report	47 105 113
Energy and Carbon Emissions	Strategic Report: Our ESG Strategy	45
Financial instruments	Note 22 to the Group Financial Statements	180
Future developments of the business	Chief Executive Officer's Statement	18
Financial position of the Group, its cash flows, liquidity position and borrowing facilities	Chief Financial Officer's Review	58

Directors' Report

UK Corporate Governance Code

The Company has applied the principles of, and complied with, the provisions of the 2018 UK Corporate Governance Code (the "Code") throughout the year.

At the outset of the COVID-19 pandemic in 2020, it was agreed that David Adams, the then Senior Independent Director, would stay in office until the end of 2020, to ensure an orderly handover to the newly appointed Non-Executive Director. The full reasoning for this decision is detailed on page 100. In the previous, period the Board recognised that it had assessed that David had ceased to be regarded as independent for the purposes of the Code, and that his extended tenure until December 2020 had created a technical breach of the Code's recommendation. However, the Board agreed that this short-term situation was justified in the unprecedented and challenging circumstances which had been brought about by the pandemic.

Principal Activities

The principal activities of the Group are: the retailing and provision of motoring and cycling products and services; and auto servicing, maintenance and repairs through garages and mobile vans. The principal activity of the Company is that of a holding company. The Company's registrar is Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL.

Profits and Dividends

The Group's results for the year are set out in the Consolidated Income Statement on page 148. The profit before tax was £64.5m (2020: £19.4m) and the profit after tax amounted to £53.2m (2020: £17.5m). The Board proposed that a final dividend of 5.0 pence per ordinary share to be paid on Friday 17 September 2021 to shareholders whose names are on the register of members at the close of business on Friday 13 August 2021. As announced on 18 November 2020, the Board did not propose an interim dividend in respect of the period to 2 October 2020.

Computershare Trustees (Jersey) Limited, trustee of the **Halfords** Employees' Share Trust, has waived its entitlement to dividends.

Performance Monitoring

The delivery of the Group's strategic objectives is monitored by the Board through Key Performance Indicators ("KPIs") and periodic review of various aspects of the Group's operations. The Group considers that the KPIs listed on pages 54 to 56 are appropriate measures to assess the delivery of the Group's Strategy.

Directors

The following were Directors of the Company during the period ended 2 April 2021 and at the date of this report:

- Keith Williams
- Graham Stapleton
- Loraine Woodhouse
- Helen Jones
- Jill Caseberry
- Tom Singer (appointed on 16 September 2020)
- David Adams was also a Director during the period and resigned on 31 December 2020

In accordance with the Company's Articles of Association and the UK Corporate Governance Code guidelines, all those persons holding office as a Director of the Company on 2 April 2021 will retire and offer themselves for re-election at the 2021 Annual General Meeting, with the exception of Tom Singer who was appointed on 16 September 2020. Tom will, instead, stand for election for the first time at the 2021 AGM.

The Service Agreements of the Executive Directors and the Letters of Appointment of the Non-Executive Directors are available for inspection at the registered office of the Company. A summary of these documents is also included in the annual Directors' Remuneration Report on pages 131 and 132.

Appointment and Removal of a Director

A Director may be appointed by an ordinary resolution of shareholders in a general meeting following recommendation by the Nomination Committee in accordance with its Terms of Reference, as approved by the Board or by a member (or members) entitled to vote at such a meeting. Alternatively, a Director may be appointed following retirement by rotation if the Director chooses to seek re-election at a general meeting. In addition, the Directors may appoint a Director to fill a vacancy or act as an additional Director, provided that the individual retires at the next Annual General Meeting and, if they are to continue, they offer themselves for election. A Director may be removed by the Company in circumstances set out in the Company's Articles of Association or by a special resolution of the Company.

Powers of the Directors

Subject to the Articles, the Companies Act and any directions given by the Company by special resolution and any relevant statutes and regulations, the business of the Company will be managed by the Board who may exercise all the powers of the Company. Specific powers relating to the allotment and issuance of ordinary shares and the ability of the Company to purchase its own securities are also included within the Articles, and such authorities are submitted for approval by the shareholders at the Annual General Meeting each year. The authorities conferred on the Directors at the 2020 Annual General Meeting ("AGM"), held on 15 September 2020, will expire on the date of the 2021 AGM. Since the date of the 2020 AGM, the Directors have not exercised any of their powers to issue, or purchase, ordinary shares in the share capital of the Company.

Directors' Interests

The Directors' interests in, and options over, ordinary shares in the Company are shown in the Directors' Remuneration Report on pages 125 to 135.

Since the end of the financial year and the date of this report, there have been no changes to such interests.

In line with the requirements of the Companies Act, Directors have a statutory duty to avoid situations in which they have, or may have, interests that conflict with those of the Company unless that conflict is first authorised by the Board.

The Company has in place procedures for managing conflicts of interest. The Company's Articles of Association contain provisions to allow the Directors to authorise potential conflicts of interest, so that if approved, a Director will not be in breach of his or her duty under company law. In line with the requirements of the Companies Act 2006, each Director has notified the Company of any situation in which he or she has, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company (a situational conflict). Directors have a continuing duty to update any changes to their conflicts of interest and the register is updated accordingly.

The Directors are also aware of their duties under Section 172 of the Companies Act 2006 and so in making their decisions they consider the long-term impact on the business as well as taking into consideration the interests of stakeholders such as colleagues, suppliers, customers and the wider communities in which we operate. More information on this can be found on pages 28 to 29.

Directors' Indemnities

Directors' and Officers' insurance has been established for all Directors and Officers to provide cover against their reasonable actions on behalf of the Company. The Directors of the Company and the Company's subsidiaries also have the benefit of third-party indemnity provisions, as defined by section 236 of the Companies Act 2006, pursuant to the Company's Articles of Association.

Colleague Engagement

One of the Group's key strengths is engaged colleagues with great training.

Engagement with, and feedback from, our colleagues across the business is vital to the Group. The Group has an established framework of colleague communications providing regular information on business performance and other important and relevant matters. For more information see Our ESG Strategy on pages 42 to 53.

Employment Policies

The Group encourages diversity and inclusion and, as an equal opportunities employer, is committed to providing equal opportunities for all colleagues and applicants during recruitment and selection, training and career development and promotion.

This commitment to equality of opportunity applies regardless of anyone's physical ability, sexual orientation or gender identity, pregnancy and maternity, race, religious beliefs, age, nationality or ethnic origin. This is underpinned by our Group's policies which ensure full and fair consideration to employment applications from people from diverse backgrounds, including those with disabilities wherever suitable opportunities exist, having regard to their particular aptitudes and abilities. Should a colleague become disabled, efforts are made to ensure their continued employment with the Group, with appropriate training as necessary.

Further details of our Diversity Policy are included in the Nomination Committee Report on page 113.

The Group takes a zero-tolerance approach to matters of discrimination, harassment and bullying in all aspects of its business operations. Appropriate policies and procedures are in place for reporting and dealing with such matters.

Colleague Training and Development

The Group strives to meet its business objectives by motivating and encouraging all colleagues to be responsive to the needs of its customers and to continually improve operational performance. To achieve this we deliver a range of blended training and development programmes, across the Group, in our Retail, Autocentres (including McConechy's and Universal) and Performance Cycling businesses. We regard the training and development of our people as being particularly important for our business and also for the communities in which we operate. For many years we held strong relationships with a number of Apprenticeship partners that allow us to offer personal and professional growth. In addition, the Group runs targeted Leadership Development programmes to further build capability in skills identified to both ensure colleagues are successful in their chosen roles, as well as to help colleagues identify and develop skills that will support them to be our leaders of the future. Revised Group Values, trained through FY22 will also further enhance our culture to underpin our strategy. Further information on colleague training can be found on page 51 of Our ESG Strategy.

Whistleblowing

The Group's Whistleblowing Policy and Procedure (the "Whistleblowing Policy") ensures that arrangements are in place to enable colleagues to raise concerns about possible improprieties on a confidential basis without fear of recrimination. The Group is committed to conducting its business with honesty and integrity, and it expects all colleagues to maintain high standards in accordance with its corporate culture. An understanding of openness and accountability is essential in order to prevent illegal or unethical conduct or malpractice and to enable any such situations to be addressed should they ever occur. The Whistleblowing Policy is reviewed annually and communicated to all colleagues around the Group.

Share Capital and Shareholder Voting Rights

Details of the Company's share capital and of the rights attaching to the Company's ordinary shares are set out in Note 23 on page 186. All ordinary shares, including those acquired through Company share schemes and plans, rank equally with no special rights.

All members who hold ordinary shares are entitled to attend, vote and speak at the general meetings of the Company, appoint proxies, receive any dividends, exercise voting rights and transfer shares without restriction. On a show of hands at a general meeting every member present in person, and every duly appointed proxy, shall have one vote for every share held, and on a poll, every member present in person or by proxy shall have one vote for every ordinary share held. The Company is not aware of any arrangements that may restrict the transfer of shares or voting rights.

Significant Shareholders

As at 2 April 2021, the Company had been notified under the Disclosure Guidance and Transparency Rules (DTR5) of the following notifiable interests representing 3% or more of the Company's issued share capital. The information provided below was correct at the date of notification. These holdings are likely to have changed since the Company was notified.

Manager	Holding	% of Issued Shares
Fidelity International	19,757,740	9.92
JP Morgan Asset Management	10,763,925	5.41
Dimensional Fund Advisors	9,318,862	4.68
BlackRock	8,353,149	4.20
Vanguard Group	6,596,052	3.31
Janus Henderson Investors	6,529,812	3.28
Rathbones	6,557,923	3.29

Directors' Report

Authority to Purchase Shares

At the 2020 Annual General Meeting, shareholders approved a special resolution authorising the Company to purchase a maximum of 19,911,663 shares, representing not greater than 10% of the Company's issued share capital at 7 July 2020, such authority expiring at the conclusion of the Annual General Meeting to be held in 2021 or, if earlier, on 30 September 2021.

Transactions with Related Parties

During the period, the Company did not enter into any material transactions with any related parties.

Articles of Association

In accordance with the Companies Act 2006, the Articles of Association may only be amended by a special resolution of the Company's shareholders in a general meeting.

Political Donations

The Group made no political donations and incurred no political expenditure during the year (FY20: nil). It remains the Company's policy not to make political donations or to incur political expenditure. However, we recognise that the application of the relevant provisions of the Companies Act 2006 is potentially very broad in nature and, as last year, the Board is seeking shareholder authority to ensure that the Group does not inadvertently breach these provisions as a result of the breadth of its business activities. However, the Board has no intention of using this shareholder authority.

Credit Facilities, Change of Control and Share Schemes

The Company's revolving credit facilities require the Company in the event of a change of control to notify the Facility Agent and, if required by the majority lenders, these facilities may be cancelled. The Company does not have agreements with any Director or colleague that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Company's share schemes and Deferred Bonus Plan may cause options and awards granted to Directors and colleagues under such schemes and plans to vest on a takeover.

Details of employee share plans are provided in Note 24 on pages 186 to 189.

Modern Slavery Statement

In order to support its estate of Retail stores, garages, moblie vans and online operations, the Group sources products from a large number of suppliers both within the UK and overseas. In particular, the international suppliers – managed largely by the **Halfords** Global Sourcing ("HGS") team based in Hong Kong, Taiwan and Shanghai – are bound contractually by the Group's policies on modern slavery and human trafficking. These include, for example, the Group's Suppliers' Code of Conduct Policy which states that:

- suppliers are required to sign a compliance declaration, confirming that they have not been investigated for, or convicted of, any offence under the Modern Slavery Act 2015 or any other equivalent law; and
- **Halfords** reserves the right to conduct risk assessments in respect of its suppliers and to implement the Group's Code of Conduct where necessary. This is particularly pertinent to those suppliers managed by the HGS team, given that the Code of Conduct encompasses principles of trading based on international standards, including the International Labour Organisation ("ILO") conventions and recommendations. Moreover, the Code reflects the Group's opposition to the exploitation of workers in all forms, its support for fair and reasonable pay and rewards, the requirement for health and safety standards etc.

Additionally, the Group's Terms of Business require suppliers to comply with all requirements under the Modern Slavery Act 2015. Thereafter, **Halfords** operates robust due diligence processes which include, where relevant, onsite inspections and audits of the factories, warehouses and tied accommodation operated by its suppliers.

The Group also provides comprehensive training to appropriate colleagues which ensures their understanding of all issues relating to modern slavery and human trafficking.

As a result of the above activity, during FY21, no concerns were raised regarding any of the Group's suppliers, and therefore **Halfords** continues to be assured that no organisation within its supply chain has breached its legal or contractual obligations.

The Group's Board of Directors reviews its Modern Slavery Statement on an annual basis. It was last approved on 15 September 2020.

Creditor Payment Policy

The Group does not follow any formal Code of Practice on payment. Instead, it agrees terms and conditions for transactions when orders for goods or services are placed, and includes relevant terms in contracts, as appropriate. These arrangements are adhered to when making payments, subject to the terms and conditions being met by suppliers. The number of trade creditor days outstanding as at 2 April 2021 for the Group was 73 days (2020: 69 days). The Company is a holding company and has no trade creditors.

Branches

The Company and its subsidiaries have established branches in the different countries in which they operate.

Auditor

The Company's current Auditor is BDO LLP. A resolution proposing the reappointment of BDO LLP will be set out in the Notice of the 2021 Annual General Meeting and will be put to shareholders at the meeting.

Disclosure of Information to the Auditor

In accordance with Section 418(2) of the Companies Act 2006, each Director in office at the date and approval of the Directors' Report confirms that:

i. so far as the Directors are aware, there is no relevant audit information of which the Company's Auditor is unaware; and

ii. the Directors have taken all reasonable steps to ascertain any relevant audit information and to ensure that the Company's Auditor is aware of such information.

Important Events Since Year End

There have been no significant events since the year end.

Annual General Meeting ("AGM")

The AGM will be held at the **Halfords** Group plc Support Centre, Icknield Street Drive, Washford West, Redditch, B98 0DE on Wednesday 8 September 2021. The Notice of the AGM and explanatory notes regarding the ordinary and special business to be put to the meeting will be set out in a separate circular to shareholders.

By order of the Board

Tim O'Gorman
Group Company Secretary
16 June 2021

The Board continues to oversee and support the transformation and development of the strategic vision for the Group.

Chair's Letter

Keith Williams

Read our Corporate Governance Report on pages 84 to 108

Keeping the UK Moving During COVID-19

The COVID-19 pandemic required a very agile response from all decision-makers in the business and you can read more about what we have done in the overview section of this Annual Report. The Board demonstrated flexibility and commitment to engage with the management team throughout the year but particularly in the first few months of the crisis when uncertainty was at its highest. The key priorities for the Board were to protect the health and safety of our colleagues and customers and to ensure the sustainability of the business in the long-term.

Strategy

The Board continues to oversee and support the transformation and development of the strategic vision for the Group. Necessitated by the emergence of the COVID-19 pandemic, the Board engaged with the management team to adapt our strategic execution for FY21, shifting the emphasis to cost efficiencies, cash management and supporting our colleagues. The Board was further engaged in refreshing the existing strategy, taking into account post-pandemic trends and the interests of different stakeholders.

Purpose and Culture

In FY21, **Halfords** has made strong progress on the cultural journey. We saw the successful roll-out of our new colleague values and behaviours which follows on from the culture review undertaken in FY20. The Board continues to recognise the importance of ensuring that **Halfords** has a strong culture and continues to support the work being done towards becoming One **Halfords** Family.

As part of the roll-out we have seen colleagues take part in leader-led workshops to introduce them to the refreshed values. This has been followed up by a number of initiatives to fully embed the values in the organisation. The Board is proud to note that in the Company's most recent Colleague Engagement Survey, 91% of colleagues confirmed that they "know what **Halfords** values are".

Engaging with the Workforce

The disruption caused by the COVID-19 pandemic, which saw the temporary closure of a number of our stores, resulted in a different approach to engagement, where we focused on remote engagement and colleague wellbeing.

Read more on pages 12 and 13

2020 Annual General Meeting ("AGM")

In 2020, to ensure the appropriate AGM arrangements were put in place, the Board closely monitored the evolving COVID-19 pandemic together with the UK Government's guidance on social distancing and public gatherings. In light of this, in September 2020, we made an announcement to the London Stock Exchange to update shareholders on changes required to the 2020 AGM arrangements which highlighted the importance we place on the health and wellbeing of our colleagues, shareholders and the wider community.

Keith Williams
Chair

16 June 2021

Corporate Governance Report

Governance at a Glance

Corporate Governance Statement

The Board confirms that during the year ended 2 April 2021, and as at the date of this report, the Company has applied the principles of, and complied with, the provisions of the 2018 UK Corporate Governance Code ("Code") throughout the year. As outlined in last year's Annual Report, it was agreed that David Adams, the then Senior Independent Director, would stay in office until the end of 2020, given the exceptional circumstances caused by the pandemic. The Board recognised that it had assessed that David had ceased to be regarded as independent for the purposes of the Code, and that his extended tenure until December 2020, had created a technical breach of the Code's recommendation that the majority of the Board be independent Non-Executive Directors. In the previous period, the Nomination Committee had agreed to extend David's term of appointment to December 2020, to ensure an orderly handover to the newly appointed Non-Executive Director.

This report, together with the other statutory disclosures and reports from the Audit, Nomination and Remuneration Committees, provide details of how the Company has applied the principles of good governance as set out in the Code during the period under review. A copy of the Code is available on the Financial Reporting Council's website at www.frc.org.uk. During the year, the Company has formalised its ESG Committee to put it on a similar footing to the other Board Committees. For more information please see the ESG Committee Report on pages 114 to 115.

The Company has complied with the relevant requirements under the Disclosure Guidance and Transparency Rules, the Listing Rules, the Directors' Remuneration Reporting regulations and narrative reporting requirements.

Promoting our purpose, culture and long-term success

Board Leadership and Company Purpose

Description

The Company is led by an effective Board, which promotes the long-term success of the Company and engages with its shareholders and stakeholders.

The Board has established the Company's purpose, values and strategy and is satisfied that these and its culture are aligned.

The Board has established an effective governance and risk framework.

The Board has ensured that the workforce is able to raise any matters of concern, and that all policies and practices are consistent with the Company's values.

Read more:

- Read more on stakeholder engagement on pages 28 and 29.
- Read more on culture on pages 94 to 96.
- Read more on principal risks and uncertainties on pages 66 to 72.

Ensuring a clear division of responsibilities

Division of Responsibilities

Description

The Chair leads the Board which includes an appropriate combination of Executive Directors and Non-Executive Directors.

The Non-Executive Directors provide constructive challenge, strategic guidance and advice, and have sufficient time to meet their Board responsibilities.

There is a clear division of responsibilities between the running of the Board and the running of the business, and the Board has identified certain 'reserved matters' that only it can approve. Other matters, responsibilities and authorities have been delegated as appropriate, and there are relevant policies and processes in place for the Board to function effectively and efficiently.

Read more:

- Read more on Board composition on page 100.
- Read more on Board responsibilities on page 100.
- Read more on key Board and Committee responsibilities on pages 101 to 103.

Delivering effectiveness through a balanced Board

Composition, Succession and Evaluation

Description

A comprehensive and tailored induction programme is in place for new Directors joining the Board. The induction programme facilitates their understanding of the Group and the key drivers of the Group's performance.

A rigorous, effective and transparent appointment process is in place, which, together with the effective succession plans, promotes diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

Read more:

Read more on Directors' induction, training and development on pages 112 and 113.

Read more on diversity and inclusion in Our ESG Strategy on pages 47 and 48.

Enabling reporting integrity and an effective controls environment

Audit, Risk and Internal Control

Description

The Board has established formal and transparent policies and procedures to ensure the independence and effectiveness of both internal and external audit functions. The Board satisfies itself on the integrity of financial and narrative statements.

The Board presents a fair, balanced and understandable assessment of the Group's position and prospects.

The Board has established procedures to manage risk, oversee the internal control framework and determine the nature and extent of the principal risks of the Group.

Read more:

Read more in the Audit Committee Report on pages 116 to 121.

Read more on risk in the Our Principal Risks and Uncertainties Report on pages 66 to 72.

Ensuring alignment with the successful delivery of our long-term strategy

Remuneration

Description

The Company has designed the remuneration policies and practices to support strategy and promote long-term sustainable success. The Executive remuneration is aligned to the interests of our shareholders and to the Company's purpose and values and is clearly linked to the successful delivery of our long-term strategy.

There is a formal and transparent procedure for developing Executive remuneration policy and determining Director and senior management remuneration.

Directors are able to exercise independent judgement and discretion when authorising remuneration outcomes, taking into account Company and individual performance and wider circumstances.

Read more:

Read more in the Remuneration Committee Report on pages 122 to 135.

Corporate Governance Report

Board Leadership and Company Purpose

Promoting Long-Term Sustainable Success of the Company

Addressing Opportunities and Risks to the Future Success of the Business

The Board's primary role is to ensure the long-term success of the Group, by delivering sustainable value for all its stakeholders. The Board has responsibility for setting the Group's strategy and monitoring its execution, for ensuring the implementation of a robust risk management framework, and for overseeing financial and operational performance. These responsibilities are supported by the Group's culture and values, designed to drive the right behaviours and by a strong corporate governance framework.

The Sustainability of our Business Model

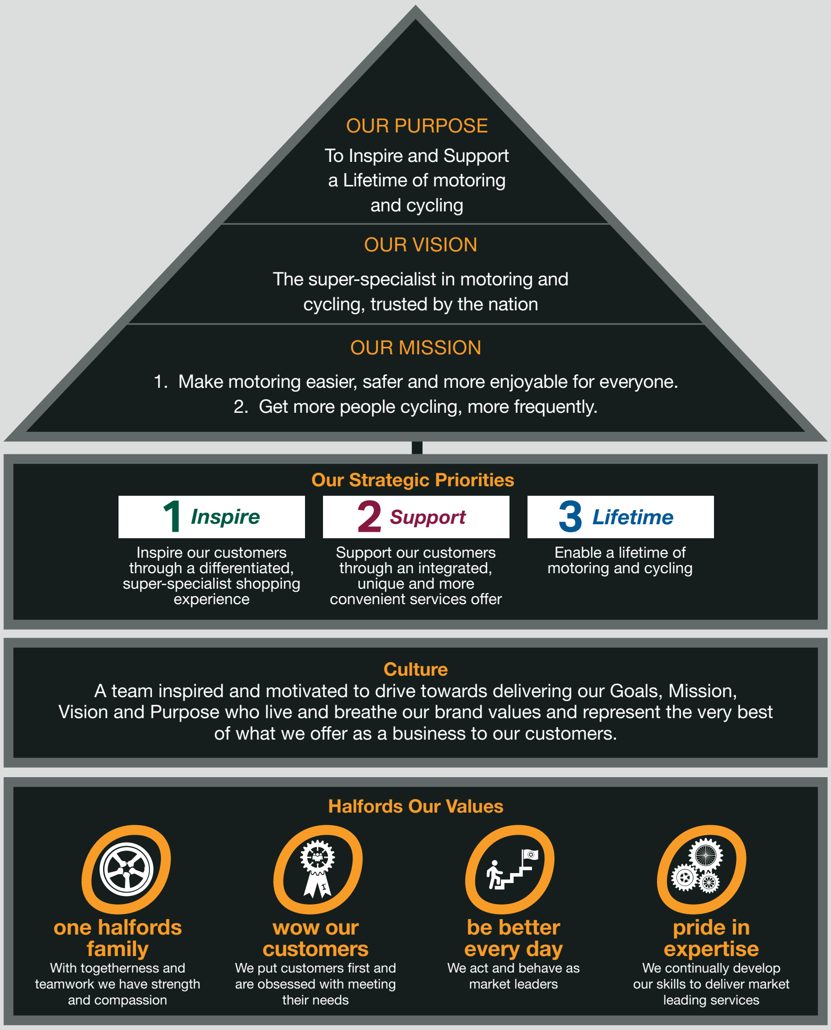
Our current strategy was launched in September 2018, built around our purpose to '*Inspire and Support a Lifetime of motoring and cycling*'. Through formal Board meetings and regular engagement with the Executive Team, the Board continues to oversee the implementation of this strategy and ensure it remains fit-for-purpose, thus providing the Group with a sustainably differentiated business model. Further details of our strategy and business model are provided on pages 08 to 09.

How the Board Contributes to the Delivery of Halfords' Strategy

During the period, the Board approved a new set of Company values, further details of which are provided on pages 06 to 08. These values are critical in driving the right behaviours and for underpinning the culture of the Group.

Our purpose is to *Inspire* and *Support* a *Lifetime* of motoring and cycling

The successful implementation of our strategy is critical to the delivery of the Group's purpose and is underpinned by the values and behaviours that shape our culture and the way we conduct our business.



How we are working towards our vision: being a super-specialist in motoring and cycling, trusted by the nation

Dynamic to the Market Needs

Our Group operates in markets in which customer needs and expectations are ever-changing. We need to be able to evaluate external trends so that we can make the best strategic choices.

Skills our Board has

Retail industry-specific knowledge in relation to both our core businesses and in those areas of increased focus under our strategy (i.e. motoring services and offering financial products that provide more convenient ways for customers to pay).

Board members

- Keith Williams
- Jill Caseberry
- Tom Singer

Engagement with our Stakeholders

Engagement with our stakeholders to maintain trust and enhance understanding of our business.

Skills our Board has

Experience in stakeholder engagement activities, such as our Employee Voice initiative and the shareholder consultation in relation to our Remuneration Policy.

Board members

- Helen Jones
- Jill Caseberry

Commitment to Delivering Financial Value

Commitment to delivering financial value to shareholders.

Skills our Board has

Experience in setting and delivering financial KPIs in challenging retail and services markets.

Board members

- Keith Williams
- Helen Jones
- Jill Caseberry
- Tom Singer

Sustainable Operations

Commitment to operating in a responsible way so that we are a Company that people want to work for and invest in.

Skills our Board has

Experience of the setting and delivery of ESG commitments, including recycling, energy usage and sustainable electric cars and bikes.

Board members

- Helen Jones
- Jill Caseberry
- Tom Singer

Read more about the skills of the Board on page 104

Corporate Governance Report

Board Leadership and Company Purpose

How the Board Operates

The Board and its Committees have a scheduled forward programme of meetings. This ensures that sufficient time is allocated to each relevant discussion and activity and the Board's time is used effectively.

The table below shows the attendance of Directors at the Board and Committee meetings held during the year. In addition to those scheduled meetings, unscheduled Board and Committee meetings were convened throughout the year as and when the need arose, meeting particularly regularly through the initial stages of the COVID-19 pandemic. Two additional Board calls were held during the period to discuss the release of the hedging strategy approval and a trading update. The Board had regular dialogue with management during the early phase of the COVID-19 pandemic and held additional Board calls at this time. The additional Board meetings and Board calls were all quorate, and all Directors received the relevant papers and provided the required approval. During the year, the Board also held strategy sessions during the Board meetings to review and refresh the Company's strategic direction.

Board member	Board scheduled: 10	Audit Committee scheduled: 3	Remuneration Committee scheduled: 7	Nomination Committee scheduled: 2	ESG Committee scheduled: 3
Executive Directors					
Graham Stapleton	10 10	N/A	N/A	N/A	3 3
Loraine Woodhouse	10 10	N/A	N/A	N/A	N/A
Non-Executive Directors					
Keith Williams	10 10	N/A	7 7*	2 2	N/A
Helen Jones	10 10	3 3	7 7	2 2	3 3
Jill Caseberry	10 10	3 3	7 7	2 2	3 3
Tom Singer (appointed 16/09/20)	6 6	2 2	4 4	2 2	1 1
David Adams (resigned 31/12/20)	7 7	2 2	5 5	1 1	N/A

Meetings attended   Possible meetings

* Upon the recommendation of the Nomination Committee that the Remuneration Committee should only comprise of Non-Executive Directors and not the Chair of the Company, Keith Williams stepped down as a member on 22 March 2021.

Other members of the Executive Team and professional advisors attended Board meetings by invitation as appropriate throughout the year.

At each Board meeting, the Chief Executive Officer delivers a high-level update on the business, and the Board considers specific reports, reviews business and financial performance, as well as key initiatives, risks and governance. In addition, throughout the year the Executive Team and other colleagues deliver presentations to the Board on proposed initiatives and progress on projects.

Board in Action

Case Study

Improvements to the Customer Experience through FY21 during the COVID-19 pandemic

As FY21 began and the UK went into lockdown, like many businesses we faced some serious operational challenges. A swift and significant shift in customer behaviour to online shopping exposed shortfalls in our end-to-end customer journeys. Over H1, almost 50% of customer journeys began online, with customers wanting to shop our products and services from the safety of their home. A surge in demand for cycling through lockdown, combined with very high levels of customer contact, made it clear that we needed to adapt at pace and transform our customer experience. With the support of the Board, we made the decision to accelerate elements of our strategic plan, including end-to-end customer journey improvements, improvements to the digital Bike journey, and the integration of **Halfords** Mobile Expert services into our Group website. Alongside this, the Board approved accelerated investment to improve our contact answer rate by centralising the Group Customer Contact Experience, reducing weekly customer contact by 288,000 contacts a month across the Group.

Combined, the changes to the digital customer journey and improved levels of contact have resulted in the best Net Promoter Scores (NPS) we have seen across the Group since the programme was launched in 2017.

Corporate Governance Report

Board Leadership and Company Purpose

Board Activities in FY21

Main Areas:

Strategy

Key activities and discussions:

- Reviewed the progress and delivery of the Group Strategy, the Transformation Plan and the Annual Budget.
- Approved the refreshed and relaunched Company Investment Case.
- Reviewed and approved repayment of government support, including furlough.
- Reviewed updates on the acquisition strategy and M&A activities.
- Reviewed updates on the ESG Strategy.

Link to Stakeholder

Governance

Key activities and discussions:

- Received regular updates from the Chairs of the Remuneration, Audit, Nomination and ESG Committees.
- Reviewed and approved the FY20 Annual Report.
- Reviewed and approved the Directors' Conflicts of Interests Register, Group policies, the Group Risk Register and the roles of the Chair, the Chief Executive Officer and Senior Independent Director.

Link to Stakeholder

Board Matters

Key activities and discussions:

- Reviewed the succession plans for the Board and the restructure of the senior management team.
- Reviewed the Board and Committees' programme and forthcoming meeting schedule.
- Received updates from the Nomination Committee on the progress of the search for a new Non-Executive Director, and new Chief People Officer.
- Reviewed the post appointment induction for the new Non-Executive Director, Tom Singer.
- Discussed and agreed the scope of the internal FY21 Board evaluation and reviewed its outcome.

Link to Stakeholder

Financial Risk and Management

Key activities and discussions:

- Reviewed monthly business reviews and trading performance.
- Reviewed and approved the prelim, interim and trading update approaches and announcements.
- Reviewed updates on banking arrangements, liquidity, cash control, treasury matters and currency hedging.
- Reviewed and approved the FY20 Group Viability Statement.
- Received an update on the Group refinancing project.
- Reviewed and approved the FY21 budget and forecast.
- Reviewed and approved the appointment of a new joint broker.

Link to Stakeholder

Commercial Matters

Key activities and discussions:

- Reviewed and discussed plans to re-open stores, garages and Support Centre in line with COVID-19 guidance.
- Received and approved the permanent closure of 58 stores and garages.
- Received and reviewed updates on the impact of COVID-19 lockdowns and restrictions on trading and customer contact rates.
- Received updates on the process for, and approval of, the annual renewal of the Group's insurance policies.
- Reviewed and approved a number of large commercial contracts and spend.
- Reviewed the impact of Brexit on trading.
- Discussed, managed and mitigated the risks presented by the COVID-19 pandemic.

Link to Stakeholder

Shareholder and Stakeholder Relations

Key activities and discussions:

- Reviewed results of colleague engagement surveys and the launch of the new Company Values.
- Discussed the work undertaken on the Group's colleague engagement initiatives (e.g. One Team Strategy, Huddles, Listening Groups and SLT meetings).
- Discussed and approved colleague health and wellbeing programmes.
- Reminder to Directors of their obligations under Section 172 of the Companies Act 2006.
- Reviewed monthly investor relations reports and annual shareholder body reports.
- Reviewed and approved the 2020 Notice of the Annual General Meeting and the arrangements for the 2020 Annual General Meeting in a COVID-19 secure environment.
- Received an update on the development of the new ESG Strategy.

Link to Stakeholder

Key:

Colleagues | Investors | Communities | Media

Customers | Suppliers | Environment | Government

Board Priorities for the Following Year

Main Areas:

Strategy

Key activities:

- Review the progress and delivery of the Group Strategy, particularly any changes required in response to COVID-19.
- Review any potential M&A opportunities.

Link to Stakeholder

Governance

Key activities:

- Receive regular updates from the Chairs of the Remuneration, Audit, Nomination and ESG Committees.
- Review and approve the FY21 Annual Report.
- Review and approve the Directors' Conflicts of Interests Register, Group policies, the Group Risk Register and the roles of the Chair, CEO and SID.
- Commence the process of ensuring that the composition of the Board is compliant with the Parker Review.

Link to Stakeholder

Board Matters

Key activities:

- Review succession plans for the Board and the Senior Management Team.
- Review the Board and Committees' programme and forthcoming meeting schedule.
- Discuss and agree the scope of the FY22 Board evaluation and its outcome.
- Review the Board programme of visits.

Link to Stakeholder

Financial Risk and Management

Key activities:

- Review monthly business reviews and trading performance.
- Review and approve trading update approaches and announcements.
- Review and approve the dividend policy and any dividend payments.
- Review and approve the FY22 updated forecast, the FY23 budget, banking arrangements and the debt /hedging strategy.

Link to Stakeholder

Commercial Matters

Key activities:

- Review commercial matters brought to the Board for attention and potential approval.

Link to Stakeholder

Shareholder and Stakeholder Relations

Key activities:

- Review colleague engagement survey results and the progress on the health and wellbeing programme.
- Reminder to Directors of their obligations under Section 172 of the Companies Act 2006.
- Review monthly investor relations reports and annual shareholder body reports.
- Review and approve the 2021 Notice of the Annual General Meeting.

Link to Stakeholder

Corporate Governance Report

Board Leadership and Company Purpose

Our Board has made progress against monitoring culture in the past year

Our Culture Journey

The Board recognises the importance of its role in ensuring the culture of the organisation is aligned to its business strategy and ambition to become a customer led, market-leading services business. In support of this, a full cultural review was completed in FY20. This review resulted in the refresh of colleague values and behavioural frameworks which built on the strength of prior leadership and 'Hands On' colleague behaviours. The aim was to create a One **Halfords** team approach and unite all parts of the business, old and new. The launch of the new colleague values and behaviours which underpin our strategy took place in the first quarter of FY21.

We know that we will only be successful in wowing our customers through engaging the hearts and minds of our colleagues, compelling them to work together, as One **Halfords** Family, to continuously develop and deliver expertise to meet the customers' needs. The values and behaviour framework defines how we expect colleagues across the business to role model our values as they progress their careers with us – from joining as a colleague, to leading others, leading teams, and ultimately leading the business.

Well established technical skills training complements this framework by providing the technical knowledge to support the delivery of our market leading services.

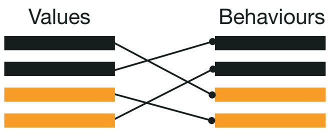
Our values roll-out followed the activity undertaken in FY20 in which 1,300 colleagues from across the group, were involved in developing the framework. The roll-out saw all colleagues across the group attend leader-led workshops. These workshops were followed by the launch of a series of initiatives designed to both fully embed our values and to recognise and reward our values in action, as referenced in the plan that we shared with you last year.

Culture and Values

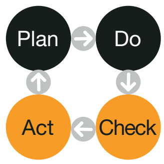
Goals

Create a '**One Halfords**' performance culture where colleagues enjoy working efficiently and effectively together using their skills and expertise to win the hearts and minds of our customers.

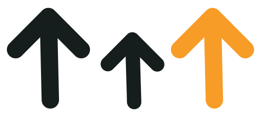
Key Achievements



Work with colleagues across all areas of the business, to define the appropriate values and behaviours for our Group as a whole, that will underpin our forward strategy and build on the language of our purpose and create beliefs that are active and give all our colleagues clear direction.



Create a leader-led roll-out plan that will introduce all colleagues across the Group to the refreshed values which will shape our culture and offer all colleagues clarity and a sense of belonging as part of the One **Halfords** Family.



Integrate our newly defined values into the performance management framework and appropriate elements of the colleague lifecycle.

Outcomes

Customers

- Will have a joined-up experience wherever they shop across the Group

Colleagues

- Engaged colleagues will work together and use their skills and expertise to deliver an excellent and efficient customer experience

Shareholders

- Will benefit from our financial commitments, through the generation of additional profitable sales and a reduction in costs

Initiatives to embed the values included integrating our values and behaviours into our performance review framework, so ensuring a link to pay and reward; as well as the introduction of a values recognition scheme which recognises and rewards colleagues that role model our values. Under the scheme, 243 nominations were received in Q4 of FY21 alone. The success of the roll-out can be measured through data collected in our most recent engagement survey, in which 91% of colleagues confirmed they "know what **Halfords** values are".

This activity was undertaken as part of a broader programme of engagement initiatives, which are referenced in the section below.

Workforce Engagement

Halfords has long established practices of inviting feedback from colleagues across all areas of the business, including holding regular listening groups, appointing and meeting with local colleague engagement ("people") champions, and conducting regular colleague surveys.

This year the disruption arising from the COVID-19 pandemic, which saw the temporary closure of a number of our stores, resulted in a different approach to engagement in the first half of the year, in which we focused on remote engagement and colleague wellbeing. "Supporting colleagues to feel safe and engaged, putting One **Halfords** Family at the heart of everything we do" was positioned as one of our top three business priorities and discussed weekly in colleague huddles across all areas of the business. Additional two-way communication channels were also established, alongside newsletters and videos to facilitate remote engagement. Two full colleague surveys were conducted to invite colleague feedback – with one of these specifically focused on the impact of the pandemic. In H2 a total of 36 listening groups were held across the Group as a whole.

The role of the People Champions, which represent the views of colleagues across the business, has never been more important than during the first half of the year, with meetings used to gauge how colleagues were feeling; inform the programme of engagement and wellbeing activities; and to shape ways of working for colleagues required to work remotely. During the course of the year People Champions were invited to input to broader business initiatives including ESG and reward practice, so gaining an understanding of corporate governance and Executive remuneration.

In addition to the above, the Group has long established grievance and whistleblowing policies that facilitate colleagues' ability to raise any matters of concern more formally, and in total confidence, should the need arise. The Board reviews reports relating to whistleblowing cases and the process is outlined in the Audit Committee Report on page 120. We know from the calls received and the data obtained that a large proportion of the whistleblowing calls received via the helpline are from store colleagues seeking clarification on HR or safety issues, this shows that the process works well as an adjunct to our normal HR processes and ensures we provide the best support we can to our colleagues.

The table below outlines the key culture, values and engagement activities undertaken this year:

FY20

Q4

1,300 colleagues were engaged in defining the new colleague values and behaviour framework. The values and behaviour framework was agreed with the Board and training was rolled out to Senior Leaders.

FY21

Q1

- Roll-out of the values and behaviour framework to all colleagues across the Group commenced.
- "Supporting colleagues to feel safe and engaged, putting One **Halfords** Family at the heart of everything we do" positioned as one of our top three business priorities and discussed weekly in colleague huddles.
- Interim colleague survey conducted (focus on COVID-19 response).
- **Halfords** Here for the Heroes recognition scheme established.

Q2

- Values and behaviour roll-out completed.
- Colleague recruitment and internal performance management frameworks aligned to new values and behaviours.
- Full annual colleague engagement survey conducted (deferred from Q1 due to the pandemic).
- Engagement action planning undertaken.
- Bonusable engagement targets set for Executive Directors and the Executive Committee and approved by the Board.

Q3

- Performance related pay introduced aligned to values.
- Additional investment in colleague engagement, including the introduction of a new colleague experience manager to lead the engagement and diversity and inclusion agenda.
- Here to Help wellbeing scheme launched.
- Listening groups recommenced across all areas of the business (following some COVID-19 disruption in H1).

Q4

- Group values champions selected from all areas of the business.
- Values recognition scheme launched to recognise and reward colleagues that role model our values and behaviours; 243 nominations were received in Q4 from which 12 colleagues of the quarter selected and rewarded.
- Thank you cards introduced to provide immediate recognition for values in action.
- Listening groups remained ongoing with a total of 36 held across the year.

Corporate Governance Report

Board Leadership and Company Purpose

Monitoring Culture

The Board monitors culture on an ongoing basis both formally, and informally, through the outputs of colleague engagement surveys, and through regular listening groups that are held across all areas of the business.

Helen Jones, the Senior Independent Director, with accountability for representing the voice of our colleagues in Board meetings, personally attends many of the listening groups held, alongside other Board and Executive colleagues.

Survey and listening group outputs and associated actions are regularly reviewed by the Board and are incorporated into Executive Directors' and Executive Committee functional engagement plans. As in prior years colleague engagement remains a bonusable objective for this population.

Changes were made to our most recent colleague survey to support us in measuring the success of our values roll-out programme, as referenced earlier, as well as to enable us to collate and analyse engagement scheme outputs through a more detailed and diversity inclusion lens, so informing our broader ESG action plan. Further changes will be made to the survey from FY21 to ensure greater alignment with our new values, beyond the initial launch. We look forward to sharing these changes with you following implementation.

Our more holistic review of the culture of the business in FY20 told us that **Halfords** is a great, collaborative place to work, is engaging and is values led with knowledgeable friendly colleagues that go the extra mile to serve our customers. Our most recent survey confirmed that this remains the case today. Whilst, unsurprisingly, our colleague engagement index dipped slightly to 75% against the backdrop of our implementation of significant in-store changes that enabled us to both safely and successfully trade through the pandemic, our engagement index remains in the upper quartile when compared with external benchmarks.

This review also identified opportunities for us to improve our rituals and routines, control systems and structures to improve our customer centricity through a One **Halfords** team approach. The development and roll-out of the colleague values and behaviour framework in FY21 provided the foundation on which to build broader structural changes in support of this aim.

Q4 of the year saw the implementation of changes to our store structures to better support our strategy, with further alignment across the broader organisation planned for Q1 of FY22. We look forward to sharing a further update with you in our next report.

Engagement with Our Stakeholders

We understand the importance of engagement with all our stakeholders. It is of significant value to our decision making and planning processes and ultimately, the long-term success of the business.

Read more about how we engage with stakeholders on pages 28 to 29.

Section 172(1) Statement

The Chair leads the Board which is collectively responsible for the long-term success of the Company. The Chair's role is to ensure that the Board contains the right balance of skills, diversity and experience, to set the strategy of the Company and oversee the successful execution of it by the business.

A key element of business success is having good corporate governance. **Halfords** has effective frameworks and practices to ensure that high standards of governance, as well as good values and behaviours, are consistently applied throughout the Group.

Case Study

Consultation with Shareholders on Remuneration Policy

The views of our shareholders are very important to the Remuneration Committee and it is our policy to consult with our largest shareholders in advance of making any changes to the Executive remuneration arrangements. The Committee consulted in detail regarding changes made to remuneration in 2020 during FY20 and into the early part of FY21. The final proposals were shaped by the feedback provided.

This process began when we wrote to shareholders in 2020 ahead of our implementation of the 2020 Directors' Remuneration Policy. This policy was largely the same as the previous, but amendments were made to reflect the introduction of the 2018 UK Corporate Governance Code and to align with best practice and shareholder expectations.

This consultation with shareholders also included a proposed change to incentive performance measures to better reflect our key aims at the time, namely our intention to accelerate the growth of the motoring services business by including more focused services-related revenue metrics. We took feedback on board from shareholders who were generally supportive and after some minor changes, settled on our final proposals.

However, soon after we had undertaken this process the impact of the outbreak of COVID-19 on the business became more apparent and the Remuneration Committee took measures to ensure that the remuneration structures best reflected the circumstances of the business. We therefore again wrote to shareholders in early FY21, setting out our plans to change the performance measures under the annual bonus and PSP to ensure that it focused management on the key financial and strategic KPIs which were critical for the business. These amended metrics were subsequently implemented after discussion with shareholders.

Moving forward from the initial impact of the pandemic, we feel we are now able to revert to a more normalised approach to performance measures which are more reflective of our ongoing strategy. Full details are disclosed elsewhere in the report, but we remain committed to ongoing dialogue with shareholders and stakeholders and will continue to consult on any future changes.

The Board considers these as being critical factors for the integrity of the business and in helping to maintain the trust of all stakeholders in **Halfords**.

The full Section 172(1) Statement can be found on pages 30 to 31.

Stakeholder Management

The Board understands the importance of strong relationships with all stakeholders and strongly values their input into its decision making and planning processes. The Board seeks to ensure that engagement with our stakeholders is effective, either by engaging directly or through oversight of the management team. This includes the monitoring of KPIs, such as Customer Net Promoter Score and Colleague Engagement Index. Further, the Board ensured that stakeholder interests were carefully considered in the Company's recent sustainability strategy review, playing a key role in determining our key focus areas for the years ahead.

Directors' and their Other Interests

Details of the Directors' service contracts, and emoluments, as well as the interests of the Directors and their immediate families in the share capital of the Company and options to subscribe for Company shares, are shown in the annual Directors' Remuneration Report on pages 126 to 135.

In line with the requirement of the Companies Act 2006, each Director has notified the Company of any situation in which he or she has, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company (a situational conflict), and a register of these is maintained by the Company Secretary.

All Directors are aware of the need to consult with the Company Secretary should any possible situational conflict arise, so that prior consideration can be given by the Board as to whether or not such conflict will be approved.

Concerns

The Chair seeks to resolve any concerns raised by the Board, whether these arise in a Board meeting or in another forum. Where raised and unresolved in a Board meeting, the unresolved business can be recorded on behalf of a Director in the minutes of the relevant meeting. A resigning Non-Executive Director would also be able to raise any concerns in a written letter to the Chair, who would bring such concerns to the attention of the Board.

No such concerns have been raised throughout the period.

Shareholder Engagement

Key Themes Discussed with Shareholders in FY21

- Resilience of the business and mitigating actions in response to the challenges of the COVID-19 pandemic.
- Progress on our strategy, "To Inspire and Support a Lifetime of motoring and cycling", including our intention to accelerate investment in our Services and B2B businesses.
- The dynamics of the motoring and cycling markets, including our growth opportunities and relative financial returns from each segment.
- Capital allocation priorities, specifically the balance of maintaining a prudent balance sheet, maintaining the dividend and enabling investment for growth.
- Gross and operating margin performance.

The Chair is responsible for ensuring that appropriate channels of communication are established between Directors and shareholders and that Directors are aware of any issues or concerns that major shareholders may have. Regular engagement provides investors with an opportunity to discuss any areas of interest and raise concerns. The Group is eager to make sure that it understands shareholders' views and that it is able to communicate its strategy in the most effective way. The Group engages through regular communications, the Annual General Meeting and other investor relations activity (such as the investor perception study).

Investor Relations Programme

The Group has a comprehensive investor relations ("IR") programme through which the Chief Executive Officer, Chief Financial Officer and the Corporate Finance Director regularly engage with the Company's largest shareholders on a one-to-one basis, to discuss strategic issues and give presentations on the Group's results. Further communication is achieved through the Annual Report and Accounts, corporate website and investor meetings as follows:

- Annual Report and Accounts – this is the most significant communication tool, ensuring that investors are kept fully informed regarding Group developments. Management continually strives to produce a clear and easily accessible Annual Report and Accounts, which provides a complete and transparent picture;
- The corporate website – provides investors with timely information on the Group's performance as well as details of Environmental, Social and Governance activities;
- Management roadshows – allow key investors access to management. These are usually attended by the Chief Executive Officer, the Chief Financial Officer and the Corporate Finance Director; and
- Responding promptly – the Group is committed to responding to any investor-related queries within a short time frame.

Q&A with Helen Jones

Workforce Engagement at a Glance

36
Listening groups held across the Group

25
Local colleague engagement champions appointed

Q. How do you ensure the employee voice is heard on the Board?

A. Reporting to the Board on behalf of colleagues, is a responsibility I take seriously. The Board is committed to ensuring colleagues have a forum where their views, suggestions or concerns will be heard, so I provide that link. In addition to the annual Colleague Engagement Survey, the Company holds listening groups each year. I typically attend around six sessions each quarter, as well as making some informal store visits. In each case, colleagues are actively encouraged to be open and honest in their feedback and I do my best to put them all at ease. I now report quarterly to the Board on the main themes, to include what is working well for colleagues and what the Company should pay particular attention to. In addition we recently started to work with our Colleague Engagement Champions on pay reporting to ensure they have a good understanding of our approach to reward at **Halfords**. We're also inviting them to comment on what we might consider when developing future pay policies for Executives and colleagues across the Group. I attended the initial session and captured some of the early feedback for the Board.

Q. For you, what were the key highlights this year?

A. The main highlights for me were the overwhelmingly positive response to the Company's handling of colleague and customer safety, as a result of the COVID-19 pandemic, and the care taken to ensure everyone felt supported. Being an essential services provider meant that **Halfords** remained open throughout the lockdown period. There were times when this was really challenging for colleagues, but the team spirit fostered as a result, ensuring we were able to keep customers safe and on the move. It was great to see. Listening groups continued, and despite being prevented from meeting in person, we managed surprisingly well using conference calls for **Halfords** Autocentres and Microsoft Teams for Retail.

Q. How do you share outcomes with the wider employee base?

A. All feedback from listening groups is captured in writing and then shared with attendees. The information is logged centrally and 'You Said, We Did' communications are now being shared across the **Halfords** Group through the various platforms. Subsequent listening groups report on actions taken as a result of the feedback and I'm aware that colleagues really value the opportunity to share their views in a safe space.

Q. What areas does the Board want to focus on in future?

A. The Company has committed to an ambitious ESG agenda, to include promoting diversity and inclusion across the Group. In addition, we are working to strengthen our succession plans and our talent pipeline. As we continue to emphasise our services credentials, ensuring we provide the appropriate training to colleagues to deliver expertise across motoring and cycling, remains an absolute priority.

Corporate Governance Report

Division of Responsibilities

Board Composition

At the date of this report, the Board of Directors comprised of six members, namely the Non-Executive Chair, three other Non-Executive Directors and two Executive Directors. The composition of the Board is set out on page 80, and the biographies of each Director, including any other business commitments, are available on pages 76 to 77. The Board believes it has an appropriate balance of Executive and independent Non-Executive Directors, having regard to the size and nature of the business. The Board is responsible for the long-term success of the Company and is committed to ensuring that it provides leadership to the business as a whole, having regard to the interests and views of its shareholders and other stakeholders. It is also responsible for setting the Group's strategy, values and standards. Details of the Group's business model and strategy can be found on pages 08 to 09.

Chair 1
Executive Directors 2
Non-Executive Directors 3

Board Changes

In 2020 David Adams reached nine years tenure, and in accordance with the 2018 UK Corporate Governance Code (the "Code") and best practice, David was due to step down from the Board. Whilst a search for a new Non-Executive Director to replace David commenced at the start of 2020, the search was delayed due to the COVID-19 global pandemic. Given the difficulties created by this, it was announced in the 2020 Annual Report that the Nomination Committee had agreed to extend David's term of appointment until December 2020 and that a new Non-Executive Director would be appointed later in 2020. On 13 August 2020 it was announced that Tom Singer had been appointed as a Non-Executive Director with effect from 16 September 2020 to replace David as Chair of the Audit Committee, allowing for an orderly handover before David left at the end of 2020.

David stepped down as Senior Independent Director at the conclusion of the AGM on Tuesday 15 September 2020 and Helen Jones was appointed in his place.

Board Independence

The Non-Executive Directors bring wide and varied experience to the Board and its Committees. The Code recommends that at least half of the Board of Directors, excluding the Chair, should comprise Non-Executive Directors, who are determined by the Board to be independent and are free from relationships or circumstances which may affect or could appear to affect the Non-Executive Director's judgement. Following a review, the Board considers Helen Jones, Jill Caseberry and Tom Singer to be independent in character and judgement.

The Chair, Keith Williams was considered independent upon his appointment.

Re-election and Election

In compliance with the Code and the Company's Articles of Association, as at 16 June 2021, the following Directors will seek re-election at the 2021 Annual General Meeting ("AGM"): Keith Williams, Helen Jones, Jill Caseberry, Graham Stapleton and Loraine Woodhouse.

Tom Singer will, for the first time at the 2021 AGM, seek election having been appointed on 16 September 2020.

Board Key Responsibilities

The Board is responsible for the long-term success of the Company and is committed to ensuring that it provides leadership to the business as a whole, having regard to the interests and views of its shareholders and other stakeholders. It is also responsible for setting the Group's strategy, values and standards. Details of the Group's business model and strategy can be found on pages 08 to 09.

The Board – Key Responsibilities

The Board is collectively responsible for the long-term success of the Company, with due regard to the views of shareholders and other stakeholders. It provides leadership and direction on the Company's culture, values and purpose; sets the strategic direction; agrees the risk framework and ensures these are managed effectively. The Board is accountable to shareholders for the financial and operational performance of the Group.

A complete list of Matters Reserved for the Board is available on the Company's website www.halfordscompany.com/governance/matters-reserved-for-the-board

Division of Responsibilities

The roles of Chair and Chief Executive Officer are separate and clearly defined, with the division of responsibilities set out in writing and agreed by the Board.

The Chair is responsible for effective leadership, operation and governance of the Board and its Committees. He ensures effective communication with shareholders, facilitates the contribution of the Non-Executive Directors and ensures constructive relations between Executive and Non-Executive Directors.

The Chief Executive Officer is responsible for the management of the Group's business and for implementing the Group's strategy.

The Directors, together, act in the best interests of the Company via the Board and its Committees, devoting sufficient time and consideration as necessary to fulfil their duties. Each Director brings different skills, experience and knowledge to the Company, with the Non-Executive Directors additionally bringing independent thought and judgement. This combination seeks to ensure that no individual or group unduly restricts or controls decision-making.

A formal schedule of matters reserved for the Board is in place and is annually reviewed as referred to above.

To discharge these responsibilities effectively, the Board has a system of delegated authorities, which enables the effective day-to-day operation of the business and ensures that significant matters are brought to the attention of management and the Board as appropriate. It is through this system that the Board is able to provide oversight and direction to the Executive Directors, the Executive Team and the wider business.

Matters specifically reserved for the Board include: strategy and management; corporate structure and capital; investor relations; audit, financial reporting and controls; nominations to the Board; Executive remuneration and certain material contracts.

Director Tenure and Board Succession

Succession planning for the Board is monitored regularly and in particular is considered in detail during the annual evaluation of the Board performance as described on pages 106 and 107. Details of the tenure for all Board members are as follows:

Board Committees

The Board's principal Committees are the Audit Committee, the Nomination Committee, the Remuneration Committee and the Environmental, Social and Governance ("ESG") Committee. Each Committee has its own Terms of Reference which are approved and regularly reviewed by the Board.

On the following pages each Committee Chair reports how the Committee they chair discharged its responsibilities in FY21 and the material matters that were considered.

Following a Committee meeting, the relevant Committee Chair provides a report to the Board. Whilst not entitled to attend, professional advisors and members of senior management attend when invited to do so, as do those Directors who are not formally a member of the relevant Committee. The external Auditor attends Audit Committee meetings by invitation. No person is present at Nomination Committee or Remuneration Committee meetings during discussions pertinent to them. The Company Secretary acts as the secretary to the principal Committees.

Matters which require Board approval between scheduled Board meetings can be approved by a Board Committee, which consists of a minimum of two Directors.

The final wording of market announcements is approved prior to release by a Disclosure Committee which is made up of a minimum of two Directors.

There were two Board Committee meetings and eleven Disclosure Committee meetings during the period.

At Executive level, the day-to-day investment decisions of the Group are approved by an Investment Committee, chaired by the Chief Financial Officer. Similarly, the treasury needs of the Group are managed by the Treasury Committee, chaired by the Chief Financial Officer; the other members of these Executive committees are senior members of the Finance and Treasury teams.

The Board may establish other ad hoc committees of the Board to consider specific issues from time to time. No such committees were formed during the year.

Corporate Governance Report

Division of Responsibilities

Halfords Group plc Board of Directors

Nomination Committee

Key Objectives
To ensure that the Board has the balanced skills, knowledge and experience to be effective in discharging its responsibilities and to have oversight of all governance matters.

Main Responsibilities
Making appropriate recommendations to maintain the balance of skills and experience of the Board by:

- considering the size, structure and composition of the Board;
- considering Senior Management succession plans; and
- identifying and making recommendations to the Board on potential Board candidates.

Chair:
Keith Williams

Members:
Helen Jones
Jill Caseberry
Tom Singer

Audit Committee

Key Objectives
To provide effective governance over the Group's financial reporting processes. This includes the internal audit function and external Auditor. The Committee maintains oversight of the Group's systems of internal controls and risk management activities.

Main Responsibilities

- making recommendations to the Board on the appointment/removal of the external Auditor, and their terms of engagement and fees;
- reviewing and monitoring the integrity of the Company's financial statements, including its annual and interim reports and preliminary results announcements and any other formal announcement relating to its financial performance, and recommending the same to the Board;
- assisting the Board in achieving its obligations under the Code in areas of risk management and internal control; and
- focusing on compliance with legal requirements, whistleblowing, accounting standards and the Listing Rules.

Chair:
Tom Singer

Members:
Helen Jones
Jill Caseberry

Remuneration Committee

Key Objectives
To ensure that a Board policy exists for the remuneration of the Chief Executive Officer, the Chair, Non-Executive Directors, other Executive Directors and members of the executive management.

Main Responsibilities

- recommending to the Board the total individual remuneration package of Executive Directors and members of the executive management;
- approving senior executive remuneration and oversight of remuneration matters generally;
- recommending the design of the Company's share incentive plans to the Board, approving any awards to Executive Directors and other executive managers under those plans and defining any performance conditions attached to those awards;
- determining the Chair's fee, following a proposal from the Chief Executive Officer; and
- maintaining an active dialogue with institutional investors and shareholder representatives.

Chair:
Jill Caseberry

Members:
Helen Jones
Tom Singer

ESG Committee

Key Objectives
To ensure that the Company has an ESG strategy which is aligned with the Company's strategy.

Main Responsibilities

- development of an ESG strategy including the setting of appropriate targets; and
- monitoring progress against key targets and initiatives.

Chair:
Helen Jones

Members:
Jill Caseberry
Tom Singer

Chief Executive Officer

Key Objectives

- responsible for the day-to-day management of the Company;
- develops the Group's objectives and strategy for Board approval;
- creates and recommends to the Board an annual budget and financial plan;
- delivers the annual budget and plan and executes the agreed Group strategy and other objectives;
- identifies and executes new business opportunities and potential acquisitions or disposals;
- keeps the Chair informed on all important matters; and
- manages the Group's risks in line with the Board-approved risk profile.

Executive Committee

Key Objectives

- oversees the creation of customer and commercial strategy, approves marketing and digital creative, monitors performance against the implementation of the commercial plan, and approves investment against strategy;
- acts as the senior steering group for the Transformation Programme, approving and monitoring significant programme spend and monitoring programme risk;
- oversees the Group's risk management framework, providing assurance over risk mitigation and scanning the horizon for emerging risk; and
- approves all Group financial investment.

Chair

Key Responsibilities

- manages and provides leadership to the Board;
- builds an effective and complementary Board of Directors;
- sets the agenda, style and tone of Board discussions;
- facilitates and encourages active engagement in meetings, promoting effective relationships and open communication;
- ensures effective communication with shareholders and other stakeholders;
- ensures that the performance of individuals and of the Board as a whole and of its Committees is evaluated at least once a year, and the results are acted upon;
- acts as an advisor to the Chief Executive Officer;
- meets with the Non-Executive Directors without Executive Directors being present;
- facilitates the effective contribution of Non-Executive Directors; and
- ensures constructive relations between Executive Directors and Non-Executive Directors.

Senior Independent Director

Key Responsibilities

- provides a sounding board for the Chair;
- holds meetings with the other Non-Executive Directors without the Chair at least once a year to appraise the Chair's performance;
- acts as an intermediary for the other Directors;
- attends meetings with a range of major shareholders and financial analysts to listen to and understand their views and concerns; and
- is available to other Directors and shareholders in order to address concerns that cannot be raised through the normal channels.

Non-Executive Directors

Key Responsibilities

- evaluate and appraise the performance of Executive Directors and Senior Management against agreed targets;
- participate in the development of the Group's strategy;
- monitor the financial information, risk management and controls processes of the Group to make sure that they are sufficiently robust;
- meet regularly with senior management;
- periodically visit Group sites, stores and Distribution Centres;
- meet together without the Executive Directors present;
- participate in a training programme, including store visits and updates from management; and
- formulate Executive Director remuneration and succession planning.

Employee Voice Director

Key Responsibilities

- ensures colleague feedback is brought to the attention of the Board to help shape and influence some of the decisions that are taken.

Company Secretary

Key Responsibilities

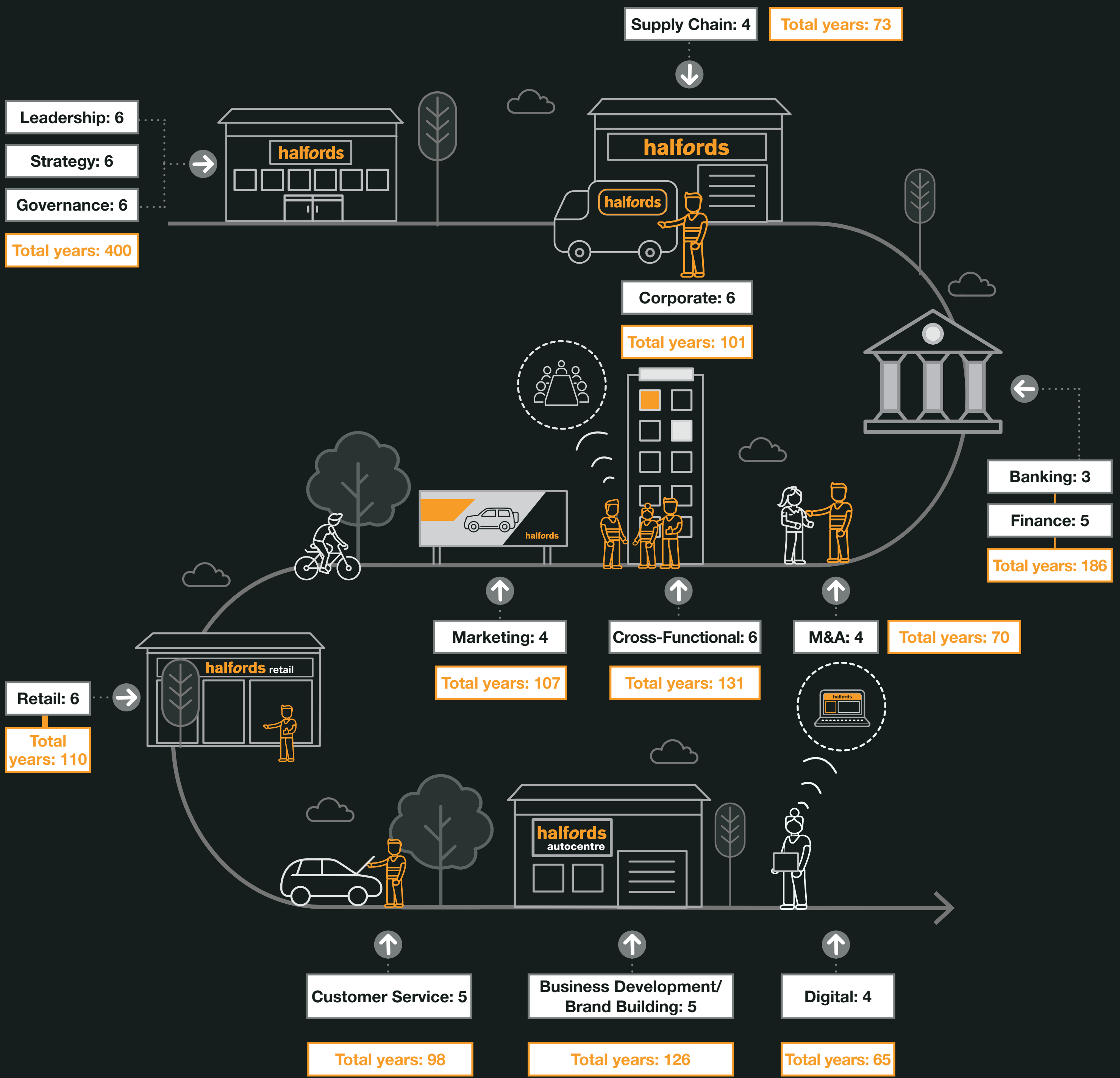
- works closely with the Chair, Group Chief Executive Officer and Board Committee Chairs in setting the rolling calendar of agenda items for the meetings of the Board and its Committees;
- ensures accurate, timely and appropriate information flows within the Board, the Committees and between the Directors and Senior Management; and
- provides advice on Board matters, legal and regulatory issues, corporate governance, Listing Rules compliance and best practice.

Corporate Governance Report

Composition, Succession and Evaluation

A Skilled and Experienced Board

The below graphic illustrates the number of Directors on the Board who have the relevant skills and experience alongside the years' worth of experience combined.



Diversity and Inclusion

The Group recognises the importance of diversity and inclusion, including gender and ethnicity, at all levels of the organisation. The Group's Diversity Policy (the "Policy") is reviewed annually and sets out our commitment to eliminating unlawful discrimination and promoting equality of opportunity. The Policy is applied to the Group, including the Board, and it is considered that the background and experience brought to the Board by each individual Director exemplifies and personifies the Board's commitment to its Policy.

The Nomination Committee keeps under review the composition and diversity of the Board and the capability and capacity to commit the necessary time to the role in its recommendations to the Board. Whilst the Group does not apply a fixed quota on diversity to decisions regarding recruitment, the Nomination Committee considers the Policy and ensures we have a sufficiently diverse Board in terms of age, gender and educational and professional background and that the Board members work together effectively to achieve its objectives. The intention is to ensure the appointment of the most suitably qualified candidate to complement the Board and to promote diversity. Those appointed are deemed to be the best able to help lead the Company in its long-term strategy. At **Halfords** half of the Board is female, which exceeds the recommended target as published by the Hampton-Alexander Review ("Improving Gender Balance in FTSE Leadership") in November 2017, and we are committed to improving ethnic diversity at Board and senior management level with a target of having at least one person of colour on the Board by December 2023. The Board is well placed by the mixture of skills, experience and knowledge of its Directors to act in the best interests of the Company and its shareholders.

Gender

Female 50%

Male 50%

Educational Attainment

Level 7 – Master's degree = 1

Level 6 – Bachelor's degree = 3

Level 5 – Higher National Diploma = 2

Corporate Governance Report

Composition, Succession and Evaluation

Board Evaluation

A formal Board effectiveness review is conducted on an annual basis. This includes an assessment of the Board, its Committees and individual Directors.

FY20	FY21	FY22
External Evaluation by Lintstock	Internal Evaluation	Internal Evaluation

Evaluation Process

Step One	Step Two	Step Three	Step Four
Issued online surveys and cross-surveys to the Board members.	Received and analysed the feedback with the Chair of the Board. The Chair then produced a note of action points to be addressed, which was circulated to the Board members.	The Chair of each Board Committee received the evaluation report in relation to their Committee, and time was arranged to consider the findings and agree an action plan.	Implementation and monitoring of the action plans.

The findings identified by the FY21 internal review are as follows:

Topic	FY21 Outcomes
Board composition	To ensure the Board has the right mix of skills, diversity and experience going forward.
Stakeholder oversight	To have more insight over suppliers and employee voice.
Succession and talent management	To ensure appropriate succession planning for Board and senior management.

The findings identified by the FY20 external review were as follows:

Topic	FY20 Outcomes	Progress Made in FY21
Strategic plan	The Board mentioned that continued delivery and clear reporting of the progress against the delivery plan is essential throughout the year.	The Board was pleased to note that the strategy outlined previously is regarded as correct and appropriate for the Company both in terms of longer-term aspiration and dealing with the COVID-19 pandemic. The Company has focused particularly on One **Halfords** Family (keeping colleagues and customers safe), and costs and efficiency and Organisational Design to ensure optimum performance of the business.
NED programme	The introduction of a NED programme to ensure the best contribution from the NEDs.	The regularity with which the NEDs visit the business (stores, garages, DCs and to attend listening groups). These activities help to ensure the NEDs fully understand the needs of the business.
Quality and structure of Board meetings	The Board highlighted the importance of getting out and about to the different locations around the Group and to split some of the Board and Committee meetings over two days. This would allow more time for location visits and ensure time is available to receive the required number of management presentations.	Despite some changes to the Board schedule due to the impact of COVID-19 which required meetings to be held remotely, the plan to conduct meetings over two days has been progressed. During the period, additional time was made available for committee activity and a separate session was held on strategy.
Quality of Board packs	The Board felt that more focus is required in Board papers to ensure the Board is able to effectively monitor the progress on delivery.	The Board packs (particularly the financial information) have been improved to allow and ensure greater focus on the metrics which are of key importance to the business.
Culture and talent	Being a people-driven, service-based business, the Board felt that a renewed review of our culture was necessary to ensure that it evolves and remains fit for purpose. The Board will also monitor the talent within the business and the implication of appropriate succession planning.	The new Company Values have been agreed and rolled out during the period. These have been well received and engagement has benefited as a result. This has been of particular importance during the COVID-19 crisis which has been challenging from an operational perspective.
Board training	All Board members to update on training they have received.	During the year, Directors have received updates on changes in corporate governance requirements and regular reports on the progress of the Company's Digital Transformation.

Corporate Governance Report

Composition, Succession and Evaluation

Risk Management and Internal Control

The Board is responsible for the Group's risk management processes and the system of internal control. The Board considers its appetite in relation to the Group's risks, determining whether the risks and mitigating actions are appropriate. During the year, the Board conducted a review of significant risks. The Group's principal risks and uncertainties, and mitigating actions, are detailed in the Strategic Report on pages 66 to 72.

The Board has established a continuous process for identifying, evaluating and managing risks faced by the Group and assessing the effectiveness of related controls to ensure an acceptable risk/ reward profile. The Audit Committee considers the principal and emerging risks of the business and reviews the mitigating controls with senior management. During the year, a Risk Committee was formed with Executive Team support. The Committee provides oversight of the development of the risk management framework and also reports to the Audit Committee on regulatory and compliance risk. The Audit Committee uses all forums to discuss the management of risk and adequacy of the control environment with senior management.

The Internal Controls function was also strengthened during 2021, with a number of new colleagues focusing on ensuring the business is ready for prospective changes in the audit environment.

Our process for identifying, evaluating and managing the significant risks faced by the Group and assessing the effectiveness of related controls routinely identifies areas for improvement. The Board has neither identified nor been advised of any failings or weaknesses that it has determined to be material or significant.

The management of risk and review of the internal control environment is a continual process supported by all colleagues. The Board supports the development of risk maturity and a strong control culture and will continue to improve the quality of risk reporting.

IR Calendar Dates for FY20–21

17 June 2021	**FY21 Prelim Results**
8 Sept 2021	**FY22 20-week Trading Update**
8 Sept 2021	**AGM**
10 Nov 2021	**FY22 Interim Results**
13 Jan 2022	**FY22 Q3 Trading Statement**

Annual General Meeting ("AGM")

We aim to encourage our shareholders to receive communications by electronic means, helping to make the Company more environmentally friendly. Information available on the Company's website includes current and historic copies of the Annual Report and Accounts, full and half-year financial statements, market announcements, corporate governance information, the Terms of Reference for the Audit, Nomination, Remuneration and ESG Committees and the Matters Reserved for the Board.

The AGM gives all shareholders the opportunity to communicate directly with the Board and their participation is welcomed. It is the Company's practice to propose separate resolutions on each substantial issue at the AGM. The Chair will advise shareholders on the proxy voting details at the meeting.

We very much hope that we will be able to hold our 2021 AGM in person as we did in 2020, but we will continue to monitor the COVID-19 situation and will have regard to developments over the coming weeks ahead of the meeting.

By order of the Board

Tim O'Gorman
Company Secretary
16 June 2021


halfords

> *The Committee's key objective is to ensure that the Board comprises of individuals with the necessary skills, knowledge, experience and diversity to ensure it is effective.*

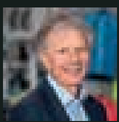
Nomination Committee Report

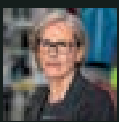
Keith Williams

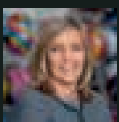
2
Nomination Committee meetings held

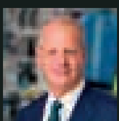
Committee Composition

During the year, the Committee comprised:


Keith Williams


Helen Jones


Jill Caseberry

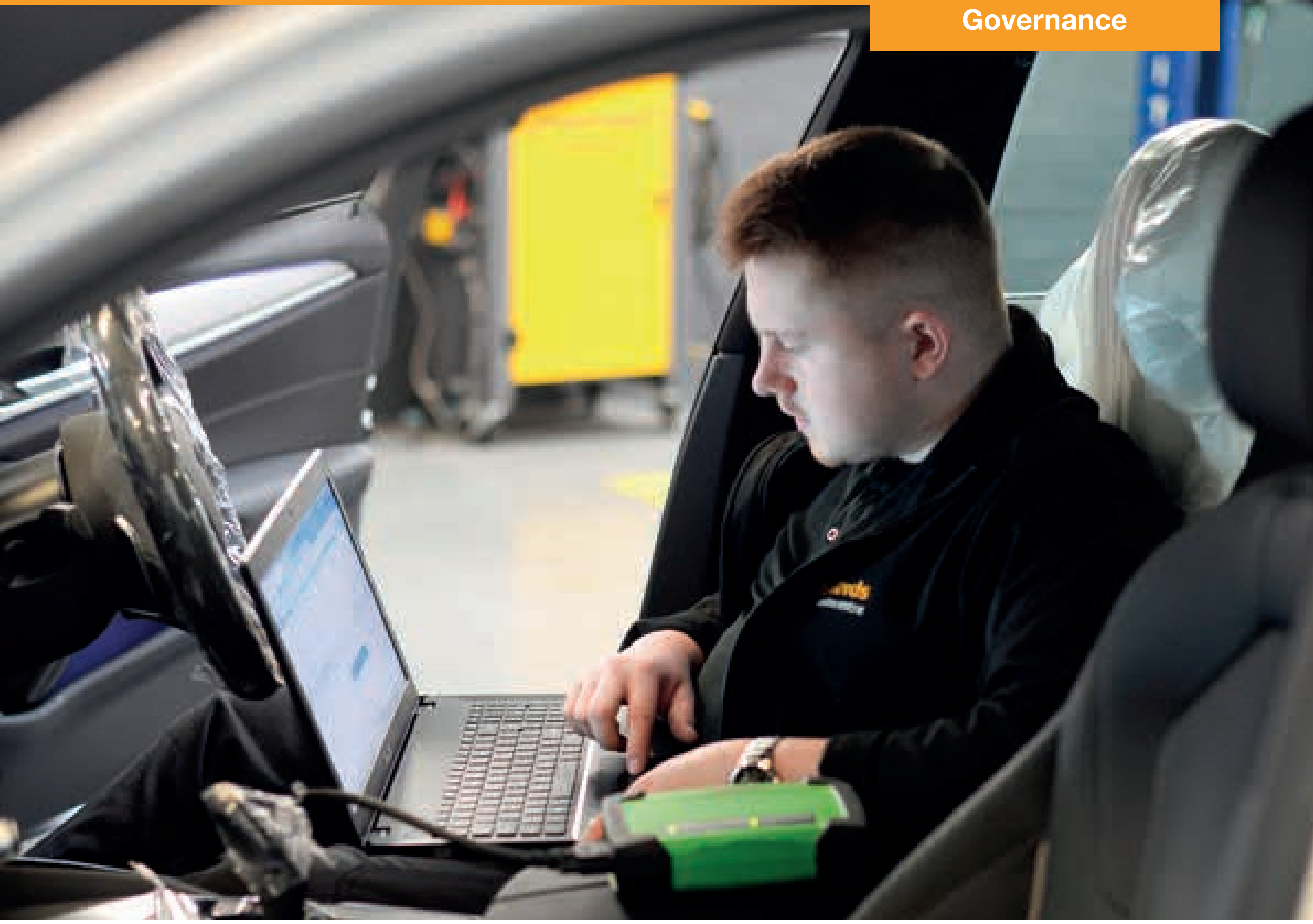

Tom Singer
(appointed 16 September 2020)

David Adams resigned
31 December 2020

Chair's Letter

The Committee's key objective is to ensure that the Board comprises of individuals with the necessary skills, knowledge, experience and diversity to ensure that the Board is effective in discharging its responsibilities. During the year, the Committee successfully secured the appointment of Tom Singer to succeed David Adams as a Non-Executive Director and Chair of the Audit Committee. Tom was appointed on 16 September 2020, is a Chartered Accountant and has recent and relevant financial experience. The Committee also considered the succession arrangements for the Board and its Senior Management Team.

Keith Williams
Chair of the Nomination Committee
16 June 2021



Main Responsibilities of the Committee

- Review the size, structure and composition of the Board and its Committees.
- Ensure plans are in place for orderly succession to the Board and senior management positions.
- Lead the process for appointments by identifying and making recommendations on potential candidates to join the Board.

Activities During the Year

- Successfully completed the recruitment of Tom Singer as David Adams' successor.
- Continued with the progression of the succession and talent development plan, taking into account the recommendations of the Parker Review.
- Reviewed the internal FY21 Board evaluation and subsequent action plan.
- Reviewed the composition of the Board and its Committees.
- Carried out an annual review of the Committee's Terms of Reference.
- Recommended the re-election of the Board at the 2020 Annual General Meeting.

FY21 Key Activities

- Appointment of Tom Singer as Non-Executive Director and Audit Committee Chair and Helen Jones as Senior Independent Director as David Adams' successor.
- Progression of succession and talent development plans.
- Approved the appointment of a permanent Chief People Officer.

Areas of Focus in FY22

- Progression of succession plans for the Board and senior management team.

Nomination Committee Report

The Appointment of Tom Singer

Tom Singer was appointed as Non-Executive Director on 16 September 2020. Tom became a member of the Remuneration, Audit and Nomination Committees upon joining the Board. After a handover period, on 31 December 2020 Tom succeeded David Adams as Chair of the Audit Committee.

"I am delighted to have joined the Halfords' Board and am excited about the business' prospects as it takes advantage of the many opportunities to accelerate future growth."

Tom Singer
Non-Executive Director
Appointed 16 September 2020

Tom Singer's Induction

- Meetings with members of the Senior Management Team and Executive Committee conducted remotely.
- In person Autocentre visits made at the Weybridge and Slough garages, this included HME vans.
- In person Retail store visits made at Slough and Farnborough.
- Tom was due to visit the Washford DC and Tredz DC in Swansea, but these were postponed due to COVID-19 restrictions in the autumn and subsequent winter lockdowns. It is expected that these can be resumed when the COVID-19 restrictions have been lifted.

Q&A

Q. What process did the Committee go through to appoint a new Non-Executive Director?

A. The first step is to appoint an external search consultancy who can identify and approach suitable candidates. Suitable candidates are then interviewed, an offer is made to the successful candidate and the relevant announcement made to the Stock Exchange. A suitable induction programme is then put in place which is tailored to the successful candidate's requirements.

Q. What key attributes were fundamental to the Committee when looking for this role?

A. This appointment was for a Non-Executive Director and Chair of the Audit Committee, and so the successful candidate needed to have recent and relevant financial experience, to ensure compliance with the 2018 UK Corporate Governance Code.

Director Training and Development

All Directors have the opportunity for ongoing development and support via:

- A programme of visits to the Support Centre, Distribution Centres, stores and Autocentres.
- Reviews with the Chair to identify any training and development needs.
- Access to the Company Secretary for advice on governance, regulatory and legislative changes affecting the business or their duties as Director.
- Access to independent professional advice at the Company's expense.
- Membership of the Deloitte Academy, a training and guidance resource for Boards and Directors.

Board Appointments

During the year, David Adams stepped down as Senior Independent Director. As detailed in last year's Annual Report, although David's term of appointment was due to expire in Spring 2020, under Corporate Governance guidelines, David agreed to stay until the end of 2020 to ensure continuity for the Board through the COVID-19 pandemic. In August 2020, it was announced that Tom Singer had been appointed as a Non-Executive Director with effect from 16 September 2020. Odgers Berndtson was appointed as advisor to the Committee in the search for external candidates for this role and this process was led by myself as Chair, together with the Committee. Odgers Berndtson does not have any other connection with the Company.

At the AGM, on 15 September 2020, David stepped down as Senior Independent Director, with Helen Jones appointed to cover this position. David continued to act as a Non-Executive Director until 31 December 2020, when he stepped down fully from the Board, and Tom Singer was appointed to cover the position of Chair of the Audit Committee.

Diversity and Inclusion

The Group's Diversity Policy ("Diversity Policy") sets out **Halfords**' commitment to eliminate discrimination and to encourage diversity and inclusion across the Board of Directors and amongst all colleagues. **Halfords**' Diversity Policy applies to all activities, including its role as an employer and as a provider of services, ensuring that no colleague, potential colleague, customer, visitor or contractor will receive less favourable treatment on the grounds of gender, race, ethnic origin, disability, age, nationality, national origin, sexual orientation, gender reassignment, marital or civil partnership status, pregnancy or maternity, religion, beliefs and social class. The Company does not currently publish specific diversity targets but, in practice, it has created a more balanced and diverse Board and Senior Management Team. Half of the Board comprises of women; 37.5% of the Senior Management Team is female and 34% of their direct reports are women. With regard to ethnic diversity, the Board is committed to improving ethnic diversity at Board and senior management level with a target of having at least one person of colour on the Board by December 2023.

Further information regarding diversity and inclusion can be found on pages 47 and 48.

Board Succession

The **Halfords**' Board considers succession planning each year in respect of both Director roles and the Senior Management Team. Senior Executives have well developed skills and experience to fulfil their roles, and their skills are constantly updated as new challenges arise. A key factor in making better decisions is that the business has a diverse range of Directors, Executives and colleagues. Diversity and gender positions are monitored each year to ensure **Halfords** is able to identify any improvements and benefits.

Looking Ahead

The Strategy of the Company remains on track and the performance during the period has been strong. We will continue to monitor the Digital Transformation and the growth of our garage services business and ensure that the Board has the right mix of skills, diversity and experience to enable this growth to continue.

Keith Williams
Chair of the Nomination Committee
16 June 2021

Board

- Female 50%
- Male 50%

Senior Management Team

- Female 37.5%
- Male 62.5%

Senior Management Team direct reports

- Female 34%
- Male 66%

> A significant achievement this year has been the setting of science-based targets for the Group and I am delighted that we are able to share these in this report.

ESG Committee Report

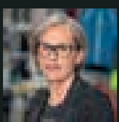
Helen Jones

3

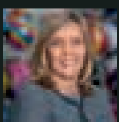
ESG Committee meetings held

Committee Composition

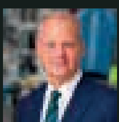
During the year, the Committee comprised:



Helen Jones



Jill Caseberry



Tom Singer
(appointed on 31 March 2021)

Graham Stapleton
(stepped down on 31 March 2021)

Karen Bellairs
(stepped down on 31 March 2021)

Michelle Burton
(stepped down on 31 March 2021)

Andy Randall
(stepped down on 31 March 2021)

The Company's Chair, Keith Williams, whilst not a member of the Committee, attends the meetings upon the invitation of the Committee Chair.

There were three Committee meetings held during the year and after each one, I reported to the Board on the key issues that we covered. I held informal discussions between Committee members and business leaders throughout the year as the need arose.

We are committed to an ESG agenda which aims to exceed our stakeholders' expectations. Building on our strategy announced last year, we are now starting to make meaningful progress.

Chair's Letter

During the year, the Committee conducted a refresh of our ESG strategy recognising the need to fully integrate our ESG commitments into how we do business and aligning with our corporate strategy. We agreed upon the four key areas of priority – Electrification, Net Zero Commitment, Diversity & Inclusion, and Product, Packaging and Waste Management – and developed a roadmap for delivering against these priorities in the short-, medium-, and long-term.

A significant achievement this year has been the setting of science-based targets for the Group and I am delighted that we are able to share these in this report. Setting these targets shows our commitment to reducing our emissions and our determination to achieve our goal of net zero emissions by 2050.

Recognising the significance of ESG within our business, this year we have formalised ESG as an official Committee of the Board, with membership limited exclusively to NEDs.

The Board is committed to improving ethnic diversity at Board and senior management level and during the year we will begin the process of ensuring that the composition of the Board is compliant with the Parker Review into corporate governance.

Main Responsibilities of the Committee

- Oversight and continued development of our ESG strategy.
- Setting KPIs and targets and monitoring progress against them.
- Ensuring the Group continues to meet stakeholder expectations.
- Maintaining the highest possible standards of ethical trading in our supply chain.

Activities Undertaken

During the year, the Committee:

- Created a Steering Group comprising of key ESG stakeholders around the business, with the responsibility of monitoring and ultimately delivering the ESG strategy.
- Evaluated ESG strategies of peer group companies to help inform our thinking.
- Reviewed and agreed upon a set of science-based targets:
  - **Halfords** will commit to achieve a 1.5ºC science-based target across Scopes 1 and 2 by 2030, reducing our emissions by 42% vs. a FY20 baseline.
  - We also commit that 67% of our suppliers by emissions covering purchased goods and services and capital goods will have science-based targets by 2025.
- Approved a Group-wide goal of achieving net zero emissions by 2050.
- Agreed upon a set of key priorities for FY22 and future years:
  - Electrification remains our North Star and we will focus our efforts in this space to meet all our stakeholder expectations.
  - Net Zero Commitment
  - Diversity & Inclusion
  - Product, Packaging and Waste Management
- Reviewed and agreed upon a set of ESG targets and KPIs which were taken to the Remuneration Committee for approval.
- Signed off end-to-end packaging audit.

Further information on ESG around the Group, including environmental details on emissions, can be found on pages 42 to 53 of the Strategic Report.

Looking Ahead

In FY22, our focus will be on making strong progress against our key priorities and maintaining pace with our ESG roadmap. We will ensure we are prepared to report against the TCFD framework no later than the end of this financial year. We will continue to keep in close contact with our stakeholders and review the latest industry expectations to ensure that our ESG strategy remains up-to-date, relevant and fit-for-purpose.

Helen Jones
Chair of the ESG Committee
16 June 2021

Read more about our ESG Strategy on pages 42 to 53.

FY21 Key Activities

- Agreement to set intermediate science-based targets – to achieve a 1.5ºC target across our own operations by 2030, reducing our emissions by 42% vs. a FY20 baseline, and that 67% of our suppliers by emissions will set science-based targets by 2025.
- Approved a Group-wide goal of achieving net zero emissions by 2050.
- Completed a refresh of our ESG strategy including agreement of our four areas of priority: Electrification, Net Zero Commitment, Diversity & Inclusion, and Product, Packaging and Waste Management.
- Development of a roadmap for delivering our ESG strategy over the next 12–18 months.
- Reviewed and agreed upon a set of ESG targets and KPIs which were taken to the Remuneration Committee for approval.

Areas of Focus in FY22

- Continuing to support our customers as they switch to electric, with increased investment in the training of colleagues to service electric modes of transport.
- Implementing measures to make progress against our science-based targets, such as switching to 100% renewable energy.
- Establish D&I baseline data and begin to implement a refreshed Group inclusion policy.
- Pilot the selling of reconditioned products, reducing the use of virgin materials.
- Engaging with suppliers to begin their net zero journey.
- Reporting against the TCFD framework.

The advent of COVID-19 has highlighted the importance of a robust control environment and, accordingly, during the year, the Audit Committee has engaged across a wide number of themes to satisfy itself that the system of risk management and control continued to operate within the challenging external environment.

Audit Committee Report

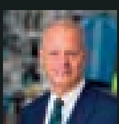
Tom Singer

3

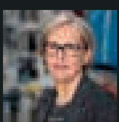
Audit Committee meetings held

Committee Composition

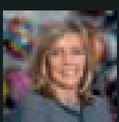
During the year, the Committee comprised:



Tom Singer (Chair)
(appointed 1 January 2021 and as a member 16 September 2020)



Helen Jones



Jill Caseberry

David Adams
(resigned 31 December 2020)

Chair's Letter

I am pleased to present the report of the Audit Committee for the 52 weeks ended 2 April 2021. I was appointed as a Non-Executive Director on 16 September 2020 and became Chair of the Committee on 1 January 2021 on the retirement of David Adams. I would like to thank David for his work as a member and Chair of the Committee and, specifically, for his help and guidance as I was inducted into the business.

This report describes how the Committee has carried out its responsibilities during the year. The Committee reviews financial reporting judgements and monitors risk and the effectiveness of the system of internal control through engagement with executive management, internal audit and the external Auditor.

During the year, the Committee considered a number of key issues, most significantly:

- the impact of COVID-19 on the Group, and specifically whether the business remained a Going Concern;
- the refinancing of the Group's revolving credit facility;
- judgements in respect of M&A and disposal activity in the year;
- the carrying value of investments, tangible and intangible assets;
- the recent BEIS proposals for Audit and Corporate Governance reform, considering the impact on our reporting and control environment;
- the acceleration of our business and financial controls programme;
- the ongoing review of the legal entity restructure across the Group;
- review of the Financial Reporting Council's correspondence in respect of the Annual Report and Accounts for the period ended 3 April 2020; and
- updates to the Group's Tax and Treasury policy in relation to foreign exchange and hedging requirements in light of the evolving Brexit position

Tom Singer
Chair of the Audit Committee
16 June 2021

The advent of COVID-19 has highlighted the importance of a robust control environment and, accordingly, during the year, the Audit Committee has engaged across a wide number of themes to satisfy itself that the system of risk management and control continued to operate within the challenging external environment.

The Committee focused heavily on the impact of COVID-19, specifically ensuring that the application of the Going Concern principle was appropriate. This included a detailed review of the refinancing of the Group's Revolving Credit facility, recommending the proposed structure to the Board.

The Group undertook a number of transactions during the year, including the purchase of The Universal Tyre Company (Deptford) Limited ("Universal") and the closure of a number of stores and garages. The Committee reviewed the accounting treatment of each transaction, ensuring that the necessary accounting judgements made were appropriate.

Prior to and post the financial year-end, the Group started to undertake a legal entity reduction exercise, to simplify the corporate structure. The Committee reviewed the outcome of the restructure, ensuring that distributable reserves were adequate to support future dividend payments.

In March 2021, the Department for Business, Energy and Industrial Strategy (BEIS) published a consultation paper on its proposals for significant reform to UK audit and corporate governance. The Committee discussed the early proposals and, as the consultation develops, will review the implications for the Group and the way in which the Committee operates. Ahead of the consultation, the Group had recognised the likely requirement for an enhanced control environment and an internal team has been set up dedicated to the enhanced documentation and implementation of robust processes and controls. The Committee will continue to monitor progress in this regard.

Finally, the Committee reviewed the company's principal risks, ensuring that robust risk mitigation was in effect during the year and that emerging risks were identified and flagged appropriately.

I would like to thank the members of the Committee, the management team and our external Auditor for the open discussions that take place at our meetings and their

FY20/21 Key Activities

- Carried out our responsibilities as set out in the Terms of Reference, including reviewing the external reporting to ensure it is fair, balanced and understandable.
- Reviewed the accounting policies and judgements made in applying IFRS16 on leases.
- Reviewed the accounting treatment associated with the acquisitions and disposals made during the year.
- Reviewed and challenged the Longer-Term Viability Statement and Going Concern basis of preparation in advance of approval by the Board, including a review of the carrying value of goodwill in response to the ongoing COVID-19 pandemic. This assessment was inclusive of stress testing to ascertain the level of headroom in the plans against possible covenant breach.
- Reviewed and approved a legal entity restructure designed to simplify the Group structure.
- Reviewed and challenged the external Auditor's year-end and half-year reports.
- Reviewed the statement of external Auditor's independence.
- Approved the non-audit fee policy.
- Reviewed key and emerging risks and the effectiveness of the Group's risk management framework.
- Reviewed and challenged progress of the Internal Audit plan and received regular updates on internal control systems.
- Reviewed and approved the Internal Audit Charter.
- Received an update on the Group's GDPR and compliance, and on health and safety matters.
- Reviewed and approved the Group's tax strategy and arrangements.
- Reviewed and approved the Committee's updated Terms of Reference.
- Reviewed and approved the external Auditor's audit strategy and fees.
- Reviewed and challenged the effectiveness of the Group's whistleblowing procedures and approved the Group Whistleblowing Policy.
- Reviewed and approved the Anti-Money Laundering Policy.
- Received regular updates on the Gifts and Hospitality register.
- The Group received a letter on 8 January 2021 from the Financial Reporting Council (FRC) noting it had carried out a review of the Annual Report and Accounts for the year ended 3 April 2020. The letter raised some specific queries in regards to cash flow reporting relating to leases and classification of provisions for closure costs. This was followed up by a letter received on 26 February 2021 raising further queries on the classification of provisions for closure costs and impairment testing and related estimation uncertainty. As a result, the Group has added additional disclosures within the accounts with regards to the classification of provisions for closure costs in the prior year and sought to improve its goodwill impairment disclosures and description of certain critical accounting estimates. The Group recognises that the FRC's review was solely based on a review of its Annual Report and Accounts for the year ended 3 April 2020 and did not benefit from detailed knowledge of the Company's business or an understanding of the underlying transactions. As a result, the review did not provide any assurance that the Company's Annual Report and Accounts are correct in all material respects.

Audit Committee Report

Area of Focus

- Continue to monitor the impact upon the Group's Viability and Going Concern in response to the ongoing impact of the COVID-19 pandemic.
- Continued emphasis on the quality of financial reporting, including the application of accounting judgements.
- Maintain focus on the adequacy of the control environment and further development of the risk management framework, focused on complying with the outcome of the BEIS recommendations on audit and governance.

contribution and support during the year.

Member	Role	Attendance
Tom Singer	Chair	2/2
Helen Jones	Member	3/3
Jill Caseberry	Member	3/3
David Adams	Chair	2/2

Three scheduled Committee meetings were held during the year and attended by all members. After each Committee meeting, the Audit Committee Chair reported to the Board on the key issues discussed.

Although the Company Chair, CEO and CFO are not members of the Committee, they do attend meetings regularly and so contribute to the work of the Committee, assisting with the fulfilment of its oversight functions.

Membership and Remit of the Audit Committee

During the year, the members of the Audit Committee were considered to be independent Non-Executive Directors.

Tom Singer was appointed as Chair of the Audit Committee on 1 January 2021, taking over from David Adams. Tom is a Non-Executive Director of Mediclinic International plc and was, until recently, the Senior Independent Director and Chair of the Audit and Remuneration Committees at DP Eurasia NV. Previously, Tom served as CFO of InterContinental Hotels Group plc and Group Finance Director of British United Provident Association ("BUPA"), and, as such, is considered by the Board to have recent and relevant financial experience to chair the Committee. Each of the other independent Non-Executive Directors has, through their other business activities, significant experience in financial matters. The Audit Committee is considered to have competence relevant to the sector in which the Company operates. The effectiveness of the Audit Committee is reviewed at least annually through discussions at the Board and Audit Committee and through a formal Board survey.

The Company's Chair, Executive Directors, senior managers and key advisors are invited to attend meetings, as appropriate, in order to ensure that the Committee maintains a current and well-informed view of events within the business and reinforce a strong risk management culture. The Audit Committee meets according to the requirements of the Company's financial calendar. The meetings of the Audit Committee also provide the opportunity for the independent Non-Executive Directors to meet without the Executive Directors present and to raise any issues of concern with the internal audit team and external Auditor. There have been three such meetings in the period ended 2 April 2021 and nothing of note was reported.

Principal Responsibilities

Financial Reporting

- Review the interim and final financial statements of the Group and assess whether appropriate suitable accounting policies have been adopted, and whether management has made appropriate estimates and judgements. Assess the appropriateness of disclosures in the Annual Report and Accounts and ensure that it is fair, balanced and understandable.

Risk and Control Environment

- Assist the Board in achieving its obligations under the UK Corporate Governance Code in areas of risk management and internal control, focusing particularly on compliance with legal requirements, accounting standards and the Listing Rules.
- Review the risk management framework and the principal risks and mitigation strategies, including the investigation of fraudulent activity.

Internal Audit

- Review reports from Internal Audit on developments in the internal control framework to ensure that an effective system of internal financial and non-financial control is maintained on an ongoing basis.

External Audit

- Make recommendations to the Board on the reappointment of the external Auditor, including on effectiveness, independence, non-audit work undertaken (against a formal policy) and remuneration.

Policies

- Approve a formal Whistleblowing Policy whereby colleagues may, in confidence, disclose issues of concern about possible malpractice or wrongdoings by any of the Group's businesses or any of its employees without fear of reprisal, including arrangements to investigate and respond to any issues raised.
- Approve the Company's systems and controls for the prevention of bribery and corruption, including the receipt of any reports on non-compliance.
- Approve the Group's Tax Policy and published tax strategy.
- Approve the Group's Treasury Policy, including foreign currency and interest rate exposure.

The Audit Committee has reviewed its Terms of Reference and its composition during the year and believes that both remain appropriate.

Copies of the full Terms of Reference are available on the Company's website or on request from the Company Secretary.

The Terms of Reference for the Committees are available at www.halfordscompany.com/investors/governance

Matters Considered in Relation to the Financial Statements

In order to discharge its responsibility to consider accounting integrity, the Committee carefully considers key judgements applied in the preparation of the consolidated financial statements which are set out on pages 148 to 153.

The Committee has considered the following key accounting judgements during the year:

Impairment of Goodwill Associated with the Group's Retail and Car Servicing Cash Generating Units (CGU):

- Following a number of business combinations across both CGUs, the Group holds significant goodwill. There are a number of factors that could impact on the future profitability of the business (e.g. loss of key customers, change in market behaviour) and, therefore, there is a risk that the business may not meet the growth projections necessary to support the carrying value of the intangible asset (see Note 11 on page 173 to 174 of the Financial Statements); and
- The Audit Committee has received detailed reports from **Halfords**' finance team and reports from the external Auditor addressing this issue. The finance team has undertaken detailed work to consider the impairment of goodwill associated with the CGUs. Consideration has been given to ensuring that cash flow models, discount rates, sensitivity analysis and store and centre profitability are all reasonable. It was concluded that no impairment is required. The Committee concluded that it is satisfied with the accounting treatment of impairment of goodwill.

Valuation of Inventory Within the Retail Division:

- With the business holding a wide range of stock and changing consumer demands, some lines will not be sold or will be sold at below the carrying value. Provisions are made to reflect this. Given the difficulties in forecasting market trends, there is a risk that inventory provisions made will be inappropriate or incomplete (see Note 15 on page 177 of the Financial Statements). Management has fully reviewed the inventory provision in the current year, with particular regard to the impact of COVID-19 and the effect this has had on differing stock categories, and believe the level of provisioning is appropriate. Range reviews are regularly undertaken to ensure that all discontinued inventory is identified; and
- The Audit Committee has received detailed reports from **Halfords**' finance team addressing this issue. The finance team has undertaken detailed work around the valuation of inventory within the Retail division. After consideration of the accuracy of the provisioning model, the completeness and accuracy of range reviews, and the reflection of these reviews within the provisions, the Committee concluded that it is satisfied with the accounting treatment of the valuation of inventory.

IFRS 16 'Leases'

The Group initially applied IFRS 16 Leases as at 30 March 2019. The work to collect the relevant data, implement a new accounting system and agree the appropriate adoption method, accounting policies and disclosures has been significant. During both the previous and current period, the Committee and external Auditor received regular updates to ensure that the Committee reviewed all aspects of IFRS 16 adoption and application and is satisfied that the methodology used, and the judgements and assumptions applied, are fair and reasonable. A number of adjustments have been required this year, these have been reviewed by the Audit Committee.

Group Reorganisation

The Group has undergone a review of its legal entity structure, with the primary objective of eradicating a dividend block arising in some of the intermediate holding legal entities across **Halfords** Group. This has resulted in streamlining the Companies across the Group and the first stage of the reorganisation has been accounted for in the plc accounts as at 2 April 2021.

Non-underlying Costs Related to the Closure of Non-Profit Making Stores and Centres

Following the strategic review of the Group's stores and centres, the decision was made to close 40 stores across the Retail business and 15 centres across the Autocentres business. The Committee reviewed the treatment of the costs related to these closures and is satisfied with the estimation of all associated costs and their relevant inclusion as a non-underlying item for the period.

External Auditor

BDO UK LLP present their audit plan, risk assessment, and audit findings to the Committee, identifying their consideration of the key audit risks for the year, and the scope of their work. These reports are discussed throughout the audit cycle.

Audit Committee Report

Effectiveness of External Audit

The effectiveness of the external audit is considered throughout the year through, amongst other factors: assessment of the degree of the audit firm's challenge of key estimates and judgements made by the business; feedback from any external or internal quality reviews on the audit; and the wider quality of communication with the Committee.

During the year, the FRC conducted an Audit Quality Review of BDO's audit of the Group financial statements for the year ended 3 April 2020. The resulting assessment was "Limited improvements required", with no key findings. The Audit Committee has reviewed the FRC report and supports the actions proposed by BDO.

In addition, at its meeting in March 2021, the Committee reviewed the External Audit Planning document prepared by BDO. Following this, the Committee concluded that:

- The overall audit approach, materiality, threshold, and areas of audit focus were appropriate to the business; and
- The audit team possessed the necessary quality, expertise and experience to provide an independent and objective audit.

Approach to Appointment or Reappointment

BDO UK LLP was appointed as external Auditor to the Group in 2019 following a formal tender process. The Audit Committee considers that the relationship with the Auditor is working well and is satisfied with its independence, objectivity and effectiveness and has not considered it necessary to require BDO UK LLP to re-tender for external audit work this year. The Audit Committee has recommended to the Board, for approval by shareholders at the Annual General Meeting on 8 September 2021, the reappointment of BDO UK LLP as external Auditor. The Audit Committee monitors, and will continue to comply with, best practice and external guidance in respect of the frequency of audit tenders.

Approach to Safeguarding Objectivity and Independence if Non-Audit Services are Provided

The Audit Committee has established a policy to ensure that any non-audit services delivered by the external Auditor will not jeopardise objectivity and independence. The policy is consistent with the Ethical Standards for Auditors.

The policy specifies:

"The external Auditor can be used to provide non-audit services subject to any non-audit engagement proposal provided by the external Auditor being formally approved by the Audit Committee before contractual arrangements are entered into, except for activities set out in a list of prohibited activities. Other than for these, for each separate service proposed to be provided by the external Auditor, the Group Chief Financial Officer will prepare a note either to be tabled and minuted at an Audit Committee meeting or to be circulated via email to the Audit Committee members and the Chief Executive Officer giving a description of the work to be undertaken, the reasons why the external Auditor is involved in the proposal and how objectivity and independence has, and is seen to be, safeguarded.

In addition, the fees for any proposal for non-audit services will not exceed 70% of the three-year average statutory audit fees when taken into consideration with total fees for non-audit services already committed in the financial year.

Consent is required from the Audit Committee Chair, on behalf of the Audit Committee, before the external Auditor can be engaged for non-audit services."

In addition, the external Auditor follows its own ethical guidelines and continually reviews its audit team to ensure that its independence is not compromised.

An analysis of the fees earned by the external Auditor is disclosed in Note 3 on page 167 to the Financial Statements.

Role and Effectiveness of Internal Audit

Internal Audit follows an annual risk-based programme of audits to review the effectiveness of the control environment. The Audit Committee reviews the annual audit programme for coverage and may revise it according to changing business circumstances or requirements. The Audit Committee ensures that there are sufficient resources to undertake the audit programme.

The Head of Internal Audit attends each Committee meeting, providing a summary of audit findings and an update on progress against the plan. The Committee also reviews the status of implementation of audit recommendations ranked by age and level of risk to the business. All internal audit reports are shared upon completion with the external Auditor. During the year, internal audits were carried out on AEO compliance (Authorised Economic Operator), Goods For Resale expenditure controls, **Halfords** for Business, Cycle to Work, Insurance and IT General Controls.

Alongside the Internal Audit programme, the team also continued to drive the Group's risk management framework, with key areas of progress outlined below. Internal Audit reports to the Chief Financial Officer but maintains direct and regular communication to the Audit Committee Chair outside of Committee meetings.

The Audit Committee is satisfied that the Internal Audit team has the quality, experience, and expertise appropriate for the business.

Whistleblowing

A Whistleblowing Policy and procedure (the "Policy") enables colleagues to report concerns on matters affecting the Group or their employment, without fear of recrimination. Posters publicising whistleblowing channels are distributed to all stores, Autocentres, Distribution Centres and the Support Centre.

The Policy was reviewed and approved by the Audit Committee and the Company Secretary provides the Audit Committee with a regular summary of whistleblowing contacts and resolutions.

Anti-Bribery and Corruption Policy

The Group's Anti-Bribery and Corruption Policy statement reinforces that the **Halfords** Board is committed to conducting its business affairs in a way that ensures it does not engage in or facilitate any form of corruption. It is **Halfords**' policy to prohibit all forms of corruption amongst its colleagues, suppliers and any associated parties acting on its behalf. The Group has a detailed Anti-Bribery and Corruption Policy and maintains a Gifts and Hospitality Register. Anti-bribery expectations are set out in standard purchasing terms and conditions. Face-to-face and online training has been provided to colleagues to raise awareness of anti-bribery and corruption legislation.

The Audit Committee has requested that anti-bribery and corruption safeguards are periodically reviewed by Internal Audit.

Internal Control and Risk Management

The Board is responsible for the Group's risk management processes and the system of internal control. The Audit Committee contributes to this purpose by providing oversight and challenge to the Group's risk management framework. A newly formed Executive Risk Committee reports to the Audit Committee on the risk management framework, providing insight on principal and emerging risks, risk appetite and ongoing updates on regulatory and compliance risk.

At each meeting during the year, the Committee received a presentation on the Group's control framework in preparation for changes in the UK's governance and reporting.

Further details of the Group's internal control and risk management framework are set out on pages 66 to 72.

CMA Order 2014

Statement of Compliance

The Group confirms that it was compliant with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 during the financial year ended 2 April 2021.

Tom Singer
Chair of the Audit Committee
16 June 2021

> *We are pleased to have achieved such strong performance.*

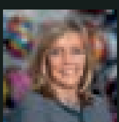
Remuneration Committee Report

Jill Caseberry

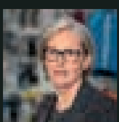
7
Remuneration Committee meetings held

Committee Composition

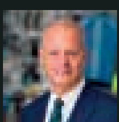
During the year, the Committee comprised:



Jill Caseberry



Helen Jones



Tom Singer
(appointed 16 September 2020)

Keith Williams
(stepped down as a member on 22 March 2021)

David Adams
(Resigned 31 December 2020)

Chair's Letter

Dear Shareholder

On behalf of the Remuneration Committee, I am pleased to present the Remuneration Report for the financial period ended 2 April 2021.

The Report consists of three sections:

- A summary of the pay outcomes for FY21, and our approach for FY22;
- A summary of our Directors' Remuneration Policy – The Company's Directors' Remuneration Policy (the "Policy") was approved at the 2020 Annual General Meeting. A copy of our full Policy is available on our website; and
- The annual Directors' Remuneration Report – this summarises the remuneration outcomes for FY21 and explains how we intend to apply the Remuneration Policy in FY22.

2020 Directors' Remuneration Policy

At the 2020 AGM we put forward our Directors' Remuneration Policy (the "Policy") to shareholders. The policy was largely the same as the 2017 Directors' Remuneration Policy however the Committee made a number of changes to reflect the introduction of the 2018 UK Corporate Governance Code (the "Code") and to align with best practice.

We were pleased that over 97% of shareholders voted in support of the policy and the Committee believes it remains appropriate in supporting the Company's execution of the strategy and long-term shareholder value creation. As a result, no changes have been made to the Policy and accordingly, we are not seeking approval for a new Policy this year.

Performance in the Year

Against the backdrop of one of the most disrupted trading environments in recent history, we are pleased to have achieved such strong performance. Although we have continued to experience challenges across the year, overall performance has been stronger than was initially anticipated across the business, and full year underlying profit before tax at £99.5m (post-IFRS 16) is higher than expected at the start of the year and represents an increase of 85.6% on the prior year. As a result, the Board took the decision to repay in full £10.5m of support received under government furlough schemes, and reported profit is after this repayment.

Furthermore, despite journeys being 25% below pre-pandemic levels, our Autocentre business has continued to demonstrate signs of growing market share, with strong demand for both our garage business and **Halfords** Mobile Expert vans. Cycling has also seen exceptional growth over the year and is up 54% LFL.

This performance has not been without its challenges. Although designated a key retailer, at points through the year we were significantly impacted by lockdown changes with our stores often only able to open on a collection only basis. Furthermore, there was considerable supply disruption which remains at sub-optimal levels.

The safety of our colleagues and customers has remained our number one priority throughout and whilst we were subject to greater costs and challenges in keeping our stores safe, we were pleased to maintain high NPS and colleague engagement scores.

I would like to take this opportunity to thank all our colleagues for their work, and due to their efforts, not only have we achieved great results against this backdrop but throughout the crisis, we were privileged to have been able to offer free checks and discounts to 480,000 NHS workers, teachers and Armed Forces staff to help them keep their vehicles safe and roadworthy.

As restrictions continue to ease, we look forward to continuing our progression in our key areas of strategic focus with a renewed emphasis on increasing services related revenue, whilst continuing to deliver value for shareholders. This approach has been reflected in our performance measures for FY22 as I outline below.

Remuneration in the Year

For FY21, to ensure that management focused on the key financial and strategic KPIs that were critical for the business during a period of great uncertainty, the bonus was based on underlying Group profit before tax – 15%, Net debt – 30%, Cost reduction – 25%, Operating Cash Flow – 7.5% and 22.5% based on strategic metrics (NPS, Employee Engagement and Digital Sales). Full details are available on page 127.

As a result of the strong performance in the year, the annual bonus paid out at 92.5%of maximum. Consistent financial metrics were applicable across all central bonus schemes.

The 2018 Performance Share Plan ("PSP") also performed strongly with vesting at 84.9%. Both our EPS and Free Cash Flow vested in full whilst revenue was at 39.8% of maximum.

The Committee supports shareholder sentiment that outcomes should reflect the experience of the company, stakeholders and colleagues. Therefore, as is the case every year the Committee also evaluated performance in the round against a range of factors to assess whether the level of annual bonus and PSP payout was appropriate.

In addition to the results discussed above, the Committee considered that the Company had made the decision to repay in full £10.5m of furlough support received, the strong performance of the share price in the year (+260% based on a one month average to the start and the end of the financial year), that PBT was up by 85.6% from FY20 and the continued support of colleagues, with engagement remaining upper quartile when compared externally and £2.3m invested in-year in rewarding front line colleagues for their support during the pandemic.

Therefore, given the key role that the CEO and CFO played in implementing the strategy and managing the operation of the business amid such challenging circumstance to produce these results the Committee felt that the pay out of incentives was appropriate. As a result, the Committee determined that no changes needed to be made for the formulaic outcome and the pay-outs were approved.

Remuneration for FY22

In light of the impact of the COVID-19 pandemic on the business and the wider economy, the Committee re-assessed our approach to assessing performance for the annual bonus and PSP 2020/21 and sought to ensure that pay reflected the current circumstances of the business and the experience of our shareholders.

In the annual bonus the Committee broadened the range of financial measures targeted to reflect our critical priorities of cost reduction as well as debt and cash management. Under the PSP we increased the weighting on relative TSR in light of the uncertainty around financial target setting and to ensure that outcomes aligned with the shareholders' experience. We also increased the weighting on Free Cash Flow to ensure focus on the management of our cash position during this critical period.

In 2019 we set out our intention to accelerate growth of the motoring services business and to generate higher and more sustainable financial returns for shareholders.

As we progress from the initial impact of the pandemic, we feel we are now able to revert to a more normalised approach to performance measures which are more reflective of our ongoing strategy. Further detail is set out below.

Annual Bonus

For FY22 the performance measures for the annual bonus will be as follows: 50% underlying Group PBT; 15% Group revenue; 15% operating cash flow; 5% Group NPS; 5% Group services-related sales; 5% colleague engagement and 5% ESG.

This represents an increase in the weighting of PBT, and the cash flow metric and includes a new Group revenue metric. Both net debt and cost reduction have now been removed. To assist in implementing the new strategic priorities of the business we have replaced digital sales with Group services-related sales and to reflect best practice, we will also incorporate a new ESG metric.

PSP

Similarly, under the PSP, although uncertainties in the market outlook remain, we have reviewed the measures and weightings and now feel we can revert to measures and weightings that are best positioned to support our ongoing strategy as we move away from the initial impact of the pandemic. We have therefore reduced TSR to 30% (from 40%) and increased EPS growth to 50%. Group services-related sales will increase to a 20% weighting reflecting our ongoing focus on accelerating the growth of the motor services business. Free Cash Flow has been removed as a performance measure as the Committee considered that this was no longer appropriate in the context of our enhanced investment plans.

The PSP will be weighted towards EPS growth which the Committee considers incentivises management to both grow revenue and manage cost in a balanced way.

Additionally, given our continued focus on increasing services related revenue the Committee considered that it was appropriate to increase the weighting of this metric whilst relative total shareholder return is included to ensure that PSP outcomes are aligned with the value we have returned to our shareholders relative to our key retail peers.

The Committee sees these metrics as a good balance of reflecting the shareholder/ stakeholder experience, ensuring a renewed focus on profit performance whilst helping to drive forward the success of our current strategy.

There will be no changes in incentive opportunities for FY22 with the maximum annual bonus remaining at 150% of base salary and the PSP remaining at 200% of base salary.

Concluding Remarks

I hope that you find the report clear, transparent and informative. The Committee has sought to promote a remuneration environment that strongly aligns the commercial direction of the Group with the interests of shareholders, whilst reflecting best practice developments and market trends.

I look forward to your support on the 2020/21 annual Directors' Remuneration Report at the Annual General Meeting.

Jill Caseberry
Chair of the Remuneration Committee
16 June 2021

Remuneration Committee Report

Directors' Remuneration Policy Summary Report

Our Directors' Remuneration Policy was approved by shareholders at the 2020 AGM. The full Policy is available on the Company's website, but as context for the rest of this report, the main elements of the Policy, as well as how the Policy was implemented during the year and how it will be implemented for FY22, are summarised below:

Elements	Objective	Key features	Implementation in FY21	Implementation in FY22
Base salary	To attract and retain management of a high calibre.	Reviewed annually with increases effective from 1 October. Maximum salary increases generally in line with wider employees.	Graham Stapleton: £565,530 Loraine Woodhouse: £362,720 Increased by 1.8% in line with the increases awarded across the wider workforce with effect from 1 October 2020.	Salaries will next be reviewed with effect from 1 October 2021 and it is expected that any increase will be in line with the increase received for the wider workforce.
Benefits	Provide market competitive benefits consistent with the role.	Set at an appropriate level taking into account the individual's circumstances, market practice and other employees in the Group.	Executive Directors received benefits in relation to a car plus fuel or a cash allowance, private health insurance, life assurance.	No changes proposed.
Pension	To provide individuals with retirement arrangements.	Directors eligible for defined employer contribution, payments into a personal fund and/or a cash allowance in lieu of pension. Total contribution capped at 15% of salary for each of the Executive Directors in role on 31 March 2019. Contributions for Executive Directors in role will be aligned with the maximum employer pension contribution available to the majority of the workforce from 1 April 2023.	Executive Directors received cash allowances of 15% of salary.	Current Executive Directors: 15% of salary. 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.
Annual bonus	Incentivise the achievement of annual financial targets and key strategic objectives.	Maximum opportunity of 150% of salary with one-year performance period. One-third of any award is deferred into shares for three years. Malus and clawback provisions apply.	Based on 77.5% financial measures and 22.5% delivery of strategic measures (full details on page 127). Both financial and non-financial performance was strong in the year and the bonus paid out at 92.5%.	Maximum: 150% of salary. For 2021/22 measures will be 80% financial: • Underlying Group PBT (50%), • Group revenue (15%) • Operating cash flow (15%) 20% non-financial measures • Group NPS (5%) • Group services-related sales (£m) (5%) • Group Colleague Engagement (5%) • ESG metric (5%)

Elements	Objective	Key features	Implementation in FY21	Implementation in FY22
Performance Share Plan	Align Executive Directors' interests with those of our shareholders by incentivising them to deliver the Company strategy and to create a sustainable business and maximise returns to shareholders.	Maximum opportunity of 200% of salary. Three-year performance period. Two-year holding period after vesting. Malus and clawback provisions apply.	Graham Stapleton and Loraine Woodhouse were granted awards of 200% of salary in the year. Awards granted in October 2020 were based on: • EPS growth 20% • Group service-related revenue 10% • Free Cash Flow 30% • Relative TSR vs the FTSE All Share General Retailers Index 40% Targets are disclosed on page 128.	Executive Directors will have a maximum opportunity of 200% of salary for FY22. FY22 awards will be based on: • EPS growth 50% • Group services-related sales 20% • Relative TSR vs the FTSE All Share General Retailers Index 30%
Shareholding guidelines	Align individuals with shareholders.	Executive Directors are expected to build and retain a shareholding with a value equal to at least 200% of their annual base salary. Expectation that 75% of any post-tax shares that vest from incentive plans are retained until the guideline is met. Executive Directors will normally be expected to maintain a minimum shareholding of 200% of salary (or actual shareholding if lower) for two years following stepping down as an Executive Director.	Executive Directors were subject to a 200% of salary shareholding guideline.	No change.

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 140 to 147, as specified by the UK Listing Authority and the Regulations.

Committee Composition

During the year the Committee consisted of:

Jill Caseberry (Chair)
Helen Jones
Tom Singer (appointed 16 September 2020)
Keith Williams (stepped down as a member on 22 March 2021*)
David Adams (resigned 31 December 2020)

* On 22 March 2021, Keith Williams stepped down as a formal member of the Remuneration Committee but he continues to attend as part of his role as Chair of the Board.

Seven scheduled Committee meetings were held during the year and were attended by all relevant members at the time of the meeting. 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.

Remuneration Committee Report

Activities During the Year

During the year, the Committee has:

- prepared the revised Directors' Remuneration Policy which was submitted to shareholders for approval at the 2020 AGM;
- reviewed and approved the Directors' Remuneration Report published in the FY20 Annual Report and Accounts;
- considered the approach to reward in light of COVID-19 including the impact on all employee pay and wider remuneration;
- discussed and approved incentive outcomes for FY20;
- approved grants under the Performance Share Plan ("PSP"), the Restricted Management Share Plan ("MSP") (to senior managers below the Board) and the Sharesave Scheme ("SAYE");
- carefully considered expected pay-outs for FY21 in the context of the impact of COVID-19 on the business, the experience of shareholders and wider stakeholders, in particular employees;
- considered the approach to implementing remuneration policy for FY22, including setting Executive Director salaries from 1 October 2020 and reviewing performance measures, and considering the approach to performance measures and setting for FY22 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 particularly within the context of COVID-19; and
- reviewed and approved the appointment of remuneration advisors.

Advisors and Other Attendees

During the year, the Committee has been supported by Michelle Burton, Interim Group People Director, 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 remuneration reporting, share option evaluations and other remuneration matters. Deloitte also provided unrelated advice on debt advisory work, tax services and legal support during the year. Total fees paid to Deloitte in respect of remuneration advice were £39,025 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 £4,200 charged on a time and materials basis. Willis Towers Watson also provide insurance broking services and employee benefits services to the Group.

Shareholder Dialogue

The voting outcome from the 2020 AGM reflected very strong individual and institutional shareholders' support for the revised Directors' Remuneration Policy ("Policy"). We consulted extensively with shareholders prior to introducing the revised Policy. Furthermore, the voting outcome from the 2020 AGM showed strong support for our FY20 Directors' Remuneration Report.

The following table sets out the votes cast at the 2020 AGM in respect of the Directors' Remuneration Policy, and the FY20 Directors' Remuneration Report.

	% of votes For	% of votes Against
FY20 Directors' Remuneration Report *	99.66%	0.34%
FY20 Directors' Remuneration Policy †	97.58%	2.42%

* 28,958 votes (0.02% of votes) were withheld in relation to this resolution.

† 40,378 votes (0.03% of votes) were withheld in relation to this resolution.

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.

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.

How the Remuneration Policy was Implemented in FY21 – Executive Directors

Single remuneration figure (Audited)

2020/21	Base Salary (£)	Benefits (£)	Pension (£)	Other[1] (£)	Total Fixed (£)	Bonus (£)	PSP (£)	Total Variable (£)	Total "Single Figure" (£)
Graham Stapleton	**560,526**	**20,816**	**84,079**	**377**	**665,798**	**777,730**	**986,358**[2]	**1,764,088**	**2,429,886**
Loraine Woodhouse	**359,512**	**12,517**	**53,927**	**377**	**426,333**	**498,820**	**670,009**[3]	**1,168,829**	**1,595,161**
2019/20									
Graham Stapleton	550,611	44,862	82,592	—	678,065	–	–	–	678,065
Loraine Woodhouse	353,150	12,479	52,973	—	418,602	–	–	–	418,602

1. In December 2020, Graham Stapleton and Loraine Woodhouse each received a working from home payment, in line with all Support Centre Colleagues.
2. The share price used to value the awards for the purpose of the single figure was £3.049 compared to a share price of £3.197 on the date of the award. Therefore, no portion of the value disclosed is attributable to share price appreciation. No discretion was exercised.
3. The share price used to value the awards for the purpose of the single figure was £3.049 compared to a share price of £3.079 on the date of the award. Therefore, no portion of the value disclosed is attributable to share price appreciation. No discretion was exercised.

FY21 Annual Bonus

The annual bonuses for FY21 for the Executive Directors were based as follows:

Chief Executive Officer	Graham Stapleton	77.5% financial measures and 22.5% delivery of strategic measures
Chief Financial Officer	Loraine Woodhouse	

The targets and performance against these are set out below:

Performance measures for FY21 annual bonus		Threshold (15% payable)	Target (50% payable)	Maximum (100% payable)	FY21 outturn	% maximum bonus achieved
Financial Measures	77.5%					
Net debt (30%)		(£36.5m)	(£33.2m)	(£29.8m)	£73.1m[1]	100%
Cost reduction (25%)[2]		44.7%	44.3%	43.9%	42.9%	100%
Underlying profit before tax (15%)		£11.2m	£14.1m	£21.1m	£96.3m	100%
Operating cash flow (7.5%)		£58.1m	£64.5m	£71.0m	£217.9m[3]	100%
Strategic Measures	22.5%					
NPS (7.5%)[4]		–	Retail 64.0	Retail 64.5	Retail 65.3	100%
		–	Autocentres 70.5	Autocentres 71.5	Autocentres 76.1	
Employee engagement (7.5%)		–	79%	80%	75%	0%
Digital sales (7.5%)		–	39.1%	43.1%	44.8%	100%

1. Excludes the Universal acquisition price.
2. Cost reduction is expressed as cost as a percentage of revenue.
3. Operating cash flow here is defined as EBITDA plus the movement in average working capital in FY21 compared to the prior year.
4. In order for the NPS target to be met, both the Retail and Autocentres scores must be achieved. NPS achievement is based on P12 exit numbers.

In the year, although the Company continued to experience a disrupted trading environment, overall performance was exceptional far exceeding our expectations at the start of the year. Underlying profit before tax was considerably higher than previous years at £99.5m (post-IFRS 16 but pre non-underlying) and the Company's share price increased by around 260% during the year (based on a one month average to the start and the end of the financial year). Furthermore, we were pleased to increase our market share in key areas of the business whilst maintaining a high level in NPS scores and colleague engagement.

We originally received support from government furlough schemes but on 1 March 2021 we announced our decision to repay in full £10.5m of furlough income received. We were also pleased to deliver nearly £490m of shareholder value, delivering a shareholder return on investment of c.250% in the twelve months to 31 March 2021 whilst outperforming our peer group (which delivered 49% return) and the FTSE SmallCap Index (51% return).

Our strong performance through FY21 has also allowed us to share our successes across our colleagues, through our annual bonus schemes and Frontline Colleague Support Scheme.

Throughout the year, the safety of our colleagues and customers has remained our number one priority and whilst we were subject to greater costs and challenges in keeping our stores safe, we were pleased to maintain high NPS and colleague engagement scores. We were privileged to have been able to offer free checks and discounts to 480,000 NHS workers, teachers and Armed Forces staff to help keep their vehicles safe and roadworthy.

The Committee carefully considered bonus outcomes in the context of the business, the performance of the Directors in the year and the remuneration arrangements for the wider workforce population and the experience of shareholders and other stakeholders to assess whether the outcome was aligned.

Remuneration Committee Report

Given the key role that the CEO and CFO played in implementing the strategy and managing the operation of the business amid such challenging circumstances to produce these results the Committee felt that the bonus paying out at 92.5% of maximum was appropriate.

Performance outcomes for 2018 PSP awards

Metric	Weighting	Threshold targets (25% vesting)*	Maximum targets (100% vesting)*	Performance	Estimated % total award vesting
Underlying EPS growth – CAGR	50%	1.5%	6.0%	11.2%	100%
Group revenue growth – CAGR	25%	3.5%	8.0%	4.4%	39.8%
Free Cash Flow (aggregate FY19 to FY21)	25%	£125m	£165m	£242.6m	100%
Total	100%				84.9%

* Straight-line vesting between threshold and maximum

As with the annual bonus, the Committee retains the discretion to adjust the PSP vesting outcome if it is not considered to be reflective of underlying financial or non-financial performance of the business or the performance of the individual or where the outcome is not considered appropriate in the context of the experience of shareholders or other stakeholders.

The Committee considered the outcome in the context of the business and determined that no changes to the formulaic outcomes were required.

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. Pension contributions / allowances for the Executive Directors in role will be aligned with the maximum employer pension contribution available to the majority of the workforce from 1 April 2023.

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	16 October 2020	Nil cost option (0p exercise price)	458,162	£1,111,042	25%	4 April 2020 to 31 March 2023
Loraine Woodhouse	16 October 2020	Nil cost option (0p exercise price)	293,855	£712,598	25%	4 April 2020 to 31 March 2023

1. These awards were based on 200% of salary. For 2019 awards, given the share price at the time the Remuneration Committee determined that it was appropriate to reduce the PSP awards granted to 175% of salary. After assessing share price performance prior to award, it was deemed appropriate to make 2020 awards at the normal level of 200% of salary.
2. Based on the average mid-market price on three preceding days of the awards of £2.425 on 16 October 2020.

Performance Conditions

The performance conditions and targets for PSP awards granted during FY21 are as follows:

		Group services -related sales (total of sales for FY21 to FY23) (10% of the award)	Underlying EPS growth – CAGR (20% of the award)	Free Cash Flow (aggregate FY21 to FY23) (30% of the award)	Relative TSR (40% of the award)
Award (200% of salary)	100% vesting	35%	8%	£128m	Upper quartile
	Straight-line vesting	Between 30% and 35%	Between 2.5% and 8%	Between £117m and £128m	Between market median and upper quartile
	25% vesting	30%	2.5%	£117m	Market median
	0% vesting	Below 30%	Below 2.5%	Below £117m	Below market median

In addition to achieving these targets, the vesting of awards will be subject to meeting a zero net debt underpin at FY23 year end. The award shares that vest will become exercisable in 2023. The shares that vest will be subject to a two-year holding period.

Outstanding Share Awards (Audited)

Performance Share Plan ("PSP")

The following summarises outstanding awards under the PSP:

	Award date	Grant price[5] (£)	Awards held 4 April 2020	Awarded during the period	Dividend reinvest-ment[6]	Forfeited during the period	Lapsed during the period	Exercised during the period	Awards held 2 April 2021	Perform-ance period years to	Holding period to
Graham Stapleton	24/01/18[1]	3.5173	359,215	–	–	–	359,215	–	–	03/04/20	50% to 03/04/21, 50% to 03/04/22
	05/10/18[2]	3.1970	381,040	–	–	–	–	–	381,040	02/04/21	02/04/23
	20/09/19[3]	1.696	585,611	–	–	–	–	–	585,611	01/04/22	01/04/24
	16/10/20[4]	2.425	–	458,162	–	–	–	–	458,162	31/03/23	31/03/25
Loraine Woodhouse	09/11/18[2]	3.079	258,832	–	–	–	–	–	258,832	02/03/21	02/04/23
	20/09/19[3]	1.696	375,598	–	–	–	–	–	375,598	01/03/22	01/04/24
	16/10/20[4]	2.425	–	293,855	–	–	–	–	293,855	31/03/23	31/03/25

1. FY18 awards were subject 25% to Group revenue growth targets (25% vesting for 3.5% p.a. growth, 100% vesting for 7% p.a. growth) and 75% 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 was subject to an underpin whereby the net debt to EBITDA ratio remained 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 the award lapsed in April 2020.
2. 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. The performance targets for this award were met in part based on performance for FY21 and therefore 84.9% of this award will vest.
3. 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.
4. FY21 awards are subject 40% to Relative TSR vs the FTSE All Share General Retailers Index (25% vesting achieving below market median, 100% vesting achieving upper quartile), 30% to Free Cash Flow (25% vesting for £117m, 100% vesting for £128m), 20% to underlying EPS growth (25% vesting for 2.5% p.a. growth, 100% vesting for 8% p.a. growth), and 10% to Group services related sales (25% vesting for 30% p.a. growth, 100% vesting for 35% p.a. growth). In addition, any vesting of the PSP will be subject to meeting a zero net debt underpin at FY23 close.
5. The grant price is calculated by taking the mid-market average across the three preceding days prior to the grant date.
6. No interim and final dividends were paid during the period.

Deferred Bonus Plan ("DPB")

	Award date	Grant price[1] (£)	Awards held 4 Apr 2020	Awarded during the period	Dividend reinvest-ment[2]	Forfeited during the period	Lapsed during the period	Exercised during the period	Awards held 2 Apr 2021	Vesting
Graham Stapleton	31/05/18	3.3760	13,499	–	–	–	–	–	13,499	31/05/21–31/05/22

1. The grant price is calculated by using the mid-market quotation on the date of grant.
2. No interim and final dividends were paid during the period.

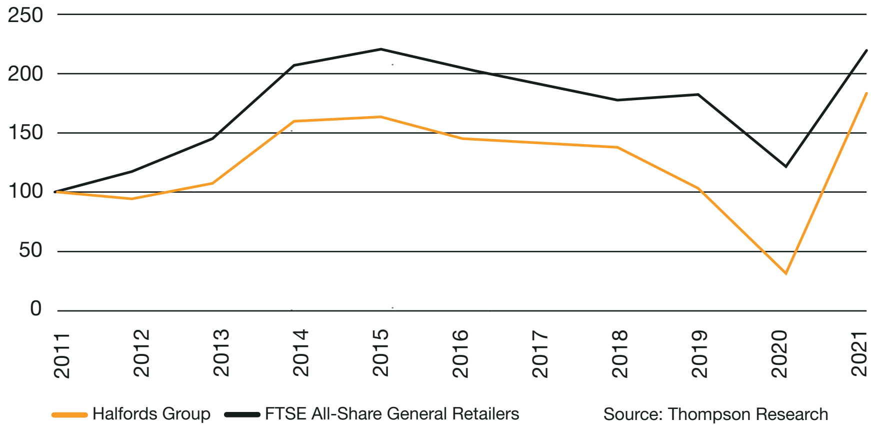
Initial Share Award

To compensate Graham Stapleton for remuneration forfeited when leaving his previous employer, he received an award of 185,872 shares. These shares were released to Graham on 15 January 2021 following the end of the three-year retention period. Details of Graham's buy-out awards were included in the 2018 Remuneration Report and the value of this award was included in the 2018 single figure in-line with the regulations.

Remuneration Committee Report

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).



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	**FY21**
CEO Single Figure (£000)											
Graham Stapleton[1]	–	–	–	–	–	–	–	1,818	670	678	**2,430**
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%	–	–	**92.5%**
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]	–	–	–	–	–	–	–	–	–	–	**84.9%**
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 pro-rated 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 2 April 2021	28,748	22,395
Current value (based on share price on 2 April 2021)	£107,058	£83,399
Current % of salary	19.6%	23.8%

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 2 April 2021 and 16 June 2021.

In light of the Code and evolving market practice, in FY20, the Committee 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 are 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 applies to any performance incentive shares that vest from 1 April 2020.

Executive Directors' Appointments

Director	Date of Service Agreement	Notice Period
Graham Stapleton	8 September 2017	6 months
Loraine Woodhouse	12 July 2018	6 months

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, Graham Stapleton was appointed as a Non-Executive Director of The Magic Bean Co. Limited on 21 January 2021 and, Loraine Woodhouse was appointed as a Non-Executive Director of The British Land Company plc with effect from 1 March 2021. Both Graham and Loraine retained their earnings for these 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 FY21 – Non-Executive Directors

Non-Executive Director single figure comparison (Audited)

Director	Role	Board fees (£)	Senior Independent Director fee (£)	Committee Chair / Employee Voice Director fees (£)	Taxable benefits[1] (£)	Total "Single Figure"[2] 2021 (£)	Total "Single Figure" 2020 (£)
Keith Williams[3]	Company Chair	192,400	–	–	–	**192,400**	192,400
Helen Jones[4]	Senior Independent Director, ESG Committee Chair and Employee Voice Director	52,000	5,455	10,000	93	**67,548**	63,180[5]
Jill Caseberry[6]	Remuneration Committee Chair	52,000	–	10,000	–	**62,000**	62,715[5]
Tom Singer[7]	Audit Committee Chair	28,167	–	2,500	–	**30,667**	–[7]
David Adams[8]	Senior Independent Director and Audit Committee Chair	39,000	4,545	7,500	183	**51,228**	74,224[5]

1. Includes hotel and travel costs incurred when attending **Halfords**' meetings and Board visits.
2. The Chair and Non-Executive Directors are not entitled to participate in any of the Group's incentive plans or pension plans so all pay is fixed.
3. Keith Williams did not claim any taxable benefits during the year.
4. Helen Jones was appointed Senior Independent Director with effect from 15 September 2020.
5. Due to a payroll error, a portion of fees which related to FY19 were actually paid in FY20. These amounts were: £2,000 for Helen Jones; £164 for Jill Caseberry; and £2,000 for David Adams.
6. Jill Caseberry did not claim any taxable benefits during the year.
7. Tom Singer was appointed as a Non-Executive Director on 16 September 2020, and as Audit Committee Chair on 1 January 2021. Tom did not claim any taxable benefits during the year.
8. David Adams stepped down as Senior Independent Director on 15 September 2020, and as Audit Committee Chair and Non-Executive Director on 31 December 2020.

Remuneration Committee Report

Non-Executive Director Shareholding

Director	2021	2020
Keith Williams	**130,000**	130,000
Helen Jones	**3,000**	3,000
Jill Caseberry	**–**	–
Tom Singer	**30,000**	N/A
David Adams	**9,041**	9,041

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 2 April 2021 and 16 June 2021.

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

David Adams stepped down from the Board on 31 December 2020 and his shareholdings are shown at this date.

Non-Executive Directors' Appointments

None of the Non-Executive Directors has an employment contract with the Company. However, each had entered into a letter of appointment with the Company confirming their appointment for a period of three years, unless terminated by either party giving the other not less than three months' notice or by the Company on payment of fees in lieu of notice.

Director	Appointed	Date of current appointment	Expiry date	Unexpired term at the date of this report
Jill Caseberry	01-Mar-19	01-Mar-19	28-Feb-22	8 months
Helen Jones	01-Mar-14	01-Mar-20	28-Feb-23	20 months
Tom Singer	16-Sep-20	16-Sep-20	15-Sep-23	27 months
Keith Williams	24-Jul-18	24-Jul-18	23-Jul-21	1 month

Their appointments are subject to the provisions of the Companies Act 2006 and the Company's Articles of Association, and in particular, the need for re-election. Continuation of an individual Non-Executive Director's appointment is also contingent on that Non-Executive Director's satisfactory performance, which is evaluated annually. The Non-Executive Directors' letters of appointment are available for inspection by shareholders at the Company's registered office.

How the Remuneration Policy will be Implemented for FY22 – Executive Directors

Salary

Salaries for Executive Directors were increased by 1.8 % with effect from 1 October 2020 in line with the increase received across the wider workforce. Current salaries for the Executive Directors are as follows:

Chief Executive Officer	£565,530
Chief Financial Officer	£362,720

Salaries will next be reviewed with effect from 1 October 2021.

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 were made to this allowance for 2020/21 and 2021/22. 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.

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.

For FY21, given the uncertainty caused by the pandemic we changed measures to ensure that it focused management on the key financial and strategic KPIs that were critical for the business over the following 12 months. Therefore, the Committee broadened the range of financial measures to include the critical priorities of cost reduction as well as debt and cash management.

As we progress from the initial impact of the pandemic, we feel we are now able to revert to more normalised measures. We will increase the weighting of PBT from 15% to 50%, increase the cash flow metric from 7.5% to 15% and include a new Group revenue metric. Both net debt and cost reduction have now been removed.

Finally, in order to incorporate a new ESG metric, we have reduced each strategic measure to 5% and also replaced Digital Sales with Group Services Related Sales to assist in implementing the new strategic priorities of the business.

Performance measures for FY22 annual bonus	
Financial Measures • Underlying Group PBT (post exceptions) – 50% • Group revenue – 15% • Operating cash flow – 15%	80%
Strategic Measures • Group NPS – 5% • Group services-related sales – 5% • Group colleague engagement – 5% • ESG Metric – 5%	20%

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.

FY22 PSP awards will be based on the following performance measures:

- 30% based on Relative TSR versus the FTSE All Share General Retailers Index;
- 50% based on EPS growth; and
- 20% based on Group services-related sales. Vesting will also be subject to the Company maintaining an appropriate margin on services revenue.

Our normal practice is to grant awards in September.

In the event that there is a material acquisition or disposal during the performance period then the Committee would look to review the targets to ensure they remained suitably stretching.

In light of the impact of the COVID-19 pandemic on the business, and the wider economy the Committee re-assessed the performance measures for 2020/21 and sought to ensure that pay reflected the current circumstances of the business and the experience of our shareholders.

As a result, for FY21 PSP awards an increase was applied to the weighting on relative TSR in light of the uncertainty around financial target setting and to ensure that outcomes were aligned with the shareholders' experience. We also increased the weighting on Free Cash Flow to ensure focus on the management of our cash position during this critical period.

Although uncertainties in the market outlook remain, we have reviewed the measures and weightings and now feel we can revert to measures and weightings that are best positioned to support our ongoing strategy as we move away from the initial impact of the pandemic. We have therefore reduced TSR to 30% (from 40%) and increased EPS growth to 50%. Group services-related sales will increase to a 20% weighting, whilst Free Cash Flow has been removed.

The PSP will be weighted towards EPS growth which the Committee considers incentivises management to both grow revenue and manage cost in a balanced way.

Additionally, given our continued focus on increasing services-related revenue the Committee considered that it was appropriate to increase the weighting of this metric whilst relative total shareholder return is included 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 has been removed as a performance measure as the Committee considered that this was no longer an appropriate measure in the context of our enhanced investment plans.

These measures are in line with the current priorities of the business. The Committee feels they will serve to incentivise and reward management for delivering against our intention to accelerate the growth of the motoring services business, to generate higher and more sustainable financial returns for shareholders and to best reflect the wider stakeholder experience.

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.

These measures are in line with the current priorities of the business. The Committee feels they will serve to incentivise and reward management for delivering against our intention to accelerate the growth of the motoring services business, to generate higher and more sustainable financial returns for shareholders and to best reflect the wider stakeholder experience.

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 FY22 – 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.

The fees of the Non-Executive Directors were reviewed in March 2020 and at the time it was agreed that a fee increase would not be appropriate due to the COVID-19 pandemic, instead the next fee review was set for March 2021. In March 2021, the Remuneration Committee decided that the NED fee review would be considered later in the year, and if any changes are agreed, these will be effective from October 2021, in line with the rest of the business.

Current fees for Non-Executive Directors are as follows:

	FY21	FY20
Chair	**£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 Director	**£5,000**	£5,000
Committee Chair (ESG)	**£5,000**	£5,000

Change in Remuneration of Directors Compared to Group Employees

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

	% change in base salary FY20 to FY21	**% change in bonus paid FY20 to FY21**	**% change in benefits FY20 to FY21**
Chief Executive Officer	1.8%	-%[1]	-[3]
Chief Financial Officer	1.8%	-%[1]	-[3]
Keith Williams	0%	%	-[3]
Helen Jones[4]	9.5%	-%[7]	-[3]
Jill Caseberry	0%	-%[7]	-[3]
Tom Singer[5]	N/A	-%[7]	-[3]
David Adams[6]	N/A	-%[7]	-[3]
All colleagues	4.02%	45.42%[2]	-[3]

1. No bonus payable for FY20.
2. Based on all colleagues who were paid a bonus during FY20 and FY21. Includes the Frontline Fund bonus paid to all eligible colleagues in August 2020.
3. No change to the benefits available for both Directors and colleagues.
4. Helen Jones was appointed as Senior Independent Director on 15 September 2020.
5. Tom Singer was appointed as a Non-Executive Director on 16 September 2020, and as Audit Committee Chair on 1 January 2021.
6. David Adams stepped down as Senior Independent Director on 15 September 2020, and as Audit Committee Chair and Non-Executive Director on 31 December 2020.
7. Not eligible for a bonus.

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**
2020/21	Option B	143:1	126:1	99:1
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 as of 5 April 2020. To ensure the identified colleagues were representative, the total remuneration for a group of individuals above and below the identified colleague at each quartile was also reviewed.

The Board has confirmed that the ratio is consistent with the Company's wider policies on employee pay, reward and progression.

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.

There is an increase in the CEO pay ratio in 2021 compared to 2020. As is appropriate the remuneration arrangements for the Executive Directors are more closely linked to performance. Given the very strong performance for FY21, remuneration for the CEO has risen more than for the wider workforce.

Component	**P25**	**P50**	**P75**
Base Salary	£16,986.45	£18,920.85	£23,918.05
Total Remuneration	£16,986.45	£19,349.78	£24,555.39

Workforce Engagement in Remuneration

As referenced on page 51, **Halfords** has long established practices of engaging with colleagues across all areas of the business, including holding regular listening groups, appointing and meeting with local colleague engagement ("people") champions, and conducting regular colleague surveys.

During the course of the year People Champions were invited to input to a number of broader business initiatives including ESG and reward practice, so gaining an understanding of corporate governance and Executive remuneration. The content of the remuneration session specifically talked to how Executive pay aligns with wider company pay policy, including benefits provision, and invited feedback from People Champions in respect of the reward framework. Detailed remuneration briefing sessions were also held with senior leaders on launch of the FY21 bonus and PSP plans.

Gender Pay Gap Report

Details of the Group's Gender Pay Gap Report for 5 April 2020 are available at www.halfordscompany.com/corporate-responsibility/colleagues/gender-pay-gap/.

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.

	2021	2020
EBITDA (underlying)	**£233.0m**	£185.9m
PBT (underlying)	**£99.5m**	£53.6m
Payments to employees:		
Wages and salaries	**£262.3m**	£232.7m
Executive Directors[1]	**£4.0m**	£1.1m
Dividend paid to shareholders and share buybacks	**£nil**	£36.6m

1. Based on the single figure calculation, not all of which is included within wages and salary costs.

Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with international standards in conformity with the requirements of the Companies Act 2006 and applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and, have elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss for the Group for that period. The Directors are also required to prepare financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and, additionally for the Group, international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- for the parent Company financial statements, state whether applicable UK Accounting Standards comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the parent Company financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- prepare a Director's Report, a Strategic Report and Director's Remuneration Report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

Website Publication

The Directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' Responsibilities Pursuant to DTR4

The Directors confirm to the best of their knowledge:

- the financial statements have been prepared in accordance with the applicable set of accounting standards and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group; and
- the Annual Report includes a fair review of the development and performance of the business and the financial position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

Approved by order of the Board.

Keith Williams
Chair
16 June 2021


halfords