

Annual Remuneration Report

Structure and Content of the Remuneration Report

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

The information set out below represents auditable disclosures referred to in the Independent Auditor's Report on pages 112 to 119, as specified by the UK Listing Authority and the Regulations.

Committee Composition

During the year the Committee consisted of:

Jill Caseberry (Chair – appointed 1 March 2019)
Keith Williams (appointed 24 July 2018)
David Adams
Helen Jones
Dennis Millard (resigned 24 July 2018)
Claudia Arney (Chair – resigned 1 March 2019)

Four scheduled Committee meetings were held during the year, and were attended by all relevant members at the time of the meeting. In addition a further four unscheduled meetings were held to approve; the executive bonus targets for FY19 following the announcement of the new strategy; the exit arrangements of the Chief Financial Officer Jonny Mason; the remuneration arrangements for the appointment of Loraine Woodhouse as Chief Financial Officer; and discussed and approved remuneration arrangements for the Executive Management Team below the Board. After each Committee meeting the Remuneration Committee Chair, reported to the Board on the key issues that we had discussed. A number of informal discussions were also held with the Committee members throughout the year when the need arose.

Activities during the Year

During the year, the Committee has:

- reviewed and approved the Directors' Remuneration Report in the FY18 Annual Report and Accounts;
- discussed and approved executive FY18 bonus payments;
- discussed and reviewed attainment against the performance conditions for the Performance Share Plan ("PSP"), the Restricted Share Plan ("RSP") and Company Share Option Scheme ("CSOS") due to vest during the period;

- discussed and approved the performance conditions for the FY18 PSP awards in light of the new Strategy, and approved the introduction of the third performance condition "Free Cash Flow" to the FY18 PSP award;
- approved FY18 grants under the PSP, the RSP (to senior managers below the Board) and the Sharesave Scheme;
- discussed and approved the departing Chief Financial Officer's remuneration arrangements on leaving;
- discussed and recommended, to the Halfords Group plc Board, the terms of the remuneration package for the new Chief Financial Officer;
- discussed and approved remuneration arrangements for the Executive Management Team below the Board;
- reviewed the financial and strategic FY19 bonus metrics and targets;
- considered and approved the amendment of the NPS target for FY19 to reflect the different methodology adopted by the NPS provider;
- reviewed and approved the amended share plan rules across all share plans to ensure compliance with the General Data Protection Regulations ("GDPR");
- reviewed the mechanics and assets of the Employee Benefit Trust and hedging arrangements;
- considered and reviewed the executive pay review with effect from 1 October 2018;
- considered the approach to implementing remuneration policy for FY20;
- reviewed remuneration arrangements for the wider workforce and took these into account when considering executive pay;
- reviewed the changes to the UK Corporate Governance Code and other developments in shareholder guidance and considered the Company's response to these changes;
- reviewed the Committee's Terms of Reference in light of the new UK Corporate Governance Code; and
- reviewed and approved the appointment of remuneration advisors.

Advisors and Other Attendees

During the year, the Committee has been supported by Clare Moore, Group People Director and her predecessor Jonathan Crookall, 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 performance measures for the PSP, remuneration reporting, share option evaluations and other remuneration matters. Deloitte also provided unrelated advice on tax, accounting standards and internal reorganisation during the year. Total fees paid to Deloitte in respect of remuneration advice were £9,750, 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 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 £4,030. Willis Towers Watson also provide insurance broking services and employee benefits services to the Group.

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Shareholder Dialogue

The voting outcome from the 2017 Annual General Meeting reflected very strong individual and institutional shareholder support for our Directors' Remuneration Policy (the "Policy"). We consulted extensively with shareholders prior to introducing the new Policy. Furthermore the voting outcome from the 2018 AGM showed strong support for our FY18 Directors' Remuneration Report.

We continue to be mindful of the views of our shareholders and other stakeholders and are open to discussion with shareholders on any issue related to executive remuneration. During 2019/20 the Committee will be undertaking a thorough review of our Remuneration Policy in advance of submitting a new Policy to shareholders at the AGM in 2020 in accordance with the DRR reporting regulations. The focus of this review will be on ensuring that our remuneration arrangements remain appropriate in the context of our evolving strategy and business circumstances and the approach taken for the wider workforce. We intend to consult with our largest shareholders regarding this review in due course.

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

The following table sets out the votes cast at the 2017 AGM in respect of the Directors' Remuneration Policy, and the votes cast at the 2018 AGM in respect of the previous year's Directors' Remuneration Report.

	% of votes For	% of votes Against
FY18 Directors' Remuneration Report (2018 AGM)*	97.53%	2.47%
FY17 Directors' Remuneration Policy (2017 AGM)†	99.04%	0.96%

* 1.89m votes (1.13% of votes) were withheld in relation to this resolution.

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

How the Remuneration Policy was Implemented in FY19 – Executive Directors

Single remuneration figure (audited)

	Base Salary (£)	Bonus (£)	Benefits (£)	Pension (£)	PSP ¹ (£)	Other (£)	Total "Single Figure" (£)
2018/19							
Graham Stapleton	540,329	–	20,869	80,919	–	–	642,117
Loraine Woodhouse	145,833	–	4,667	21,875	–	7,909 ²	180,284
Jonny Mason ³	121,367	–	5,763	18,205	–	–	145,335
2017/18							
Graham Stapleton ⁴	115,917	115,802 ⁵	15,908	17,387	–	1,553,337 ⁴	1,818,351
Jonny Mason ⁶	399,752	176,971 ⁷	18,348	59,479	– ⁸	–	654,550
Jill McDonald ⁹	247,095	–	10,026	38,250	–	–	295,371

- Neither Graham Stapleton nor Loraine Woodhouse held Performance Share Plan awards which vested in the year. The table below shows the history of PSP award vesting over the last five years. PSP awards granted to other senior management in 2016 did not vest as the performance conditions were not met.
- A payment of £7,909 was made to Loraine in April 2019 to replace her pro-rated bonus from her previous employer Waitrose, equivalent to the amount she would have received based on performance.
- Jonny Mason announced his resignation as Chief Financial Officer on 27 March 2018 and left the business on 31 July 2018.
- Upon joining on 15 January 2018, Graham was entitled to buy-out awards to compensate him for remuneration forfeited when leaving his previous employer, Dixons Carphone plc. These awards were structured on a like-for-like basis with awards forfeited. Awards were structured as follows: (1) In compensation for the 2018 annual bonus he forfeited on leaving Dixons Carphone plc Graham received a cash payment of £269,026 in July 2018. (2) In compensation for share incentive awards forfeited on leaving Dixons Carphone plc, he received an award of 185,872 shares. For the purpose of the single figure these have been valued based on the average mid-market closing share prices on each of the last five trading days prior to the date of the announcement of his appointment of £3.1672, giving a value of £588,694. These shares will vest in January 2021, subject to him not having resigned before that date. This matches the release profile of the forfeited award. (3) Graham also received an award of £695,617 in July 2018 (the first £100,000 of which was satisfied by the issue and allotment of shares and the balance as cash). This award was to compensate him for the loss of a cash entitlement under the 2013 Carphone Warehouse scheme. This payment is subject to clawback provisions, should he resign before July 2021.
- Graham Stapleton's bonus for FY18 was prorated from the date of joining on 15 January 2018 to 30 March 2018. One third of this bonus was deferred into shares under the Deferred Bonus Plan. These shares will vest in May 2021. The cash portion was paid on 31 May 2018.
- Jonny Mason was interim Chief Executive Officer from September 2017 until Graham Stapleton joined in January 2018. Jonny's salary increased from £364,140 to £500,000 p.a. to which bonus and pension were applied for that period.
- Jonny Mason announced his resignation as Chief Financial Officer on 27 March 2018, and was therefore only eligible to receive the cash element (two thirds) of his FY18 annual bonus for the year ended 30 March 2018.
- Jonny Mason was granted a PSP award in 2015. The performance conditions attached to this award were not met and therefore this award lapsed.
- Jill McDonald left the business in September 2017. She was not entitled to receive a bonus for FY18.

	FY15	FY16	FY17	FY18	FY19
PSP Vestings (% of maximum)	15%	102.5%	0%	0%	0%

FY19 Annual Bonus

The annual bonuses for FY19 for the Executive Directors were based as follows:

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

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

	Threshold (15% payable)	Target (50% payable)	Maximum (100% payable)	PBT performance for FY19	% of maximum bonus achieved
PBT performance	£69m	£73m	£80m	£58.8m	0%

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

KPI	Definition	FY19 outturn	Threshold	Maximum	% achieved (out of 5%)
NPS	Combined NPS of Retail and Autocentres (weighted)	– ¹	70%	73%	0%
Engagement Index	Index achieved for Group in April 2019	79%	81%	83%	0%
Service-related Sales Growth	Growth in total service-related sales including product (Retail)	106.1m	115.7m	120m	0%
Digital Sales Growth	Total digital sales orders through website or app.	229.1m	228.9m	243.7m	16.1%

1. The NPS score for Retail was 62.9% and the NPS score for Autocentres was 65.5%.

Group PBT targets were not met. Any payment under the strategic element of the bonus is subject to the threshold PBT target being met. Given that threshold PBT target was not met Executive Directors will not receive a bonus in respect of FY19.

Chief Executive Officer for FY18

For FY18, 50% of the CEO's bonus was based on personal performance objectives. Following the publication of our FY18 Annual Report we published additional information regarding performance against these objectives on our website. This information is also replicated here for transparency.

Disclosure of the PBT target range under the FY18 Annual Bonus

	Threshold	Target	Maximum	PBT Outcome	Outcome as a % maximum
2017/18 PBT	£66.1m	£73.5m	£80.8m	£71.6m	40.1%

Disclosure of FY18 Annual Bonus Non-Financial targets for Chief Executive Officer ("CEO")

50% of the CEO bonus was based on performance against non-financial objectives. The Committee determined this element of the bonus at the year-end based on a consideration of the CEO's progress against tangible objectives set for him at the time of his appointment. Some of the achievements which were taken into account during this assessment and given the CEO's limited time in role are considered broadly reasonable and are as follows:

- Develop and formalise a new strategic review process;
- Finalise the new financial budget to be in place by year-end; and
- Review and put forward to the Board proposals for strengthening the Executive Team.

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Benefits

Benefits include payments made in relation to life assurance, private health insurance and the provision of a fully expensed company car or equivalent cash allowance or chauffeur and fuel card.

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.

Buy-out Arrangements for Loraine Woodhouse

In April 2019, Loraine was made a payment of £7,909 to reflect the pro-rated bonus she forfeited on leaving her previous employer, Waitrose. This amount was of equivalent value to the payment she would have received in her previous role taking into account performance achieved. This amount was paid at a similar time to the forfeited payment.

Leaving Arrangements for Jonny Mason

Jonny Mason resigned from his role as Chief Financial Officer ("CFO") to take up a position of Group Finance Director at Dixons Carphone plc. Jonny left the business on 31 July 2018. Jonny received the cash portion of his bonus for FY18 as he remained in employment on the payment date. All annual bonus deferred share awards and awards under the PSP were forfeited upon him leaving. Jonny's awards under the SAYE scheme also lapsed. He did not receive any payment in relation to loss of office.

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 target award)	Performance period
Graham Stapleton	5 October 2018	Nil cost option (Op exercise price)	334,688	£1,069,998	25%	31 March 2018 to 2 April 2021
Loraine Woodhouse³	9 November 2018	Nil cost option (Op exercise price)	227,346	£699,998	25%	31 March 2018 to 2 April 2021

1. These awards were based on 200% of salary.

2. Based on the average mid-market price on three preceding days of the awards of £3.197 on 5 October 2018 for Graham Stapleton's award and £3.079 on 9 November 2018 for Loraine Woodhouse's award.

3. Loraine Woodhouse was appointed on 1 November 2018 and became eligible to receive a PSP award following her appointment, as set out in the announcement made by the Company on 13 July 2018.

Performance Conditions

In light of the ongoing review and development of our strategy, the PSP award for 2018 was delayed until October to ensure that the performance measures and targets fully aligned with our ongoing strategy. At the September Capital Markets Day, Graham set out the Group's ambition to deliver improved free cash flow through a combination of: (i) improved operating cash flows as a result of our customer strategy; (ii) a disciplined approach to capital expenditure; and (iii) improvements in working capital through a focus on stock and creditors. Given this strategic focus, it was announced at the Capital Markets Day that the Committee determined that it was important that Free Cash Flow was included as a performance measure for the 2018 PSP in respect of 25% of the award to support management in achieving these objectives.

The performance conditions and targets for PSP awards granted during FY19 are as follows:

Award		Group Revenue Growth – CAGR (25% of the award)	Underlying EPS Growth – CAGR	Free Cash Flow (aggregate FY19 to FY21) (25% of the award)
			(50% of the award)	
(200% of salary)	100% vesting	8.0%	6.0%	£165m
	Straight-line vesting	Between 3.5% and 8.0%	Between 1.5% and 6.0%	Between £125m and £165m
	25% vesting	3.5%	1.5%	£125m
	0% vesting	Below 3.5%	Below 1.5%	Below £125m

In addition to achieving these targets, the vesting of awards will be subject to meeting an underpin of net debt to EBITDA ratio no greater than 1.5x throughout the three-year performance period. This will ensure that net debt remains at appropriate levels and management is not incentivised to increase net debt levels to meet targets; the focus is to maximise the return on cash investments. The Award shares that vest will become exercisable in August 2021. The shares that vest will be subject to a two-year holding period.

Deferred Bonus Plan

Awards granted during the year:

	Award date	Mid-market price on date of award	Awarded during the period	Max value of award	Vesting
Graham Stapleton	31 May 2018	£3.376	11,433	£38,598	30 May 2021–31 May 2022

On 31 May 2018, one-third of Graham Stapleton's FY18 bonus was deferred into shares for a period of three years. These were awarded in the form of nil cost options. Vesting is subject to continued employment only.

Outstanding Share Awards (Audited)

Performance Share Plan ("PSP")

The following summarises outstanding awards under the PSP:

	Award date	Grant price ² (£)	Awards held 30 March 2018	Awarded during the period	Dividend reinvestment ³	Forfeited during the period	Lapsed during the period	Exercised during the period	Awards held 29 March 2019	Performance period years to	Holding period to
Graham Stapleton	24 January 2018 ¹	3.5173	304,207	–	19,408	–	–	–	323,615	3 April 2020	50% to 3 April 2021, 50% to 3 April 2022
	5 October 2018	3.1970	–	334,688	8,589	–	–	–	343,277	2 April 2021	2 April 2023
Loraine Woodhouse⁴	9 November 2018	3.079	–	227,346	5,834	–	–	–	233,180	2 April 2021	2 April 2023
Jonny Mason⁵	12 November 2015	4.2987	140,586	–	–	–	140,586 ⁶	–	–	–	–
	11 August 2016	3.565	167,010	–	–	167,010 ⁷	–	–	–	–	–
	13 September 2017	3.0977	234,422	–	–	234,422 ⁷	–	–	–	–	–

1. FY18 awards are subject 25% to Group Revenue Growth targets (25% vesting for 3.5% p.a. growth, 100% vesting for 7% p.a. growth) and 75% subject to underlying EPS growth (25% vesting for 1.5% p.a. growth, 100% vesting for 6% p.a. growth). In addition, any vesting of the PSP 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.

2. The grant price is calculated by taking the mid-market average across the three preceding days prior to the grant date.

3. Interim and final dividends have been reinvested in shares at prices between £2.408082 and £3.23525.

4. Loraine Woodhouse was appointed on 1 November 2018.

5. Jonny Mason left the business on 31 July 2018, to take up a role as Group Finance Director at Dixons Carphone plc.

6. The 2015 PSP Award did not meet its performance conditions and the award lapsed on 16 May 2018.

7. Jonny Mason's PSP awards granted in 2016 and 2017 were forfeited upon him leaving on 31 July 2018.

Deferred Bonus Plan ("DPB")

	Award date	Grant price ¹ (£)	Awards held 30 March 2018	Awarded during the period	Dividend reinvestment ²	Forfeited during the period	Lapsed during the period	Exercised during the period	Awards held 29 March 2019	Vesting
Graham Stapleton	31 May 2018	3.3760	–	11,433	729	–	–	–	12,162	31 May 2021–31 May 2022
Jonny Mason³	30 June 2017	3.420	18,032	–	–	18,032	–	–	–	–

1. The grant price is calculated by using the mid-market quotation on the date of grant.

2. Interim and final dividends have been reinvested in shares at prices between £2.408082 and £3.23525.

3. Jonny Mason left the business on 31 July 2018, to take up a role as Group Finance Director at Dixons Carphone plc, and his DBP award was forfeited on this date.

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Save As You Earn ("SAYE")

	Award date	Grant price ¹ (£)	Awards held 30 March 2018	Awarded during the period	Forfeited during the period	Lapsed during the period	Exercised during the period	Awards held 29 March 2019	Exercisable date
Jonny Mason²	30 December 2015	2,979	6,042	–	6,042	–	–	–	–

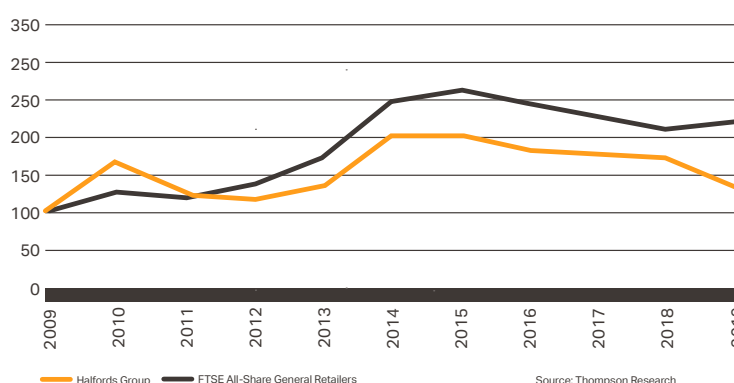
1. The grant price is calculated by using the mid-market average across the three preceding days prior to the grant date.

2. Jonny Mason left the business on 31 July 2018, to take up a role as Group Finance Director at Dixons Carphone plc, and his SAYE award was forfeited on this date.

CEO Pay Compared to Performance

The following graph shows the TSR performance of the Company since April 2009, 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.



		FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
CEO Single Figure (£000)	Graham Stapleton ¹	–	–	–	–	–	–	–	–	1,818	642
	Jonny Mason ²	–	–	–	–	–	–	–	–	236	–
	Jill McDonald ³	–	–	–	–	–	–	851	741	295	–
	Matt Davies ⁴	–	–	–	499	1,372	645	54	–	–	–
	David Wild ⁵	1,134	531	617	198	–	–	–	–	–	–
Annual Bonus (% of maximum)	Graham Stapleton ¹	–	–	–	–	–	–	–	–	70%	–
	Jonny Mason ²	–	–	–	–	–	–	–	–	42.3%	–
	Jill McDonald ³	–	–	–	–	–	–	23.5%	–	–	–
	Matt Davies ⁴	–	–	–	50%	97.5%	–	–	–	–	–
	David Wild ⁵	80%	–	0%	–	–	–	–	–	–	–
PSP Vesting (% of maximum)	Graham Stapleton ¹	–	–	–	–	–	–	–	–	–	–
	Jonny Mason ²	–	–	–	–	–	–	–	–	–	–
	Jill McDonald ³	–	–	–	–	–	–	–	–	–	–
	Matt Davies ⁴	–	–	–	–	–	–	–	–	–	–
	David Wild ⁵	–	–	99%	–	–	–	–	–	–	–

1. Graham Stapleton was appointed in January 2018.

2. Jonny Mason was appointed as interim Chief Executive Officer for the period from September 2017 to the date of Graham Stapleton joining in January 2018, and the figures represent prorated amounts of his bonus and overall remuneration for FY18.

3. Jill McDonald was appointed in May 2015 and resigned as CEO in September 2017.

4. Matt Davies was appointed in October 2012 and resigned as CEO in April 2015.

5. David Wild resigned as CEO in July 2012.

Shareholding Guidelines

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

	Graham Stapleton	Loraine Woodhouse
Shareholding guideline	200%	200%
Shareholding as at 29 March 2019	28,748	22,395
Current value (based on share price on 29 March 2019)	£66,695	£51,956
Current % of salary	12.2%	14.8%

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 29 March 2019 and 21 May 2019.

Outside Appointments

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

Loss of Office Payments (Audited)

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

Payments to Former Directors (Audited)

No payments were made to former Directors during the year.

How the Remuneration Policy was Implemented in FY19 – Non-Executive Directors

Non-Executive Director single figure comparison (audited)

Director	Role	Board fees (£)	Senior Independent Director fee (£)	Committee Chair fees (£)	Total "Single Figure" 2019 (£)	Total "Single Figure" 2018 (£)
Keith Williams¹	Chairman	192,400	–	–	132,404	–
David Adams	Senior Independent Director and Audit Committee Chair	52,000	10,000	10,000	72,000²	70,000
Jill Caseberry³	Remuneration Committee Chair	52,000	–	10,000	5,086²	–
Helen Jones⁴	CSR Committee Chair	52,000	–	5,000	57,000²	55,000
Dennis Millard⁵	Chairman	192,400	–	–	64,758²	185,000
Claudia Arney⁶	Remuneration Committee Chair	52,000	–	10,000	56,914²	60,000

1. Keith Williams was appointed on 24 July 2018. His fee for the role of Chairman is £192,400.

2. Due to a payroll error, a portion of fees which related to FY19 were actually paid in FY20. This amount is: £2,000 for David Adams; £164 for Jill Caseberry; £2,000 for Helen Jones; £2,427 for Dennis Millard and £1,836 for Claudia Arney.

3. Jill Caseberry was appointed on 1 March 2019.

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

5. Dennis stepped down as Chairman on 24 July 2018.

6. Claudia Arney stepped down as a Non-Executive Director on 1 March 2019.

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Non-Executive Director Shareholding

Director	2019	2018
Keith Williams	80,000	n/a
David Adams	8,157	7,675
Jill Caseberry	–	n/a
Helen Jones	3,000	3,000
Dennis Millard (stepped down 24 July 2018) ¹	70,000	70,000
Claudia Arney (stepped down 1 March 2019) ¹	21,052	21,052

1. The number of shares is based on their date of departure from the Board as noted.

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 19 March 2019 and 21 May 2019.

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

How the Remuneration Policy will be Implemented for FY20 – Executive Directors

Salary

The CEO's salary was reviewed and increased by 2% with effect from 1 October 2018. This increase was in line with the wider workforce. The CFO's salary was set on her appointment on 1 November 2018. Current salaries for the Executive Directors are as follows:

Chief Executive Officer	£545,700
Chief Financial Officer	£350,000

Salaries will next be reviewed with effect from 1 October 2019.

Annual Bonus

The annual bonus opportunity for 2019/20 will be as follows:

Chief Executive Officer and Chief Financial Officer	Maximum opportunity of 150% of base salary 2/3 paid in cash 1/3 paid in Halfords shares deferred for three years
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The annual bonus will continue to be based 80% on Profit Before Tax ("PBT") performance and 20% based on performance against strategic objectives. PBT targets range from 95% of budget, where payment is 15% to 110% of budget for maximum payment. 50% of maximum bonus can be achieved for on-target performance. The Committee reviews the goals included in the strategic objectives portion of the bonus to ensure that they remain appropriate. For 2019/20 the strategic measures for the annual bonus will be based on NPS, employee engagement, Group services-related revenue and operational cash flow. Given broadening of the strategic focus set out at the Capital Markets Day and the importance of the focus on cash flow, the Committee considered that these metrics are appropriate. 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.

In determining whether any bonuses are payable, the Committee retains the discretionary authority to increase or decrease the bonus to ensure that the level of bonus paid is appropriate in the context of performance. Bonus targets are released retrospectively as they are considered by the Board to be commercially sensitive as they could reveal information about Halfords' business plan and budgeting process to competitors which could be damaging to Halfords' business interests and therefore to shareholders.

Performance Share Plan ("PSP")

Executive Directors will be granted a PSP of 200% of base salary in respect of FY20. Awards are subject 50% to Underlying EPS growth, 25% to Group Revenue Growth and 25% aggregate Free Cash Flow. The Committee has set targets which are considered to be appropriately stretching in the context of the business' evolving strategy and business circumstances. The vesting of FY20 PSP awards are subject to the following targets:

Award (200% of salary)		Group Revenue Growth	Underlying EPS Growth	Free Cash Flow
		CAGR (25% of the award)	CAGR (50% of the award)	(aggregate FY20 to FY22) (25% of the award)
	100% vesting	6%	10%	£165m
	Straight-line vesting	Between 3.5% and 6%	Between 5% and 10%	Between £125m and £165m
	25% vesting	3.5%	5%	£125m
	0% vesting	Below 3.5%	Below 5%	Below £125m

In addition to achieving these targets, the vesting of awards will be subject to meeting an underpin of net debt to EBITDA ratio no greater than 1.5x throughout the three-year performance period.

The Committee carefully considered whether it would be appropriate to reduce the level of PSP awards for FY20 in light of the share price which has fallen by around 25% since the FY19 awards were granted. However, given the increase in the stretch of the targets for FY20 awards and the fact that management are relatively new in role, the Committee considered that it was appropriate to maintain the current award level to ensure that management are fully incentivised to drive performance and deliver value for shareholders over the next three years.

How the Remuneration Policy will be Implemented for FY20 – Non-Executive Directors

Fees

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

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

The fees of the Non-Executive Directors were reviewed in March 2018 and increased by 4% with effect from 1 April 2018. The next fee review is due in March 2020.

Current fees for Non-Executive Directors are as follows:

	FY20	FY19
Chairman	£192,400	£192,400
Base fee	£52,000	£52,000
Additional fees		
Senior Independent Director	£10,000	£10,000
Committee Chair (Audit and Remuneration)	£10,000	£10,000
Employee Voice Representative	£5,000	–
Committee Chair (CSR)	£5,000	£5,000

Annual Remuneration Report

Change in Remuneration of Chief Executive Officer Compared to Group Employees

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

	% change in base salary FY18 to FY19	% change in bonus paid FY18 to FY19	% change in benefits FY18 to FY19
Chief Executive Officer	2%	– ³	No change
All colleagues	3.83% ¹	73% ²	No change

1. The budget across the business was 3% with additional increases for the National Living Wage.

2. Based on all colleagues who were paid a bonus during FY18 and FY19, in relation to FY17 and FY18 respectively.

3. The CEO did not receive a bonus in FY18 (in respect of FY17) as this was prior to his appointment. He received a bonus of 70% of maximum in FY19 (in respect of FY18).

In line with the regulations we will be disclosing the CEO pay ratio in the FY20 Annual Report.

Gender Pay Gap Report

Details of the Group's Gender Pay Gap Report for 5 April 2018 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.

	2019	2018
EBITDA (underlying)	£98.2m	£109.5m
PBT (underlying)	£58.8m	£71.6m
Payments to employees:		
Wages and salaries	£217.8m	£210.5m
Executive Directors ¹	£1.0m	£2.8m
Dividend paid to Shareholders and share buybacks	£35.9m	£34.8m

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

