

Corporate responsibility

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, 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.

Regulatory demands upon us vary considerably around the world, so in each of the following areas 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 workplace

Halma demonstrated that it is one of the UK's most admired businesses by a high ranking in Management Today magazine's annual survey of corporate reputation. The awards are a peer review, distilling the opinions of directors who run 220 of the UK's largest companies. This is a revealing survey based on the key elements that help make companies successful. Companies are, in effect, judged by their competitors, and the survey is unique in the UK.

Halma was ranked the 27th most admired company out of a list of more than two hundred businesses. The awards are based on a survey by Nottingham Business School of the ten largest UK-based companies in each of 22 different sectors. Respondents rate companies in categories such as quality of management, financial soundness, quality of products, ability to attract, develop and retain talented managers, value as a long-term investment and capacity to innovate.

We believe that everyone who works for Halma can take pride in this result because everyone, whatever their role, contributes to the Group's reputation. It is a great compliment to our business, especially when you see that we are ranked above big companies like Shell, British Airways, J Sainsbury and Marks & Spencer.

Training

2005/06 saw the launch of 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. HEDP is an integrated development plan for our senior people – the next generation of Managing Directors and Divisional Chief Executives. Our objective is to provide these individuals with the tools and training to achieve more in their existing role and potentially to advance through the organisation playing a pivotal role in continuing the success of the Group.

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

The programme has been developed from a proven course structure and is specifically tailored to suit Halma's needs. It focuses strongly on strategic and leadership capabilities and on developing personal attributes – commitment, determination and resilience. There is an emphasis on Performance Management and Team Development. It includes skill-based elements such as Sales and Marketing Management, Project Leadership, Personal Communication, Corporate Governance, Finance and Innovation, but all are presented in a strategic context.

Additional training on the Group intranet also provides the opportunity for all Group employees to expand their skill set by making available to them a wide ranging menu of courses for completion at their own pace. The courses available broadly fall into the classifications of innovation, management, personal development, sales and technical areas of expertise such as manufacturing and accounting. Since the launch of e-learning in October 2004, 178 modules have been completed.

Health and safety

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's health and safety policy, which is set out on our website, is to manage our activities to avoid causing any unnecessary or unacceptable risks to health and safety. The policy is understood by all Group companies, and 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. We believe health and safety training is very important and it 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 are available on our website.

Ethics

The Group culture is one of openness, honesty and accountability. 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.

Innovation

Continuous innovation is a critical ingredient for Halma's growth. Continually refreshing our intellectual property leads to new products and processes and helps us to maintain the strong market positions held by many of our companies. Innovation is not just the responsibility of our development departments but is integral to all commercial activities within the business. Innovative ideas can range from a novel way to enter a new or remote market to administration process improvements speeding the delivery of products to customers. All employees within the Group have the opportunity to deliver innovative ideas to help their company and the Group achieve the growth objectives.

During 2005/06, Halma introduced Eureka!, a monthly prize for the most creative innovation idea submitted during any one month. The idea does not need to have been implemented or even have proven financial viability – we are simply looking for the actual birth of the idea, the creative spark, the eureka! that heralds the start of an original thought process which upon germination will bring new benefit to a Group business.

The Group continued the successful Innovation Initiative, launched in 2004/05, 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 2005/06 Gold Award of £20,000 was presented at the annual CEO Conference by Geoff Unwin to Ed Agar of Palintest for his work on the Cool Pool Tester, a hand-held electronic instrument for monitoring water quality of residential swimming pools and spas. The Silver Award of £10,000 was awarded to Carol Cessford of Elfab for her Think Global, Act Local project, a global telecommunications network in 50 countries linked to a multilingual sales team. The Bronze Award of £5,000 was shared by two teams – Matt Carroll, Bill Benson and Gordon Denny of Mosebach for their H-Pin Resistor Retention System, a new design for Mosebach's off-highway dynamic braking resistors – and Brian Rogers and David Landis of Ocean Optics for their Custom Fiber Optic Assembly Quoting and CAD Drawing Creation Website, a website for the rapid creation of quotations and CAD drawings, incorporating a customer approval e-mail service.

The environment

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.

Corporate responsibility continued

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, 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 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 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, and during the year, Apollo Fire Detectors Limited and Berson Milieutechniek BV 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.

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 Group updates the results of this annual exercise on its website each July. The data collected for the past two years 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 collected data confirms 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 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.

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.