

Halma plc

Emissions reduction report

FY23

Halma



Introduction

Introduction

Purpose of this document

As set out in our [TCFD Report](#) in our FY23 Annual Report and Accounts, our emissions from Scope 1 & 2 are not significant, and we have not identified a significant risk to our business from our Scope 3 emissions.

In addition, we believe that, in aggregate, product and market sub-opportunities from climate change will be a significant opportunity for the Halma group (see page 5).

However, we recognise the need to work towards Net Zero for our entire value chain, and we are cognisant of evolving guidance and expectations in relation to climate transition plans.

We have therefore published this document as a source of additional information on our Scope 1, 2 and 3 emissions and progress for interested stakeholders.

This supplemental document sets out:

1. Additional details on our Scope 1 & 2 emissions and targets, our progress against these, and the key levers we are planning to use to meet our targets.
2. Additional details from our Scope 3 baselining exercise carried out in FY23.

Over the course of FY24 and beyond, we will be setting appropriate Scope 3 medium- and long-term targets, and developing a full transition plan in line with evolving guidance.

This document should be read in conjunction with our [FY23 Annual Report and Accounts](#) and other sustainability information available at www.halma.com – where more information on our wider sustainability approach and three pillars can be found.

Context – our sustainability approach

Sustainability has always been at the core of our growth strategy. We acquire and grow businesses in safety, environmental and healthcare markets that solve real problems in the world – enabling our customers to provide safer environments, protect life-critical resources, and deliver better healthcare. Their agility means that they can respond to the demands of their customers as the world changes, which includes evolving their products and services towards sustainability-related opportunities over time. We believe this focus and our three sustainability pillars will allow us to accelerate our progress and broaden the benefits that our companies already enable through their products and services.

Our sustainability approach has three pillars

Drive growth in sustainability

- we invest in growth opportunities driven by our purpose, long-term growth drivers and evolving sustainability demands.
- we aim to increase and broaden the benefits enabled by our products and services – from improving lives to supporting the transition to a greener economy.

Support people

- we support our employees, suppliers and communities we operate in, with a key focus on improving the **diversity, equity and inclusion** in our operations.

Protect our environment

- we are committed to reducing our environmental footprint, with a key focus on **sustainable product design and reducing our emissions**.

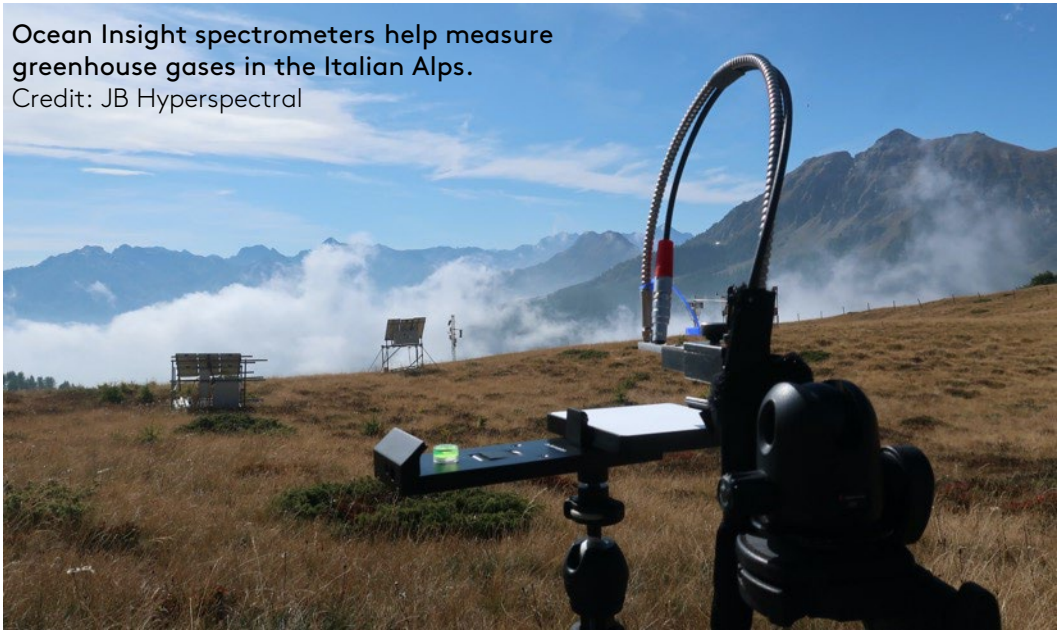
In the context of our Group’s goals, each of our companies sets their own bottom-up sustainability action plans to support people and protect our environment

Climate change at Halma

Why is climate change important to Halma?

Our purpose positions us well to thrive in the accelerating low-carbon transition, delivering many opportunities to expand our positive impact. Alongside this, we are committed to reducing our GHG emissions.

Relevant SDGs



Ocean Insight spectrometers help measure greenhouse gases in the Italian Alps.
Credit: JB Hyperspectral

Our overall approach

As set out in our [TCFD Report](#), on balance the low carbon transition and adaptation to warming climates is likely to provide sub-opportunities for Halma companies to drive growth while expanding positive impact.

However, we recognise that our activities have a climate impact, particularly within our wider value chain, and we recognise the need to work towards Net Zero across our entire value chain. Therefore, our plan to reduce emissions takes into account our diversified and decentralised business model consisting of more than 45 mostly small- to medium-sized companies and our relatively low Scope 1 & 2 emissions. We will continue to develop this plan as we set Scope 3 targets and as we consider evolving guidance on transition plans.

Our overall approach consists of:

Products, services & future growth	Reducing our own emissions	
	Scope 1 & 2	Scope 3
Efforts to address climate change are long-term growth drivers for Halma	These emissions are under our direct control and are a small portion of our total footprint.	These emissions are not under our direct control and contribute most of our total footprint.
We're empowering our companies to pursue sub-opportunities to contribute to the Net Zero transition and support adaptation efforts – as outlined on page 5 and in our TCFD report .	We've got targets in place to reduce emissions and reach Net Zero. See page 8	We've estimated our FY20 baseline and are now working on setting appropriate targets and improving our ongoing reporting capability. See pages 12 to 13

Driving growth in sustainability

Our approach to climate opportunities

The effort to address climate change is a key growth driver for Halma. On balance, while climate change presents various potential risks to Halma, we believe the transition to a low-carbon economy, as well as the need to adapt to increasing physical impacts of climate change, offers multiple sub-opportunities for Halma companies.

As a group of companies operating in varied market niches, there are many ways in which our companies can address this growth driver. In FY22, we published some illustrative, but not exhaustive, examples, which are reproduced in the table. Many companies may take more than one of these approaches.

In line with our business model, we enable our companies to respond to climate-driven sub-opportunities in their markets in an agile, entrepreneurial way. Please see our latest [TCFD report](#) for more information.

Approach	Illustrative examples
Mitigating: Providing products and services that reduce greenhouse gas sources or improve greenhouse gas sinks and storage, including co-benefits such as energy efficiency.	BEA's widescan industrial door sensor solutions reduce customers' heat loss and energy use, while enhancing safety, by enabling doors to close more quickly when it is safe to do so.
Enabling: Providing products and services that enable, support or reduce costs for transitioning industries, technologies and processes.	Ocean Insight's recycling solution detects types of aluminium enabling it to be sorted into different grades within milliseconds. This application increases speed and reduces recycling costs, supporting the transition to a lower emission, more circular economy. Sensit, Crowcon and Sensitron provide hydrogen detection to keep workers safe as hydrogen is increasingly blended into natural gas supplies.
Improving: Providing products and services that offer a lower-carbon or more efficient alternative, lowering our customers' Scope 3 emission profiles.	Hydreka focuses on providing solutions with extremely low power consumption. Based on high-level analysis of two of their key products, their solutions are many times more energy-efficient than the leading competing products.
Adapting: Providing products and services that enable businesses and societies to cope with the physical impacts of climate change.	HWM is helping wastewater operators adapt to climate change, providing real-time alerts and insight so they can proactively intervene to avoid pollution and flooding.
Increasing demand: Benefiting from wider markets or increasing demand for our products as a result of the low-carbon transition.	Our fire and door sensor products may see increasing demand as a result of increasing levels of building retrofits.
Pivoting: Working with our customers to ensure we can continue to provide products and services as their industries transition and their needs change. Ensuring we are diversifying our businesses where we have exposure to highly impacted industries such as oil and gas.	Cosasco's products, traditionally used within the oil and gas industries, are being applied in municipal facilities to monitor pipe wall thickness degradation and the effectiveness of chemical treatments, to reduce lead contamination, chemical waste and leakage.

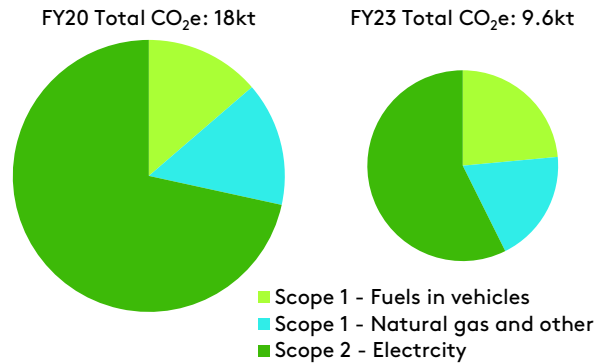


Scope 1 & 2

Scope 1 & 2

Key emission sources

Scope 1 & 2 emissions key sources and progress



Our Scope 1 & 2 emissions profile is fairly simple, consisting of three key emission sources as shown above. At approximately 18 ktCO₂e in our FY20 baseline year, our emissions are relatively small compared to the FTSE 100 average.

See our ESG [Basis of Preparation](#) document for full details on calculation and reporting methodologies, and our [ESG Supplementary Data](#) document for a full breakdown of Scope 1 & 2 GHG emissions.

We currently don't expect that we will need to make significant capex or opex investments over the short- to medium-term to meet our Scope 1 & 2 goals, due to the asset-light nature of our operations and our relatively low absolute emissions. We do not currently believe that we have any financially significant carbon or water intensive "legacy assets". Our R&D and capital expenditure budgets are set from the bottom up, and each company will allocate investment to support the climate portion of their sustainability action plans as required. We expect our residual emissions will be very small by 2040, and offset costs are not currently expected to be significant.

Our key levers to reach Net Zero

Our companies have set their own supporting targets and actions as part of their own sustainability action plans, and our strong organic and inorganic growth means that the Group is likely to be differently constituted by 2030 and 2040.

The key levers that we currently expect to use to reach Scope 1 & 2 Net Zero by 2040 include:

Group:

- High level target and ambition setting
- Promote reductions as far as practically possible via governance, resources, support, training, sharing platforms and challenging our companies
- From 2040, to counterbalance any residual emissions with carbon removal instruments according to SBTi guidance (after emission reductions to as close to zero as possible)

Companies:

- Company-level sustainability action plans & targets
- Improve energy productivity
- Purchase and generate renewable electricity
- Transition vehicle fleet to zero-carbon
- "Electrify everything" and pursue low/zero carbon heating
- Utilise inflection points (such as premise moves)

We expect the largest challenges to our Scope 1 & 2 decarbonisation plan to arise from:

- Most of our premises are leased rather than owned
- Contracts and suppliers managed at the individual company level

Our renewable electricity approach - including how we use onsite generation, renewable tariffs and energy attribute certificates - and further information on our planned use of carbon offsets, is set out in the Appendix.

Scope 1 & 2

Key targets summary

	FY20 baseline	FY22	FY23
Annual: At least 4% annual energy productivity improvements ¹	N/A	N/A	10%
Medium term: Achieve 80% renewable electricity by 2025 ²	8%	42%	62%
Science-based target*: Reduce emissions 42% by 2030 ³	0%	-35%	-47%
Long-term: Net Zero by 2040 ⁴			

Definitions and notes

*Our Net Zero, 2030 and renewable electricity targets are aligned with guidance from the Science-based Targets Institute (SBTi).

1. Revenue/energy consumed. Annual straight-line increase from FY22. Due to the inclusion of this metric in remuneration, it is calculated on a different basis to Scope 1 & 2 emissions and renewable electricity percentage. Revenue is adjusted to a constant currency basis, and both revenue and energy are adjusted to exclude all acquisitions in the current and prior period.
2. Current year renewable % reflects the full year impact of acquisitions and disposals made during the period. Comparative and baseline figures are not updated for the impact of acquisitions and disposals made in subsequent periods.

Link to remuneration

Climate change is incorporated into Halma's executive remuneration, with our annual energy productivity target accounting for 5% of overall bonus opportunity since FY23 (see page 137 of our [Annual Report and Accounts](#) for more details).

3. Market-based calculation of Scope 2 emissions. Aligned with guidance from the Science-based Targets institute (SBTi): 2030 target is an absolute measure aligned with the non-sector specific 1.5-degree emissions pathway. This target has not been verified, as SBTi verification requires our target to include Scope 3.
4. We will reach Net Zero by reducing emissions as much as is feasible before using carbon removal instruments.

See our [ESG Basis of Preparation](#) document for full details on calculation and reporting methodologies, and our [ESG Data Supplement](#) for a full breakdown of Scope 1 & 2 GHG emissions.

Scope 1 & 2

Our progress during the year

Our progress towards our targets was largely driven by:

Increasing renewable electricity purchases

Following significant progress last year, we have continued to see progress against our renewable energy targets, achieving 62% in FY23 (FY22: 42%). Our overall renewable electricity consumption continues to be dominated by renewable electricity tariffs (largely backed by Energy Attribute Certificates (EACs)) and unbundled EACs (94%). We continued to see an increase in the number of companies switching to renewable energy tariffs, with companies newly reporting accounting for 12% of total Group electricity. FY23 saw onsite electricity generation increase by 13% year-on-year, comprising approximately 6% of total renewable electricity (FY22: 8%).

Currently 90% of UK electricity consumption is renewable tariffs or covered by unbundled EACs. This is against our ambition set in 2019 to transition our UK businesses to 100% renewable electricity by December 2022. Plans are in place to transition remaining businesses over the next year.

62%
renewable electricity
(FY22: 42%)



A wide number of our companies have already implemented a number of strategies to increase the environmental performance of their commercial premises.

UK-based **Fortress** installed on-site solar PV, reducing approximately 140 MWh of electricity consumption from the grid since installation. This is also supported by an 'EV' and 'Cycle to Work' incentive scheme to promote more sustainable commute.

Sentric, another UK based company, installed over 300 Solar Panels across the roof space of its London location, which will contribute an estimated 44% of the site's annual electricity consumption in FY24. This is also supported by installation of LED lighting and motion sensors reducing the overall electricity consumption significantly.

Scope 1 & 2

Our progress during the year

Increased energy productivity

During the year, we saw a c.10% increase in revenue (adjusted to remove the effects of currency movements and acquisitions) while energy consumption (adjusted on the same basis) remained relatively flat.

Changes in energy consumption reflected various operational changes, including premise moves and expansions, the impact of energy efficiency measures at many of our companies, and some elements outside our control (i.e. warmer winters in some geographies).

In our first year of targeting energy productivity, we were pleased to see an increased focus on this issue among most of our companies. We expect annual progress on energy productivity to be lumpy and are satisfied that this target remains stretching.

47%

reduction in
scope 1 & 2
emissions from
FY2 baseline



During the year, support on energy efficiency was provided to companies in the form of toolkits and resourcing guides. High energy prices and a drive to achieve group goals are pushing companies to consider further opportunities in this space. For example, one of our largest natural gas consumers, Apollo, reduced their UK gas consumption by approximately one quarter in part due to improved boiler procedure.

Our UK businesses are also preparing to comply with ESOS Phase 3 requirements by end of 2023, and we have commenced energy audits at some of our facilities. Some of the key opportunities identified include:

1. LED lighting upgrades
2. Retro fit motion sensors and daylight sensors to capitalise on natural lighting
3. Compressed air leaks
4. Improve HVAC controls and processes
5. Improved monitoring, metering and energy awareness programmes.

Given that many Halma companies rent their manufacturing facilities, premise moves provide a considerable inflection point to be able to make advances in energy efficiency and operational sustainability.

In May 2022, UK based Environment and Analysis company, Nuvonic (UV Group) moved their lamp manufacturing to a state-of-the-art manufacturing facility. The building is ranked by the Green Building rating system, BREEAM (Building Research Establishment Environmental Assessment Method), as "Excellent". This level is considered "best practice" by BREEAM because it employs proven modern technologies and concepts to increase sustainability performance. As part of the fit-out completed by UV Group elements such as heat reclaim from furnaces and EV charging points have been implemented.

Halma India has received LEED Gold Certification for its new office in Bengaluru. The 42,000ft² facility succeeded in meeting the rigorous LEED (Leadership in Energy and Environmental Design) which reviews and recognises the environmental performance of buildings on a range of parameters, including carbon, energy, water, waste, transportation, materials, health, and indoor environmental quality of the space.

Scope 3



Scope 3

Introduction

This year, we have published estimated baselines for all relevant categories of Scope 3 emissions¹. Our Scope 3 emissions comprise around 98% of our total Scope 1, 2 & 3 FY20 baseline.

Estimating our baseline was a complex exercise due to the decentralised nature of our business, requiring a screening exercise followed by collation of data and estimates across more than 45 separate companies for our two main categories. The methodologies we used can be found in our [ESG Basis of Preparation](#) document available at www.halma.com.

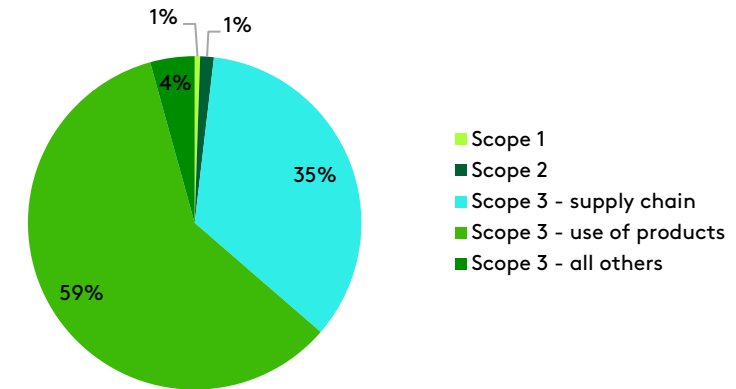
We identified two main relevant Scope 3 categories for Halma - category 1: purchased goods and services (including upstream transportation and distribution) and category 11: emissions from the use of products. As stated in our TCFD response, however, we believe that our Scope 3 emissions do not represent a significant risk to our business model.

Key Scope 3 emission sources

Our category 1 emissions are generated by the purchase of goods and services across our supply chain. We currently rely on the spend-based method to estimate these emissions. We have included upstream transportation and distribution emissions in this category as our data does not enable us to fully separate these two categories.

Emissions from use of sold products ("in-use emissions") almost all arise when our customers use electricity to run our products. While our products are generally relatively small power consumers, long lifetime assumptions drive the scale of the baseline. Approximately 60% of product use emissions relate to one company, comprising approximately 1% of Group revenue, which sells products which have high energy usage to meet customer needs. As expected, supply chain emissions are larger than in-use emissions for the majority of our other companies.

Key FY20 emission sources (Scope 3)



Scope 3 category	FY20 emissions estimate (tCO ₂ e)	Data source
1 & 4: Purchased goods and services (incorporating upstream transportation and distribution)	336,740	Detailed estimate
2: Capital goods	3,721	Detailed estimate
3: Fuel and energy-related activities not in Scope 1 & 2	3,308	Calculated annually
5: Waste generated in operations	1,644	Calculated annually
6: Business travel	16,525	Calculated annually
7: Employee commuting	10,722	High level screening estimate
11: Use of sold products	579,147	Detailed estimate
12: End of life treatment of sold products	270	High level screening estimate
Total Scope 3 emissions	952,077	

Scope 3

Our progress during the year

Our focus during the year has been working with our companies to complete a full estimation of our Scope 3 baseline. In particular, we have enhanced previous screening estimates of our most significant emissions categories, which entailed extensive engagement and workshops with our companies. This has also supported us as we begin to set appropriate short and long-term targets for Scope 3 and understand key levers to deliver these.

Each of our companies have set their own bottom-up targets and action plans for our Protecting our Environment pillar, in the context of the Group's goals. For multiple companies, their plans include ambitions around reducing Scope 3 emissions, and they are already working towards reducing Scope 3 emissions in various ways. Some of the key areas of focus include:

- Integration of sustainability into procurement and supplier engagement systems
- Use of Halma's group-wide EcoVadis tool to engage suppliers
- Efficiency of transport and logistics including freighting choices
- Integration of sustainable design into NPD
- Development of life cycle analysis (LCA) capability and understanding
- Business travel protocols

Case studies

Examples of how our companies are starting to tackle Scope 3 emissions across product and supply chain categories:

Improving logistics:

- A number of our companies, including Keeler, Advanced and Firetrace have been reviewing and implementing opportunities for more efficient and lower carbon logistics and partnering with key suppliers for localisation.

Supplier engagement:

- Halma presented its sustainability strategy to key suppliers as part of a 'Halma Strength in Numbers' supplier strategy conference. The focus of the session was to engage suppliers in relation to shared action in reducing Halma's Scope 3 emissions, as well as providing further detail to Halma companies on how sustainability can be incorporated into procurement processes.

Sustainable product design:

- The Halma technical network's sustainability workstream ran a strategic project to develop guidelines around NPD. See our [Annual Report and Accounts](#) for the full case study.
- Arcmed partnered with Stevens Institute of Technology exploring the use of LCA and a design structure matrix. The academic research entailed analysis of Arcmed's micro-pump.
- MediceI, Switzerland completed an in-house design hotspot environmental LCA analysis tool testing the implications of various design decisions on their ophthalmic injectors.



Appendix

Appendix

Our approach to renewable electricity and offsets (Scope 1 & 2)

Renewable electricity approach

We expect to meet our renewable electricity targets through a combination of onsite generation, local renewable tariffs (largely backed by Energy Attribute Certificates (EACs)) and purchases of unbundled EACs.

We consider purchasing unbundled EACs as an interim measure, pending transition to local tariffs and onsite generation where feasible. Historically, our consumption has been too low and diversified to directly source renewable electricity through arrangements such as corporate power purchase agreements, but we will continually review our strategy as the market evolves.

To date, all renewable electricity purchases have been driven by our companies and facilities, rather than through top-down directives. This approach aligns with our Sustainable Growth Model, in which we have empowered our companies to set KSO Action plans that suit their circumstances and reflect their growing awareness of the business case for sustainable operations.

Renewable electricity, including purchase of unbundled EACs, is not currently anticipated to be a significant incremental expense for the business over the short-medium term.

Carbon offset approach

At the Group level, we do not expect to use carbon offsets to achieve carbon neutrality on our journey towards Scope 1 & 2 Net Zero. However, our companies may choose to purchase these where it makes sense in their local contexts or to satisfy their local goals. We do not track or report these purchases at a Group level and our emissions are therefore reported gross of any locally-purchased offsets.

In 2040 and thereafter, to counterbalance any residual Scope 1 & 2 emissions remaining after reducing our emissions as much as possible, we expect to use “neutralisation” instruments to remove carbon from the atmosphere and permanently store it in line with guidance from the SBTi. We expect our residual emissions will be very small at that point, and offset costs are not currently expected to be significant.