

# Remuneration Committee Report

## Annual Report on Remuneration

### How the Remuneration Policy was Implemented in FY23 – Executive Directors

#### Single Remuneration Figure (Audited)

	Base Salary (£)	Benefits (£)	Pension (£)	Other (£)	Total Fixed (£)	Bonus <sup>3</sup> (£)	PSP (£)	Total Variable (£)	Total "Single Figure" (£)
<b>2022/23</b>									
Graham Stapleton	587,224	24,821	88,084	–	700,129	–	489,255 <sup>1</sup>	489,255	1,189,384
Jo Hartley <sup>4</sup>	376,190	11,602	11,286	112,017	511,095	–	–	–	511,095
Loraine Woodhouse <sup>5</sup>	93,778	3,096	13,996	–	110,870	–	222,912 <sup>1</sup>	222,912	333,782
<b>2021/22</b>									
Graham Stapleton	570,619	22,767	85,593	–	678,979	679,352	1,394,160 <sup>2</sup>	2,073,513	2,752,491
Loraine Woodhouse	365,985	12,510	54,898	–	433,393	435,723	846,938 <sup>2</sup>	1,282,661	1,716,054

<sup>1</sup> For 2022/23, the 2020/21 PSP has been valued based on the average share price during the three-month period to 31 March 2023 of £1.97 and a vesting outcome of 50% as referenced on page 145. The share price used to determine the level of award was £2.425; therefore, no portion of the value disclosed is attributable to share price appreciation over the performance period. No discretion has been exercised in relation to share price changes.

<sup>2</sup> For 2021/22, the 2019/20 PSP value had been restated to reflect the share price at the date of vesting of £2.20 compared to the average three month share price of £2.98 used in the FY22 Remuneration Report. The values disclosed in FY22 was £1,787,713 for Graham Stapleton and £1,146,601 for Loraine Woodhouse. No discretion was applied in relation to share price changes.

<sup>3</sup> One-third of the annual bonus is deferred into shares for three years.

<sup>4</sup> Jo Hartley received a payment of £112,017 upon joining to replace a cash bonus she was required to repay on cessation of employment from her previous employer.

<sup>5</sup> Loraine Woodhouse has retired. The single figure sums relate to her work during the transitory period until June 2022.

### Benefits

Benefits include payments made in relation to a car plus fuel or a cash allowance, private health insurance and life assurance. For Graham Stapleton, the car plus fuel allowance came to £22,026, for Jo Hartley £10,640 and Loraine Woodhouse £2,830.

### Pension

Pension payments represent contributions made either to defined contribution pension schemes or as a cash allowance. Graham Stapleton received a contribution of 15% of base salary until 1 April 2023 when Graham's contribution reduced to 3% of base salary to ensure alignment with the maximum employer pension contribution available to the majority of the workforce. As a new joiner during the year, Jo Hartley received a contribution of 3% of base salary in line with the majority of the workforce.

### FY23 Annual Bonus

The annual bonuses for FY23 for the Executive Directors were based as follows:

	Threshold	Target	Maximum	FY23 Achievement	FY23 Outturn before discretion	FY23 Outturn post discretion
Underlying PBT (£m)	£60	£70	£90	£53	0%	0%
Group Revenue (£m)	£1,556.9	£1,585	£1,641.1	£1,591.6	0%	0%
Free Cash Flow (£m) <sup>1</sup>	£(25.9)	£(17.8)	£(1.6)	£3.1	100%	0%

### Strategic

#### Measures (50% of award)

	Target	Stretch	FY23 Achievement	FY23 Outturn before discretion	FY23 Outturn post discretion
Group Colleague Engagement	80-82%	83%	82%	50%	0%
Group NPS (FY23 score)	65.3	65.8	64.8	0%	0%
Group Services					
Related Sales (£m)	£697.9m	£716.7m	£700.1m	50%	0%
ESG <sup>2</sup>	<ul style="list-style-type: none"> <li>Increase electric sales as a % of total group sales – from 5.9% to 6.2%</li> </ul>	<ul style="list-style-type: none"> <li>Diversity and Inclusion</li> <li>Improve gender/diversity within our management positions in our retail stores and Autocentres from 13% to 15.8%</li> <li>Maintain the better than average engagement score on inclusivity – 84%</li> <li>Collect carbon emissions data from our supply base for 70% of our total group spend (scope 3)</li> </ul>	<ul style="list-style-type: none"> <li>Electric: 6.5%</li> <li>Gender: 13.3%</li> <li>D&amp;I: 81%</li> <li>Scope 3: 78.7%</li> </ul>	<ul style="list-style-type: none"> <li>Electric: 100%</li> <li>Gender: 0%</li> <li>D&amp;I: 0%</li> <li>Scope 3: 100%</li> </ul>	Total vesting: 0%

<sup>1</sup> Cash flow here is defined as EBITDA plus the movement in average working capital in FY23 compared to the prior year.

<sup>2</sup> For the ESG KPI, the stretch element of the target will be split evenly between the scope 3 (50%) and D&I targets (25% for gender diversity and 25% for engagement).

Based on the performance of targets set, the aggregate outcome would have been 23.75%, however, the Committee considered the overall outcome in the context of wider business performance in the year and determined that downwards discretion should be applied and no bonus should be paid. In making this decision, the committee took into account a number of factors including overall stakeholder experience and payouts for employees who received no bonus due to a PBT threshold being missed. The annual bonus outcome for FY23 was therefore 0%.

## Performance Outcomes for 2020 PSP Awards

Metric	Weighting	Threshold targets (25% vesting)	Maximum targets (100% vesting)	Performance	Estimated % total award vesting before discretion	Estimated % total award vesting post discretion
Group services-related sales (total of sales for FY21 to FY23)	10%	30%	35%	37.9%	100%	
Underlying EPS growth – CAGR	20%	2.5%	8%	(-9.8%)	0%	
Free Cash Flow (aggregate FY21 to FY23)	30%	£117m	£128m	£118.5m	35.23%	
Relative TSR	40%	Market median	Upper quartile	Above upper quartile	100%	
<b>Total</b>					60.6%	50%

The Committee considered the outcome in the context of the shareholder and stakeholder experience. While the Committee considered that there has been strong progress over the three-year performance period, the Committee recognised the challenges in the most recent financial year and determined that it was appropriate to exercise downward discretion to reduce vesting to 50% of maximum. This was felt to be a better reflection of the overall experience for all stakeholders within the business.

## 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 <sup>1</sup>	Maximum face value of award <sup>3</sup>	Threshold vesting (% of award)	Performance period
Graham Stapleton	21 October 2022	Nil cost option (0p exercise price)	627,045 <sup>1</sup>	£1,047,792	25%	2 April 2022 to 28 March 2025
Jo Hartley	21 October 2022	Nil cost option (0p exercise price)	354,578 <sup>2</sup>	£592,500	25%	2 April 2022 to 28 March 2025

<sup>1</sup> The original intention was to grant an award of 200% of salary to the CEO and an award of 150% of base salary to the CFO (a reduced award for the first year of her employment was agreed on joining). However, taking into account the share price prior to award and how this compared to the share price used to determine the 2021 awards, the Committee determined that it was appropriate to reduce the CEO's award to 175% of base salary to guard against windfall gains. The CFO's award remained at 150% of salary given that she was new to the business and a reduced award was already proposed.

<sup>2</sup> This award was based on 150% of salary as it was agreed that the CFO would receive a reduced award for the first year in role.

<sup>3</sup> Based on the average mid-market price on three preceding days of the awards of £1.671 on 21 October 2022.

### Performance Conditions

The performance conditions and targets for PSP awards granted during FY23 are as follows:

Award		Underlying EPS growth – CAGR (50% of the award)	Relative TSR (30% of the award)	Group services -related sales (total of sales for FY23 to FY25) (20% of the award)
(175% for the CEO and 150% of salary for the CFO)	100% vesting	34.5 pence or higher	Upper quartile	Above £934.0m
	Straight-line vesting	Between 24.7 pence and 34.5 pence	Between market median and upper quartile	Between £840.6m and £934.0m
	25% vesting	24.7 pence	Market median	£840.6m
	0% vesting	Below 24.7 pence	Below market median	Below £840.6m

The award shares that vest will become exercisable in 2025. The shares that vest will be subject to a two-year holding period.

### Deferred Bonus Plan

During the period, the following awards were granted to the Executive Directors under the Deferred Bonus Plan (“DBP”) as follows

	Date of award	Number of shares <sup>1</sup>	Maximum face value of award <sup>2</sup>	Vesting
Graham Stapleton	30 June 2022	158,467	£226,449	30 June 2025–30 June 2026
Lorraine Woodhouse	30 June 2022 <sup>3</sup>	101,638	£145,241	30 June 2025–30 June 2026

<sup>1</sup> One third of the FY22 bonus was deferred into shares for a period of three years. These awards are not subject to further performance conditions.

<sup>2</sup> Based on the average mid-market price on the date of the award of £1.429 on 30 June 2022.

<sup>3</sup> Lorraine left the business on 1 July 2022 and, as a good leaver, she exercised her award on 11 August 2022.

# Remuneration Committee Report

## Annual Report on Remuneration

### Outstanding Share Awards (Audited) Performance Share Plan (“PSP”)

The following summarises outstanding awards under the PSP:

	Award date	Grant price <sup>a</sup> (£)	Awards held 2 April 2022	Awards awarded during the period	Dividend reinvestment <sup>g</sup>	Forfeited during the period	Lapsed during the period	Exercised during the period	Awards held 31 Mar 2023	Performance period years to	Holding period to
Graham	5 Oct 2018 <sup>3</sup>	3.1970	331,575	–	18,496	–	–	–	350,071	2 Apr 2021	2 Apr 2023
Stapleton	20 Sept 2019 <sup>4</sup>	1.696	600,226	–	33,483	–	–	–	633,709	1 Apr 2022	1 Apr 2024
	16 Oct 2020 <sup>5</sup>	2.425	469,596	–	26,195	–	–	–	495,791	31 Mar 2023	31 Mar 2025
	7 Oct 2021 <sup>6</sup>	2.921	390,592	–	21,788	–	–	–	412,380	29 Mar 2024	3 Apr 2026
	21 Oct 2022 <sup>7</sup>	1.671	–	627,045	10,374	–	–	–	637,419	28 Mar 2025	28 Mar 2027
Jo Hartley <sup>1</sup>	21 Oct 2022 <sup>7</sup>	1.671	–	354,578	5,866	–	–	–	360,444	28 Mar 2025	28 Mar 2027
Lorraine	9 Nov 2018 <sup>2</sup>	3.079	225,232	–	–	–	–	–	225,232	2 Apr 2021	2 Apr 2023
Woodhouse <sup>2</sup>	20 Sept 2019 <sup>4</sup>	1.696	384,972	–	–	–	–	–	384,972	1 Apr 2022	1 Apr 2024
	16 Oct 2020 <sup>5</sup>	2.425	301,188	–	–	75,297	–	–	225,891	31 Mar 2023	31 Mar 2025
	7 Oct 2021 <sup>6</sup>	2.921	250,518	–	–	146,136	–	–	104,383	29 Mar 2024	3 Apr 2026

<sup>1</sup> Jo Hartley was appointed CFO on 16 June 2022.

<sup>2</sup> Lorraine Woodhouse left the business due to retirement on 1 July 2022. The award granted on 9 November 2018 vested prior to Lorraine's departure, therefore Lorraine was entitled to retain the entire award until vesting. The unvested awards granted on 16 October 2020 and 7 October 2021 have been pro-rated accordingly. Lorraine did not receive a PSP award in 2022.

<sup>3</sup> The FY19 award granted in 2018 vested at 84.9% in April 2021, a two-year deferral period is attached to the award. The deferral is applied as a gross holding retention period which means the award cannot be exercised until the second anniversary of vesting (April 2023). The award continues to attract dividend reinvestment shares during the deferral period.

<sup>4</sup> The FY20 award granted on 20 September 2019 vested at 100% in April 2022, a two-year deferral period is attached to the award. The deferral is applied as a gross holding retention period which means the award cannot be exercised until the second anniversary of vesting (April 2024). The award continues to attract dividend reinvestment shares during the deferral period.

<sup>5</sup> The FY21 award granted on 16 October 2020 is subject to 40% Relative TSR (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 a net debt underpin.

<sup>6</sup> The FY22 award granted on 7 October 2021 is subject to 50% underlying EPS growth (25% vesting at 5% CAGR, 100% vesting at 12% CAGR), 30% to Relative TSR (25% vesting achieving below market median, 100% vesting achieving upper quartile), and 20% to Group services related sales (25% vesting for £586.2m, 100% vesting for £617.0m).

<sup>7</sup> The FY23 award granted on 21 October 2022 is subject to 50% underlying EPS growth (25% vesting at 24.7p in FY25, 100% vesting at 34.5p in FY25), 30% to Relative TSR (25% vesting achieving below market median, 100% vesting achieving upper quartile), and 20% to Group services related sales (25% vesting for £840.6m, 100% vesting for £943.0m).

<sup>8</sup> The grant price is calculated by taking the mid-market average across the three preceding days prior to the grant date.

<sup>9</sup> The interim and final dividends have been reinvested in shares at prices between £1.5544 and £1.813199.

### Deferred Bonus Plan (“DPB”)

	Award date	Grant price <sup>1</sup> (£)	Awards held 2 Apr 2022	Awards awarded during the period	Dividend reinvestment <sup>2</sup>	Forfeited during the period	Lapsed during the period	Exercised during the period	Awards held 31 Mar 2023	Vesting
Graham	31 May 2018	3.3760	13,835	–	–	–	–	13,835 <sup>3</sup>	–	N/A
Stapleton	30 June 2021	4.312	61,620	–	3,436	–	–	–	65,056	30 June 2024-2025
	30 June 2022	1.429	–	158,467	8,839	–	–	–	167,306	30 June 2025-2026
	30 June 2021	4.312	39,521	–	–	–	–	39,521	–	N/A
Lorraine	30 June 2022	1.429	–	101,638	–	–	–	101,638	–	N/A
Woodhouse <sup>4</sup>	30 June 2022	1.429	–	101,638	–	–	–	101,638	–	N/A

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

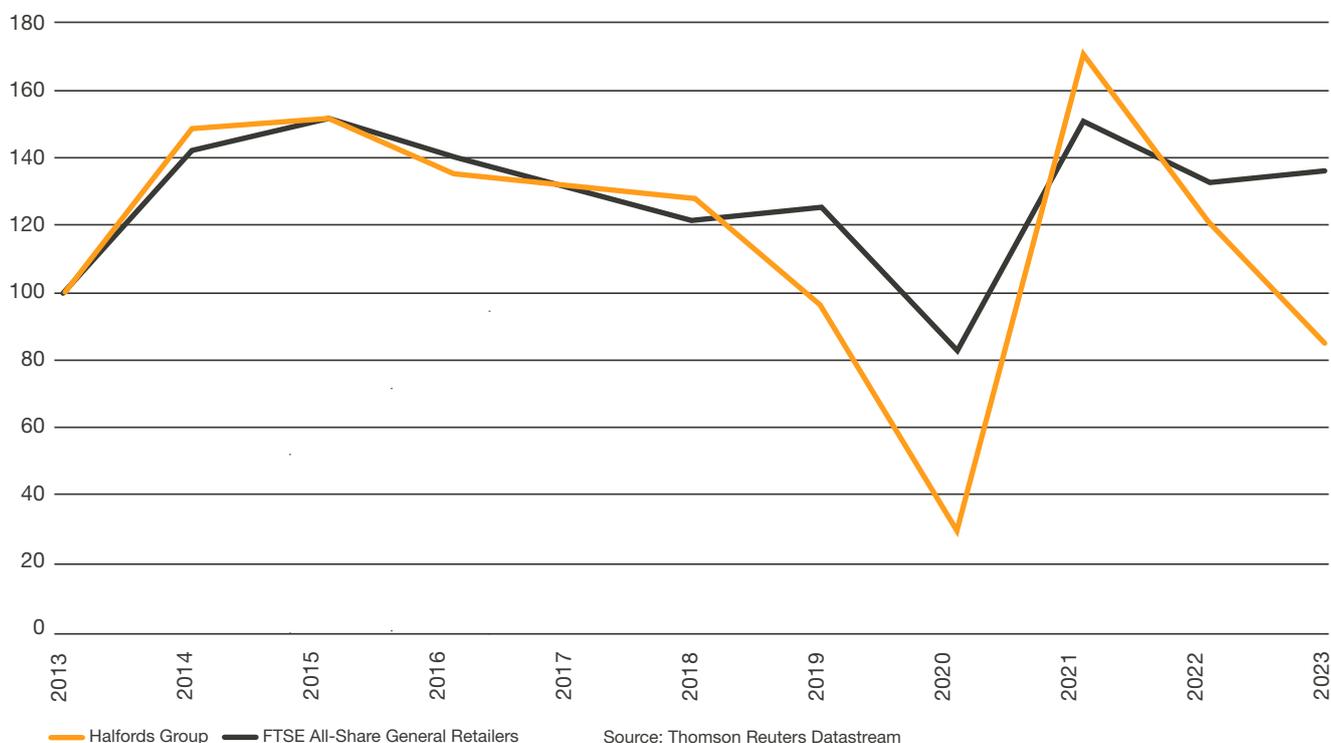
<sup>2</sup> The interim and final dividends have been reinvested in shares at prices between £1.554 and £1.813199.

<sup>3</sup> Graham exercised the award on 13 April 2022.

<sup>4</sup> Lorraine left the business as a good leaver on 1 July 2022 and exercised her awards on 11 August 2022.

## CEO Pay Compared to Performance

The following graph shows the TSR performance of the Company since April 2013, 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.

	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
<b>CEO Single Figure (£000)</b>										
Graham Stapleton <sup>1</sup>	-	-	-	-	1,818	670	678	2,699	2,752	<b>1,189</b>
Jonny Mason <sup>2</sup>	-	-	-	-	236	-	-	-	-	-
Jill McDonald <sup>3</sup>	-	-	851	741	295	-	-	-	-	-
Matt Davies <sup>4</sup>	1,372	645	54	-	-	-	-	-	-	-
<b>Annual Bonus (% of maximum)</b>										
Graham Stapleton <sup>1</sup>	-	-	-	-	70%	-	-	92.5%	79.37%	<b>0%</b>
Jonny Mason <sup>2</sup>	-	-	-	-	42.3%	-	-	-	-	-
Jill McDonald <sup>3</sup>	-	-	23.5%	-	-	-	-	-	-	-
Matt Davies <sup>4</sup>	97.5%	-	-	-	-	-	-	-	-	-
<b>PSP Vesting (% of maximum)</b>										
Graham Stapleton <sup>1</sup>	-	-	-	-	-	-	-	84.9%	100%	<b>50%</b>
Jonny Mason <sup>2</sup>	-	-	-	-	-	-	-	-	-	-
Jill McDonald <sup>3</sup>	-	-	-	-	-	-	-	-	-	-
Matt Davies <sup>4</sup>	-	-	-	-	-	-	-	-	-	-

<sup>1</sup> Graham Stapleton was appointed in January 2018. An incorrect benefits figure was reported for FY19 in error; this was corrected and reflected in the total for FY19. The single figure for FY21 has been restated to reflect the share price of the PSP at the date of vesting on 9 June 2021 of £3.88.

<sup>2</sup> 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.

<sup>3</sup> Jill McDonald was appointed in May 2015 and resigned as CEO in September 2017.

<sup>4</sup> Matt Davies was appointed in October 2012 and resigned as CEO in April 2015.

# Remuneration Committee Report

## Annual Report on Remuneration

### 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	Jo Hartley <sup>1</sup>	Loraine Woodhouse <sup>3</sup>
Shareholding guideline	200%	200%	200%
Shareholding as at 31 March 2023	683,946 <sup>2</sup>	-	412,299 <sup>2</sup>
Current value (based on share price on 31 March 2023)	£1,195,538	£-	N/A
Current % of salary	199.68%	-%	N/A

<sup>1</sup> Jo Hartley was appointed as CFO on 16 June 2022.

<sup>2</sup> The shareholding figure include the vested shares from the 2018 and 2019 Performance Share Plan awards (on a net of tax basis) which are currently being held in a two-year deferral period in the EBT. The figure also includes the shares held in the EBT in relation to the Deferred Bonus Plan grants made in 2021 and 2022 (on a net of tax basis).

<sup>3</sup> Loraine Woodhouse left the business due to retirement in 2022. The figures shown are as of 1 July 2022 being her date of departure.

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 the beneficial interest of Graham Stapleton and Jo Hartley between 31 March 2023 and 20 June 2023.

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 vested from 1 April 2020.

### Executive Directors' Appointments

Director	Date of Service Agreement	Notice Period
Graham Stapleton	8 September 2017	6 months
Jo Hartley	1 October 2021	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 Director appointments and retain the fees received, provided that these appointments are not likely to lead to conflicts of interest.

### Appointment Terms for Jo Hartley

Jo Hartley joined **Halfords** on 19 April 2022 and assumed the role of Chief Financial Officer on 16 June 2022 upon Loraine Woodhouse's departure.

Jo was appointed on a base salary of £395,000 per annum. Her benefits package is in line with our Remuneration Policy, with a pension contribution of 3% of base salary in line with the wider workforce. The Committee recognised that Jo's base salary is set at a level above the previous CFO's salary but the Committee considers this appropriate, taking into account the level of Jo's fixed pay in her previous role, which was at a similar level to that which she will receive at **Halfords**.

For the first year of appointment, her annual bonus and PSP awards were set at 125% and 150% of base salary, respectively. This is below the maximum opportunities under our Policy and below the incentive opportunities of her predecessor. As outlined in last years report, the intention was subject to satisfactory individual performance, to increase Jo's annual bonus and PSP award opportunities in line with the incentive opportunities for the previous CFO. The Committee is of the view that Jo has performed strongly during the year and therefore Jo's annual bonus and PSP opportunity will be increased to 150% and 200% of base salary respectively.

On joining, she received a gross payment of £112,000 to replace a cash bonus she was required to repay on cessation of employment from her previous employer. The value of this payment directly mirrored the amount repaid to the previous employer. The award was subject to malus and clawback provisions for a period of six months.

### Leaving Arrangements for Loraine Woodhouse (Audited)

As announced in October 2021, Loraine Woodhouse retired from the Board on 1 July 2022 following four years as Chief Financial Officer.

In line with the Remuneration Policy, the Remuneration Committee approved good leaver status for Loraine in relation to her outstanding share awards. The awards were pro-rated for the portion of the performance period elapsed on departure and will vest on the 'normal' date subject to the assessment of performance conditions. In line with plan rules, the deferred bonus awards vested on cessation of employment.

Loraine will be required to hold her actual shareholding for two years post-cessation. Shareholding during this period will be monitored by the Company, and shares may only be sold with the prior consent of the Chair or by compulsory purchase.

The Committee determined that Loraine was eligible to participate in the FY23 annual bonus on a pro-rated basis given that she was employed for part of the year. As noted above, there was no bonus payout in FY23. Loraine did not receive a PSP award in 2022.

Her salary, benefits and pension were paid up until her departure date and there was no payment in lieu of notice.

### 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 FY23 – 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 <sup>1</sup> (£)	Total "Single Figure" <sup>2</sup> 2023 (£)	Total "Single Figure" 2022 (£)
Keith Williams <sup>3</sup>	Company Chair	199,787	–	–	–	199,787	194,135
Helen Jones	Senior Independent Director, ESG Committee Chair and Employee Voice Director	53,999	10,000	10,000	213	74,212	72,563
Jill Caseberry	Remuneration Committee Chair	53,999	–	10,000	438	64,437	62,600
Tom Singer	Audit Committee Chair	53,999	–	10,000	346	64,345	62,470

<sup>1</sup> Includes hotel and travel costs incurred when attending Halfords' meetings and Board visits.

<sup>2</sup> 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.

<sup>3</sup> Keith Williams did not claim any taxable benefits during the year.

### Non-Executive Director Shareholding

Director	2023	2022
Keith Williams	150,000	150,000
Helen Jones	8,000	8,000
Jill Caseberry	3,125	3,125
Tom Singer	30,000	30,000

These figures include those of their spouses, civil partners and infant children, or stepchildren, as required by Section 822 of the Companies Act 2006. There was no change in these beneficial interests between 31 March 2023 and 21 June 2023.

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

### Non-Executive Directors' Appointments

None of the Non-Executive Directors have 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-22	28-Feb-25	20 months
Helen Jones <sup>1</sup>	01-Mar-14	01-Mar-23	06-Sep-23 <sup>1</sup>	3 months
Tom Singer	16-Sep-20	16-Sep-20	15-Sep-23	3 months
Keith Williams	24-Jul-18	24-Jul-21	23-Jul-24	13 months

<sup>1</sup> Helen Jones has reached her nine-year tenure and will step down from the Board at the AGM on 6 September 2023.

# Remuneration Committee Report

## Annual Report on Remuneration

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 FY24 – Executive Directors

#### Salary

The salary for the CEO, Graham Stapleton, was increased by 4% with effect from 1 October 2022 in line with the increase received across the wider workforce. As Jo Hartley had joined the business after 1 April 2022, she was not eligible for the pay review on 1 October 2022.

The salaries for the current Executive Directors are as follows:

CEO – Graham Stapleton	£598,738
CFO – Jo Hartley	£395,000

Salaries will next be reviewed with effect from 1 October 2023.

#### Pension

In line with the Remuneration Policy, on 1 April 2023, Graham Stapleton's pension allowance was reduced from 15% to 3% to be in line with the rate available for the wider workforce. Jo Hartley received a pension opportunity of 3% of salary upon appointment.

#### Annual Bonus

The normal maximum annual bonus for Executive Directors is 150% of base salary with 2/3 paid in cash and 1/3 paid in **Halfords'** shares deferred for three years.

For the incoming CFO, it was agreed that her annual bonus opportunity would be 125% of base salary for the first year of her appointment. As previously disclosed it was intended that subject to satisfactory individual performance, from FY24 the bonus opportunity would to 150% of base salary in line with the Remuneration Policy and the opportunity level of her predecessor. The Committee is of the view that Jo has performed strongly since her appointment and the bonus opportunity will, therefore, be 150% of salary.

For FY24, following a review of the performance measures, the Committee agreed the overall annual bonus measures work well and support the strategy and only minor changes are proposed. A cost measure will be introduced alongside the existing financial measures reflecting the importance of cost management over the next 12 months. The strategic and ESG measures for FY24 will be linked to colleague engagement, customer NPS, market share and colleague turnover.

#### Performance measures for FY24 annual bonus

<b>Financial Measures</b>	80%
• Underlying PBT (£m) - 50%	
• Group Revenue (£m) - 10%	
• Free Cash Flow (£m) - 10%	
• Cost (£m) - 10%	
<b>Strategic Measures</b>	20%
• Engagement - 5%	
• NPS - 5%	
• Market Share - 5%	
• Colleague Turnover - 5%	

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.

For Jo Hartley, it was agreed that her PSP opportunity would be 150% of base salary for the first year of her appointment. As with the annual bonus, it was agreed that for FY24 onwards her maximum opportunity would increase to 200% of base salary, subject to individual performance during the year. The Committee is of the view that Jo has performed strongly since her appointment and therefore her PSP opportunity will be increased to 200% of base salary for FY24.

The Committee is mindful of shareholder guidance that award levels should be adjusted where the share price has fallen significantly compared to prior years. Based on the current share price, which is higher than the price used to determine the 2022 awards, the committee is of the view that no adjustment is required; however, the Committee will take this into account when determining award levels in September.

Our normal practice is to grant awards in the autumn.

FY24 PSP awards are due to be granted later in the year. These awards will continue to vest based on relative TSR vs. FTSE All-Share General Retailers Index, on EPS performance for FY26, and on Group Services Related Revenue for FY26. The Committee is currently reviewing the relative weighting of these measures. 25% of the TSR element will vest for median performance with 100% vesting for upper quartile TSR performance. Targets for the EPS and Group Services Related Revenue measures will be determined and disclosed by the Committee in due course.

### How the Remuneration Policy will be Implemented for FY24 – Non-Executive Directors Fees

The fees of Non-Executive Directors are reviewed regularly. Any changes to these fees will be approved by the Board as a whole following a recommendation from the Chief Executive Officer and the Remuneration Committee.

The fees of the Non-Executive Directors were reviewed in October 2022, where a 4% fee increase was applied to the Chair's fee and the base Non-Executive Director fee; however, no increase was applied to the Committee Chair fees. The next fee review will be in October 2023.

Current fees for Non-Executive Directors are as follows:

	FY23	FY22
Chair	£203,705	£198,870
Base fee	£55,058	£52,000
<b>Additional fees</b>		
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 Colleagues

The table below sets out the increase in total remuneration of the Director and that of all colleagues in FY23 compared with the prior year.

	FY22 to FY23			FY21 to FY22			FY20 to FY21		
	Base salary/ fees % change	Annual bonus % change	Benefits % change	Base salary/ fees % change	Annual bonus % change	Benefits % change	Base salary/ fees % change	Annual bonus % change	Benefits % change
<b>Executive Directors</b>									
Graham Stapleton	4.00%	-13.00%	–	1.80%	100.00%	–	1.80%	–	–
Jo Hartley <sup>1</sup>	N/A	N/A	–				1.80%	–	–
Lorraine Woodhouse <sup>2</sup>	N/A	-13.00%	–	1.80%	100.00%	–			
<b>Non-Executive Directors</b>									
Keith Williams	4.00%	–	–	1.80%	–	–	0.00%	–	–
Helen Jones	4.00%	–	–	1.80%	–	–	9.50%	–	–
Jill Caseberry	4.00%	–	–	1.80%	–	–	0.00%	–	–
Tom Singer	4.00%	–	–	1.80%	–	–	N/A	–	–
<b>Average pay of all colleagues in the Group</b>	<b>5.91%</b>	<b>8.58%</b>	<b>–</b>	<b>2.80%</b>	<b>76.30%</b>	<b>–</b>	<b>4.02%</b>	<b>45.42%</b>	<b>–</b>

<sup>1</sup> Jo Hartley was appointed as Chief Financial Officer on 16 June 2022.

<sup>2</sup> Lorraine Woodhouse retired from the Board on 1 July 2022.

# Remuneration Committee Report

## Annual Report on Remuneration

### 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
2022/23	Option B	61:1	56:1	34:1
2021/22	Option B	167:1	147:1	90:1
2020/21	Option B	143:1	126:1	99:1

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 2022. 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 a decrease in the CEO pay ratio in 2023 compared to 2022. As is appropriate, the remuneration arrangements for the Executive Directors are more closely linked to performance, and this is reflected in the year on year change.

Component	P25	P50	P75
Base Salary	£19,364.15	£20,533.50	£33,748.00
Total Remuneration	£19,405.70	£21,136.04	£35,245.55

### Workforce Engagement in Remuneration

As referenced on pages 106 and 107, 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 a colleague engagement survey.

### Gender Pay Gap Report

Details of the Group's Gender Pay Gap Report for 5 April 2022 are available at [www.halfordscompany.com/environmental-social-and-governance/our-colleagues/gender-pay-gap/](http://www.halfordscompany.com/environmental-social-and-governance/our-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.

	2023	2022
EBITDA (underlying)	£186.0m	£207.1m
PBT (underlying)	£51.5m	£89.8m
Payments to employees:		
Wages and salaries	£321.0m	£283.4m
Executive Directors <sup>1</sup>	£2.0m	£4.5m
Dividend paid to shareholders and share buybacks	£19.5m	£16.5m

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