

Achievements

We deliver sustainable value to our customers and shareholders.

1. Halma's carbon policy was approved by the Board at the beginning of the year and calls for a 10% reduction in the carbon footprint by 2010.
2. Halma conducts an annual survey of its employees to assess how well the Group's values are aligned with its employees and how well the Group communicates its values to employees.
3. The Halma Executive Development Programme (HEDP) has been supplemented with a Halma Management Development Programme (HMDP) aimed at middle-managers and the necessary skills they need in their current and future roles.

GOVERNANCE AND COMMITMENT TO CORPORATE RESPONSIBILITY

As Halma companies are involved in the manufacture of a wide range of products for the protection and improvement to quality of life for people worldwide, safety is critical to the Group and is a major priority for management. Likewise, the reduction of the Group's carbon footprint has received elevated attention in the current year in order to meet the Board's stated objective of a 10% reduction in relative carbon usage in the three years to March 2010.

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 our intranet training facilities and Halma Executive Development Programme, but also through clearer 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 whilst 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.

KPIs

Non-financial Key Performance Indicators (KPIs) are used by the Board to monitor progress on Group initiatives; financial KPIs are considered on page 13.

CO₂ EMISSIONS: TONNES/£M OF REVENUE

40

42
2007

≥10%
reduction
Group target

Good progress towards reduced carbon emissions (relative to revenue) made in the policy's first year.

VALUES ALIGNMENT

7

5
2007

≥5
Group target

Survey of senior managers showed an improvement to seven desired values now present in the Group.

SUBSIDIARY DIRECTORS/MANAGERS WHO HAD COMPLETED HEDP/HMDP BY MARCH 2008

50%

26%
2007

>50%
Group target

Continued commitment to training our people.

Many of our innovative products play a very positive role in monitoring and improving the environment. Our brands lead the world in a number of technologies which help to minimise environmental damage.

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, 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 now being deployed to actively reduce our own carbon footprint.

Halma was designated a member of the FTSE4Good UK index on 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 places on corporate responsibility and enable the Board to monitor the Group's progress in meeting its objectives and responsibilities in these areas.

The biggest area of emphasis over the past two years has been the transformation of the Group's environmental policy into a carbon policy stating actual targeted reductions for the Group to achieve over a set timescale. Halma has an excellent health and safety record and a culture of safety is deeply embedded within the Group. We want to recognise the effort behind this exemplary record and will promote our safety culture more visibly over the coming year.

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 water treatment and optical sensing. 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.

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. The 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 over 50% of Group production facilities in terms of external turnover. All Group companies are encouraged to undertake ISO 14001, the international environmental accreditation, where warranted, and since last year Elfab Limited has obtained ISO 14001 approval. The requirement to implement an EMS will be extended to the rest of the Group in the medium term. In terms of revenue, currently 20% of the Group has ISO 14001 approval.

Our impact

The environmental effect of our operations is relatively low compared to manufacturers in other sectors. 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 reduce 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 three years has enabled the Group to set comprehensive and quantifiable objectives for reducing its environmental impacts in those areas and to set targets for reduction in key areas.

The collected data confirms that the main areas of impact on the environment are energy consumption and solid waste disposal. 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 CO₂ emissions of all UK company vehicles and will extend this requirement to the rest of the world in due course. This limit has been reduced in 2008 and will continue to be reduced annually so as to consistently reduce our vehicles' environmental impact. We have also set a fuel consumption standard for company vehicles in the USA.

Having identified the main areas of impact, we are now committed to their reduction and minimisation. Using the baseline data the total Group carbon emissions for 2006/07 were calculated as being approximately 15,000 tonnes, an average of approximately 42 tonnes per £million of revenues. We plan to reduce the Group's total carbon emissions relative to revenues by 10% by 2010, and have made reasonable progress in 2007/08 with total Group carbon emissions of averaging 40 tonnes per £million of revenues.

We worked with an international environment and energy consultancy to facilitate this reduction by providing each subsidiary with the means to identify tailored initiatives for energy efficiency. This is complemented by internal programmes, including the use of our own wireless communications technology to monitor energy usage and use of the Group intranet to allow for inter-company communication, reporting of data and feedback. This initiative has, and will continue to, lead to cost savings for the Group as well as preparing us for compliance with anticipated climate change legislation.

Our carbon policy can be found on the Halma website. The Group's environmental performance will continue to be reported both in the Annual report and on our website.

Sustainability review (continued)

The Group participated in the Carbon Disclosure Project for both the current and prior years and 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 existing culture.

In 2006, our survey of senior managers showed that five of the values they wanted to see in our business were actually present. In 2008, our survey of senior managers showed that seven desired values were present in our business. This indicates a healthy level of alignment between the culture we aspire to have and the culture we have today.

No survey is capable of capturing all the appropriate sentiments, but our executives, who regularly visit all Group companies, agree that definite healthy 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 bringing these values and strengths to work so that they and we may derive further benefit from them.

Disabled employees

Applications for employment by disabled persons 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 persons 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. 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 important and it is carried out within companies as appropriate. Adequate internal reporting exists in order that the Group's Finance Director may monitor each company's compliance with this policy.

Major injuries recorded	2008	2007
Days lost due to work-related injuries	691	652
Total recorded injuries to all employees	388	716

The Group has collected details of its worldwide reported health and safety incidents which are available on our website at www.halma.com. We are pleased to report that there were no fatalities during 2007/08 or 2006/07, and we achieved a considerable decrease in both serious and minor injuries in comparison with low levels in 2006/07.

People development

2007/08 saw the continuing success for 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 – including 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 if their achievements merit it.

Training	2008	2007
Cumulative number of candidates that have completed HEDP	90	50
Cumulative number of candidates that have completed HMDP	104	–

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. There are approximately 200 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 skill-based elements such as sales and marketing management, project leadership, corporate governance, finance and innovation, but all are presented in a strategic context.

The first six programmes have now been completed and the success of the programme can be measured by the enthusiasm of the participants upon their return to their businesses, the achievements of a number of participants and their eagerness to coordinate further sessions to explore topics of particular interest to their programme Group.

With the HEDP now a well-established part of Halma's people development activity, we have established a new programme for subsidiary managers and supervisors – the Halma Management Development Programme (HMDP). During the year five programmes were completed for a total of 104 employees. Programmes were held in the USA, Europe and Asia.

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 regulatory requirements while permitting them to tailor the solutions to their particular needs.

Ethics

The Group culture is one of openness, integrity 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.

Halma has a zero-tolerance policy on bribery and corruption which extends to all business dealings and transactions in which we are directly 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.

CAUTIONARY NOTE

The 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. In preparing this Business review, the Directors have aimed to comply with the Accounting Standards Board's 2006 Reporting Statement guidance on Operating and Financial Reviews.