

Socially 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 and business partners.

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.

In each of the following areas, the regulatory demands upon us vary considerably around the world, so Halma establishes the core structure to ensure that Group companies fully comply with regulatory requirements while permitting them to tailor the solutions to their particular needs.

The environment

In response to the December 2004 South East Asian tsunami, Hanovia directed its efforts into converting existing technology designed for fixed installations into a standalone UV water disinfection system. UV water disinfection systems are particularly effective in killing cholera and typhoid bacteria and other water-borne bacteria and viruses that may be immune to chlorine. The system is fully portable and can be used to provide primary disinfection of contaminated water or be used as a point-of-use disinfection barrier from storage tanks. It can produce up to 6 tonnes per hour of low quality filtered drinking water. It may also be combined with chemical treatment to provide multi-barrier disinfection. The first system was donated to Mercy Malaysia for use at an Internally Displaced Person camp in Banda Aceh province.

Across the Group we continue to operate programmes, where commercially viable, to ensure the responsible disposal of packaging, including the re-use and recycling of all packaging types and, where necessary, the use of licensed contractors to dispose of non-recyclable waste packaging safely.

Within Halma, 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 water treatment and fibre optic spectrometers. We tirelessly 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.

Environmental policy

The Group's policy on environmental issues is published on our website and has been distributed and explained to all Halma business units.

A senior executive in each of our business units is responsible for implementing the environmental policy at local level. The Group Finance Director, Mr K J 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 are developing performance indicators that will assist local management in implementing the policy and developing an EMS. The requirement for an EMS and the related

The BEA group of companies has always sought to minimise the environmental impact of their buildings. This objective was designed into BEA SA's main facility in Liège, which already uses collected rainwater for everything other than drinking water, and heat exchangers to minimise the energy needed to heat and cool the building. During this year the technologies used in the heating and lighting systems of the building have been further upgraded to improve their energy efficiency. These kinds of initiatives to reduce energy use, applied across the Group, lead to the double benefits of lower environmental impact and lower costs.

Demonstrating the Group's commitment to ensure all companies comply with applicable regulations, Apollo Fire Detectors is now well advanced in its compliance plan for the Waste Electrical and Electronic Equipment ('WEEE') Directive that comes into force in August 2005. Apollo will be introducing new product labelling this year to meet its immediate obligations under the WEEE Directive and is arranging to join a collaborative compliance scheme early next year by which Apollo can offer its customers a simple product return service.

Health and safety

reporting has been rolled out to all UK business units which represent over 50% of Group production facilities in terms of external turnover. All Group companies are encouraged to undertake ISO 14001, the international environmental standard, accreditation where warranted. During the year, Fortress Interlocks obtained ISO 14001 approval. The requirement to implement an EMS will be extended to the rest of the Group in the medium term.

Our impacts

We support the concept of sustainability and recognise that, in common with all businesses, our activities have an environmental impact. Our products do not require capital-intensive manufacturing processes, so the environmental effect of our operations is relatively low compared to manufacturers in other sectors.

During the year, the Group successfully introduced an Innovation Initiative which encourages the research and development teams at each Group company to re-examine their product designs with a view to being more efficient and effective using components which are more environmentally acceptable. The winning team in 2004 comprised Roger Copeland, Duncan Johnson and Stan Ramage from Volumatic whose Compact Counter Cache product development was voted, by a peer group, as the most successful product innovation of the year.

Group companies are encouraged to improve energy efficiency, reduce waste and emissions and to reduce the use of materials in order to reduce their environmental impact. The Group carried out an exercise in 2004/05 to establish baseline data on emissions to air and water, water and energy consumption and waste production. The data collected will enable the Group to set objectives for reducing its environmental impacts in those areas and to look at setting targets for reduction in key areas. The Group plans to publish the results of this exercise on its website in July 2005.

The baseline data has confirmed that the main areas of impact on the environment are energy consumption and waste disposal. The Group does not operate a fleet of distribution vehicles although we do own a number of company cars. Few of our assembly processes require water, so there are not large quantities of waste water to manage.

After the results of the 2004/05 exercise are analysed and targets have been set in key areas of environmental impact, the Group is committed to examining the establishment of "green" procurement policies.

The Group's environmental performance will continue to be reported in both the Annual Report and on our website.

The Group recognises the necessity of safeguarding the health and safety of our own employees whilst at work and operates so as to provide a safe and comfortable working environment for employees, visitors and the public. The Group has a health and safety policy, which is set out on the Company's website. It is the Group's policy to manage its activities to avoid causing any unnecessary or unacceptable risks to health and safety. The policy is understood by all Group companies. Given the autonomous structure of the Group, operational responsibility for compliance with relevant local health and safety regulations is delegated to the board of directors of each Group company. Health and safety training is carried out within companies as appropriate. Adequate internal

reporting exists in order that the Group Finance Director may monitor each company's compliance with this policy.

The Group has collected details of its worldwide reported health and safety incidents which will be available on its website in July 2005.

Ethics

Halma encourages its employees to act fairly in their dealings with fellow employees, customers, suppliers and business partners. We aim to have suppliers of high quality and operate to acceptable international standards. Halma operates a confidential "whistleblowing" policy, which enables all Group employees to raise any concerns they may have.

FTSE4Good index

Halma was designated a member of the FTSE4Good UK index on its establishment in July 2001. The FTSE4Good index measures and benchmarks the performance of companies with good records of corporate social responsibility and aids investors who use socially responsible investment criteria. The FTSE4Good Selection Criteria cover three areas: working towards environmental sustainability; developing positive relationships with stakeholders; and upholding and supporting universal human rights.

Business in the community

Halma participated in the 2004 Environment Index for the first time signalling the Group's commitment to integrating environmental considerations into the way that the Group is operated.