

# CORPORATE RESPONSIBILITY

## Governance and commitment to Corporate Responsibility

Halma companies are involved in the manufacture of a wide range of products that protect and improve the quality of life for people worldwide. Therefore, safety is critical to the Group and is a major priority for management. Reduction of the Group's carbon footprint has received increased attention since 2007 with the initial objective of a 10% reduction in relative carbon usage in the three years to March 2010 renewed for the subsequent three years to March 2013.

Our core values are Achievement, Innovation, Empowerment and Customer Satisfaction. These core values have been selected following extensive surveying of employees across the Group. Our culture is one of openness, integrity and accountability. We encourage our employees to act fairly in their dealings with fellow employees, customers, suppliers and business partners. We recognise that our employees determine our success and therefore have invested in and encouraged their development more this year than ever before, not only with a suite of Halma development programmes, but also through clear leadership and decisive action. By

ensuring that our team has the approach and skills required to succeed we are better placed to meet the challenges of the future.

We recognise the necessity of safeguarding the health and safety of our own employees while at work and operate so as to provide a safe and comfortable working environment for employees, visitors and the public. Our policy is to manage our activities to avoid causing any unnecessary or unacceptable risks to health and safety and the environment. We have an excellent long-term record for addressing environmental issues that affect our businesses and for developing products that protect the environment and improve safety at work and in public places.

We support the concept of sustainability and recognise that, in common with all businesses, our activities have an environmental impact. Our strategy is not to have capital-intensive manufacturing processes and to operate close to our end markets in terms of geography, so the environmental impact of our operations is relatively low compared to manufacturers in other sectors. We also recognise that we can improve our own environmental performance and so resources are

placed on corporate responsibility and enable the Board to monitor the Group's progress in meeting its objectives and responsibilities in these areas. Details are given on pages 18 and 19.

Halma has an excellent health and safety record and a culture of safety is deeply embedded within the Group. We will continue to actively promote our safety culture over the coming year following a major update and relaunch of our internal Health and Safety policy, guidance and reporting.

## Halma and the environment

We have an excellent long-term record and a clear strategy for addressing environmental issues that affect our businesses and for developing products that protect the environment and improve safety at work and in public places.

## Our products

Many of our innovative products play a very positive role in monitoring and improving the environment. Halma brands lead the world in a number of technologies which help to minimise environmental damage. Our principal environmental technologies are water leakage detection, gas emissions monitoring, water and effluent analysis, UV

Customer satisfaction  
Continuous improvement  
Achievement  
Innovation  
Teamwork  
Quality

Six matching values in top ten  
2012



deployed to actively reduce our own carbon footprint.

Halma has been a member of the FTSE4Good UK index since its establishment in July 2001.

A summary of our progress and performance for all areas of corporate responsibility follows. Halma has developed meaningful key performance indicators (KPIs) that reflect the importance the Group

water treatment and optical sensing. We promote the use of UV water sterilisation which eliminates the need to use dangerous chemicals, as well as products that minimise the waste of clean water.

Our commitment to the development of equipment for measuring environmental changes and controlling the damaging impact of industrial activities is long term. We make safety equipment for use at

work, in public places and in transportation systems that contribute to increased personal safety by ensuring safe practice at work, protecting people from fire and making elevators and automatic doors safe and effective. We are the major world supplier in several of these areas.

### Carbon policy

The Group's policy on carbon is published on our website and has been distributed and explained to all Halma business units. A senior executive in each of our higher impact business units is responsible for implementing the carbon policy at local level. Our Finance Director, Kevin Thompson, has principal responsibility for coordinating and monitoring the policy.

### Environmental Management System

We are committed to developing and implementing an environmental management system (EMS) throughout the Group to measure, control and, where practical, reduce our environmental impacts. We have developed performance indicators that assist local management in implementing the policy and ultimately developing an EMS. The requirement for an EMS and the related reporting has been rolled out to all UK business units, which represent approximately 41% of Group production facilities in terms of external turnover. All Group companies are encouraged to undertake ISO 14001, the international environmental accreditation, where warranted. The requirement to implement an EMS will be extended to the rest of the Group in the medium term. In terms of revenue, currently 22% (2011: 19%) of the Group has ISO 14001 approval.

levels we provide to our customers. It also makes our operations more flexible and responsive to their markets and customers. With operations spread around the globe, our supplier base is understandably fragmented. Therefore, responsibility for vetting and managing suppliers is devolved to local management while meeting the Group's ethical standards.

FTSE4Good has assessed Halma as having a low impact on the environment. Nevertheless, Group companies are encouraged to improve energy efficiency, reduce waste and emissions and reduce the use of materials in order to minimise their environmental impact. The Group established baseline data in 2004/05 on emissions to air and water, water and energy consumption, and waste production, the results of which are updated on the Halma website each year. The data collected for the past five years has enabled the Group to set comprehensive and quantifiable objectives for reducing its environmental impacts in those areas and to set and monitor targets for reduction in key areas. The collected data confirms that the main area of impact on the environment is energy consumption.

The Group does not operate a fleet of distribution vehicles although we do own a number of company cars. From May 2007, we implemented a cap on permissible CO<sub>2</sub> emissions of all UK company vehicles and will extend this requirement to the rest of the world in due course. This limit is reduced each year so as to consistently reduce our vehicles' environmental impact. We have also set a fuel consumption standard for company vehicles in the USA which is reviewed annually.

We renewed our target in 2010 and are pleased to report that in the first two years we achieved a 9% reduction. We have initiated a number of carbon reduction actions, particularly in the UK, which are designed to help us meet our targets.

From April 2010, we have worked with a provider of energy efficiency and carbon reduction solutions to ensure compliance with the new Carbon Reduction Commitment Energy Efficiency Scheme (CRC) which is the UK's mandatory climate change and energy saving scheme administered by the Environment Agency. We are in full compliance with the CRC requirements. Already we have rolled out Automatic Meter Reading (AMR) technology to the majority of UK sites. All major UK sites have received an energy survey and set an action plan for improved energy usage. This initiative is backed up by specialist carbon management software and comprehensive training on its use. The Group's environmental performance will continue to be reported both in the Annual Report and on our website.

The Group is committed to examining the establishment of 'green' procurement policies and increasing our use of recycled materials.

### Halma and its people

The Group has a policy of equal opportunities and preventing harassment, which applies in relation to recruitment of all new employees and to the management of existing personnel. This gives us access to the widest labour market and enables us to secure the best employees for our needs. We offer all of our staff training relevant to their roles and we believe that this contributes to an increase in employee motivation and job satisfaction. The culture alignment survey results mentioned below support this trend.

Periodically we complete a survey of employees to determine whether our core values are authentic in our organisation. The survey establishes the values individual employees wish to see in our operating culture and to what extent they exist in our current culture.

In 2006, our survey of senior managers showed that five (50%) of the values they wanted to see in our business were actually present. In 2012, our survey of senior managers showed that six (60%) desired values were present in our business. This indicates that there is a healthy level of alignment between the culture we aspire to have and the culture we actually have.

## Completed training

**54%** of eligible employees

### Our impact

The environmental effect of our operations is relatively low compared to manufacturers in other sectors. Our manufacturing model is decentralised permitting our operations to be located close to their customers. Manufacturing operations are established across the world for this very reason rather than to save labour costs. The ethos of being close to our customers reflects the importance we place on the quality of our products and the service

We are committed to reducing our carbon footprint. We set a target in 2007 to reduce the Group's total carbon emissions relative to revenues by 10% over three years. Following a total reduction of 7% in the first two years, 2009/10 showed an increase following the acquisition of a high energy usage facility in the USA. We are working hard to reduce the energy impact of that facility and excluding that operation we would have achieved our target reduction.

No survey is capable of capturing all the appropriate sentiments, but our executives, who regularly visit all Group companies, agree that observable and valuable improvements in the Group culture have occurred over recent years. The Group will continue to monitor the survey results to enable us to better support our people in bringing these values and strengths to work so that they and we may derive further benefit from them.

**Diversity**

The Board of Directors responded to the consultation document that the UK's Financial Reporting Council issued in respect of 'Gender Diversity on Boards'.

Our experience is that throughout Halma, women are under-represented at manager and executive levels and we aim to increase the proportion of women in senior roles and on the Board of Directors by refreshing our policies and behaviours from both a 'top down' and 'bottom up' approach. To that end, we issued a Diversity Policy during the year which is available on our website. We appreciate the task ahead of us in a sector where graduates are more than 80% male, so part of our strategy will involve ensuring that Halma has a culture and working practices that make it more attractive to women.

Our efforts will not only be directed towards gender diversity, but also towards increasing the proportion of individuals with experience in the business and geographic markets in which we see our operations trending.

Our strong preference is to develop policies and actions which support our aims rather than establishing measurable targets. We believe the former evolves into part of the corporate culture more readily than simply setting a target.

**DIVERSITY POLICY**

Halma believes that the diversity of our staff is a significant contributor to our success:

- Diversity in our organisation attracts talented people to join the group and to develop to their full potential.
- Diversity within our leadership improves decision making processes and effective teamwork.
- Diversity encourages fresh thinking and challenges the status quo and boosts innovation.

Our policy's objectives are:

1. To build a culture that encourages talented people of all backgrounds, beliefs or any form of personal identity to want to work for Halma.
2. To use recruitment, training, development, promotion and compensation to increase diversity in our organisation.
3. To ensure that our procedures, systems and behaviours are not discriminatory.

Each year our Board of Directors reviews these policies and our implementation to ensure that they create and maintain a diverse and inclusive organisation.

**Disabled employees**

Applications for employment by disabled people are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled people should, as far as possible, be identical to that of other employees.

**Employee consultation**

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings, the Group intranet and the annual financial statements. Employee representatives are consulted routinely on a wide range of matters affecting their current and future interests. An employee share plan has been running successfully since 1980. It is open to all UK employees and aligns the interests of all UK employees to those of shareholders.

**Health and safety**

The Group manages its activities to avoid causing any unnecessary or unacceptable risks to health and safety to our employees in the work place or to the public as a result of our activities. The policy is understood by all Group companies and was reinforced in 2010/11 through improved guidance and reporting following a comprehensive review led by an external expert. As a result, reporting of Health and Safety incidents and corrective action where needed has been given an even higher profile. Given the autonomous structure of the Group, operational responsibility for compliance with relevant local health and safety regulations is delegated to the directors of each Group company. We believe health and safety training is important and it is carried out within companies as appropriate. Adequate internal reporting exists in order that the Group's Finance Director can monitor each company's compliance with this policy.

Major injuries recorded	2012	2011	2010
Days lost due to work-related injuries	301	455	133
Total recorded injuries to all employees	362	505	233

The Group collects details of its worldwide reported health and safety incidents, and these are available on our website at [www.halma.com](http://www.halma.com). We are also pleased to report that there were no fatalities between 2009 and 2012.

## People development

We run a number of people development programmes. The Halma Executive Development Programme (HEDP), which is based on our recognition of the fundamental part our people play in the success of the Group, continued to strengthen in 2011/12. HEDP is an integrated development plan for our senior people – including the next generation of Managing Directors and Divisional Chief Executives. Our objective is to provide these individuals with the tools and training they need to achieve more in their existing role and potentially to advance through the organisation if their achievements merit it.

Training	2012	2011	2010
Cumulative number of candidates that have completed HEDP	194	166	152
Cumulative number of candidates that have completed HMDP	392	319	277
Cumulative number of candidates that have completed HCAT	36	19	–

HEDP is aimed at employees already serving on subsidiary boards but we also encourage applications from senior functional managers who can demonstrate they already have equivalent responsibilities and will benefit from the programme.

There are approximately 240 such eligible employees in total.

The programme has been developed from a proven course structure and is specifically and continuously tailored to suit Halma's needs, aligning the content to the Group's four core values of Achievement, Innovation, Empowerment and Customer Satisfaction. It focuses strongly on strategic and leadership capabilities and developing personal attributes – commitment, determination and resilience. There is an emphasis on performance management and team development. It includes skillbased elements such as sales and marketing management, project leadership, corporate governance, finance and innovation, but all are presented in a strategic context.

Fourteen programmes have been successfully completed.

Now that a significant proportion of executives have completed HEDP, a follow up programme, HEDP+, has been introduced to provide updated training and to reinforce the original course contents, and four such courses were held in the year.

Complementing the HEDP is a programme for subsidiary managers and supervisors – the Halma Management Development Programme (HMDP). During the year, three HMDP and two HMDP+ programmes were completed giving a cumulative total of 392 employees who have completed HMDP. Programmes were held in the USA, Europe and Asia.

In 2011, we introduced a new programme, Halma Certificate of Applied Technology, targeted at our technical engineers to equip them with a broader understanding of Halma's technology, improve their productivity and provide specific skills training in areas such as project management. Two such programmes with 36 participants have been completed with great success.

The Halma Graduate Development Programme (HGDP) was introduced during 2011/12 and the first participants start working with us in Summer 2012. HGDP is targeted at engineering, science and technical graduates with the potential to become future leaders of our companies, or next generation specialists driving our technology.

The programme lasts 18 to 24 months and is based on placements in our various operating companies. Through project work participants quickly assume responsibility and learn in detail how businesses operate. We support participants through residential training modules to help develop communication and teamwork skills alongside a mentoring programme for personal development.

## Community

In line with our decentralised structure, social and community activities are sponsored and undertaken at the direction of subsidiary management. Each subsidiary has the freedom to implement its own initiatives. This approach recognises that priorities will vary from business to business.

## Responsible investment

Investing in Halma shares meets the criteria of many professional and private investors who base their decisions on environmental, ethical and social considerations. The Group is a world leader in several key environmental technologies and has a reputation for honesty and integrity in its relationships with employees, customers, business partners and shareholders.

Social conditions can be improved for all through the creation of wealth. Halma creates wealth responsibly allowing our employees, customers, business partners and shareholders to determine where this wealth is best distributed.

Halma's policies reflect the core requirements of the Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. We do not tolerate practices which contravene these international standards. Regulatory demands upon us vary considerably around the world, so Halma establishes the core structure to ensure that Group companies fully comply with legislative and regulatory requirements while permitting them to tailor their approach to their particular needs.

## Ethics

The Group culture is one of openness, integrity and accountability. Halma requires its employees to act fairly in their dealings with fellow employees, customers, suppliers and business partners. Halma introduced a new Code of Conduct during the year which applies to all Group employees and our external business relationships. We require suppliers to be of high quality and to operate to accepted international standards. Halma operates a confidential whistleblowing policy with an external call centre, which enables all Group employees to raise any concerns they may have.

Halma has a zero-tolerance policy on bribery and corruption which extends to all business dealings and transactions in which we are involved. This includes a prohibition on making political donations, offering or receiving inappropriate gifts or making undue payments to influence the outcome of business dealings. A new, robust policy and guidance in this area was updated during the year in line with best practice.

**Cautionary note:** This Business Review has been prepared solely to assist shareholders to assess the Board's strategies and their potential to succeed. It should not be relied on by any other party, for other purposes. Forward-looking statements have been made by the Directors in good faith using information available up until the date that they approved the Report. Forward-looking statements should be regarded with caution because of the inherent uncertainties in economic trends and business risks.