Our approach to sustainability

Sustainability for growth

At Halma, sustainability has always been at the core of our purpose-driven strategy for growth.

Our sustainability-related growth is achieved by our continued focus on acquiring and growing companies in safety, environmental and healthcare markets that are addressing real-world problems by enabling their customers to provide safer environments, protect life-critical resources, and deliver better healthcare.

The agility of our companies means they can be quick to respond to the demands of their customers, evolving their products and services to address sustainability-related opportunities and challenges over time.

We believe that continuing to encourage our companies to identify and pursue sustainability-related opportunities to grow their products and markets, through our first sustainability pillar – to **drive growth in sustainability** – will allow us to accelerate our progress and broaden the benefits that our companies already enable through their products and services. Our companies think of this as prioritising opportunities to "do more good" and grow their revenues and profits.

At the same time, we recognise that our growth has potentially negative impacts on people and planet – and managing and improving this impact is the focus of our second and third sustainability pillars.

Our second sustainability pillar is driven by our purpose and cultural DNA – to **support our people** as we grow – our employees, suppliers and the communities we operate in. Within this pillar, our key focus area is diversity, equity and inclusion.

Our third pillar – to **protect our environment** – is vitally important to Halma, not only because it is the right thing to do, but also as it will support our future growth. Priority focus areas include sustainable product design and reducing our carbon emissions.

For all of our companies, these three sustainability pillars together translate into our wider ambition – to "do more good while doing less harm".

Our three sustainability pillars

We **drive growth in sustainability** by:

- Seeking growth opportunities driven by our purpose, long-term growth drivers and evolving sustainability demands
- Aiming to increase and broaden the benefits enabled by our products and services

We **support our people** by:

- Improving the lives of employees, suppliers and community members

Diversity, equity and inclusion

We **protect our environment** by:

- Reducing our environmental footprint in our operations and wider value chains

Reducing emissions

Sustainable design

Doing more good while doing less harm

Embedding our sustainability approach

Board and Executive level sustainability governance

At Group level, our Board is ultimately responsible for our Sustainable Growth Model, which has sustainability at its core and includes oversight of climate-related risks and opportunities. Further embedding sustainability into our business continues to be one of the Board's key priorities for 2025.

All members of the Board have sustainability experience or expertise. Jo Harlow, Senior Independent Director, also has significant experience and expertise in climate change and decarbonisation, including through her role as a Board member of Chapter Zero, the UK chapter of the Climate Governance Initiative.

Our sustainability agenda is led by our Chief Sustainability Officer, Constance Baroudel, who has principal responsibility for our sustainability activities and policy. She is also our Sector Chief Executive for Environmental and Analysis and a member of the Executive Board, and regularly presents to the Board.

During the first part of 2024, she chaired our Sustainability Management Committee (SMC), which was a cross-functional team of Group and sector representatives providing direction and oversight of implementation of our sustainability agenda. Having finalised our refreshed internal expectations for our companies (see below), the SMC was disbanded as their responsibilities became embedded into our existing management structures, in line with our overall priority of embedding sustainability across our business operations.

The Executive Board is now responsible for providing additional direction and oversight of our sustainability approach and internal sustainability expectations, including being responsible for the identification and management of sustainability and climate-related opportunities and risks.

Since 2023, progress on reducing emissions (energy productivity) and diversity, equity and inclusion (gender balance on company boards) has been incorporated into executive remuneration.

Read more about the Board's key priorities on page 130

See the Board's sustainability-related skill set on page 141

Read more about climate-related governance on page 90

Read more about sustainability-related remuneration on page 168

Read more about sustainability governance at www.halma.com

Materiality and reporting

Our 2021 informal strategic materiality assessment process continues to inform the key focus areas within our sustainability approach, including diversity, equity and inclusion, reducing emissions and sustainable design.

During 2024 and into 2025, we are focusing on creating an approach to a Group sustainability materiality assessment that is fully embedded in our wider risk and opportunity management processes. Our initial focus is on preparing for the financial materiality based disclosures that will be applicable for the Group in the coming years, including commencing work on further assessing potential sustainability-related risks within our companies' supply chains.

As in the prior year, this sustainability section allows us to share our progress on the key elements of our sustainability agenda. Data on other environmental, social and governance topics and more detailed examples of our companies' progress are available at www.halma.com.

Read more about our sustainability approach and informal strategic materiality assessment at www.halma.com

Further social and environmental metrics and information on our progress can be found in our ESG Data Supplement and Emissions Reduction Report at www.halma.com

Our internal sustainability expectations

We are embedding our approach to sustainability in our operations. During 2024, we established refreshed sustainability-related expectations for our companies. These expectations relate to both driving growth in sustainability and managing impacts on people and environment. Our expectations also include how the sectors and Group functions can support and enable our companies to achieve the Group's, and their own, sustainability-related goals.

Expectations for driving growth in sustainability

Our expectations embed consideration of sustainability growth opportunities and risks into strategic planning. All companies are required to consider potential sustainability-related revenue and profit growth opportunities as part of their annual strategic planning cycle – prioritising these where possible. These could include, for example, growing into new markets aligned with the energy transition, or increasing ability to access healthcare via technology. Companies are also required to consider and include strategic sustainability-related risks in their risk registers. The sectors support this strategic planning process, connect Halma companies to better respond to opportunities, and pursue sustainability-related opportunities through M&A where relevant. More information is available in the Drive growth in sustainability section overleaf.

Expectations for protecting the environment and supporting people

Our expectations also extend the existing requirement for each company to maintain a tactical Sustainability Action Plan (SAP) – formerly called a Key Sustainability Objective (KSO) Action Plan – by embedding it into the budgeting process. These plans contain goals and actions set by each company to manage their impacts on the environment and people. All companies must refresh their SAP annually, and companies must meet different 'minimum requirements' for these plans depending on their size or the potential size of their negative environmental impacts. In this manner, we aim to make progress on the Group's goals and impacts without overburdening our smaller companies.

The scope and ambition of these 'minimum requirements' increases each year, with companies also encouraged to include goals and actions that are most relevant to their operations and products. Importantly, however, the companies retain autonomy over the specific goals and actions they include in their SAP, choosing to contribute to the Group goals and the 'minimum requirements' in the ways that are most appropriate for their geography, business context and sustainability impacts. Their plans, as well as the 'minimum requirements' set by the Group, will change and adapt over time.

Our sectors are responsible for monitoring and challenging the SAP ambition and progress of our larger and higher impact companies. The Group function supports the companies by creating resources, networks and education to enable companies to share best practice, support each other and access subject matter expertise where relevant.

Drive growth in sustainability

Overview

Halma companies know their markets and customers best, which is why our sustainability approach focuses on bottom-up company led identification and management of sustainability growth opportunities. Because of our diversified portfolio, this results in a variety of different outcomes.

In practice, some of our companies are growing existing sustainability-related markets further, some are developing new products for sustainability-related markets, and others are pivoting their existing products for alternative uses in sustainability-related sectors. For many companies, leveraging innovation and digital technologies will be key to solving sustainability challenges. However, for some of our companies, it may be more relevant for them to focus on identifying any potential sustainability-related risks to their existing purpose-aligned growth plans.

At the Group and sector level, we also continue to be excited by acquisitions that deliver on our purpose and long-term growth drivers and additionally have significant, long-term sustainability growth opportunities.

This Annual Report includes a number of examples of organic and inorganic growth opportunities in sustainability, including climate-related opportunities in our TCFD statement on pages 90 to 99, and in the case studies on pages 56, 61 & 67.

Within this Sustainability section:

- The case study on the facing page explains how we are broadening the social benefits delivered by Halma's Healthcare Sector via the recent acquisitions of IZI Medical and TeDan Surgical Innovations.
- The case study on the use of PeriGen's technology in Malawi (page 82), while currently a largely non-commercial opportunity, illustrates how one of our small companies is exploring the sustainability-related growth opportunities that may arise from improving maternal health in emerging markets.

Defining and measuring sustainability-related growth will continue to be a challenge, given our Sustainable Growth Model is already driven by our purpose to create a safer, cleaner, healthier future for everyone, every day. Therefore, separately identifying and measuring opportunities can be difficult, and we are conscious of adding to the reporting burden on our small and medium-sized companies. Therefore, we are focused on building a variety of flexible approaches to measurement and reporting of opportunities over time.

Halma and the SDGs

The societal and environmental benefits we enable through our products and services help contribute towards the broad aims of many UN Sustainable Development Goals (SDGs).

Because of the diversity of Halma companies, the contribution from our products and services covers a wide range of SDGs, depending on the sector and the business.

In this Annual Report, we aim to give some indicative examples of the benefits enabled by our companies' products and services, and more information about the relevant SDGs supported is available on our website.

See the Our companies' impact and Impact examples and metrics sections of our website at www.halma.com

Broadly, the SDGs most regularly supported by our businesses include the following:

Case study

Healthy innovation for social impact

Halma's work in the Healthcare Sector not only enables economic benefits and drives organisational growth, it also enables social benefits. The innovative solutions our companies develop are helping to improve the quality and lifespan of individuals across the globe.

This is illustrated by two of our more recent acquisitions: IZI Medical and TeDan Surgical Innovations (TSI). These two companies' technologies are estimated to have improved health outcomes for more than 1 million individual patients who underwent surgeries and diagnostics procedures in 2023.

At IZI, a manufacturer and distributor of quality medical devices that support the surgical process, this was achieved through their image-guided Spherz® product. These reflective spherical devices are placed on biopsy needles and other image guided surgery components to help triangulate the exact location from which a biopsy sample needs to be taken.

These innovative spheres provide information that enable surgeons to make minute incisions or punctures, especially important for delicate procedures in complex locations such as the brain and spine. Smaller incisions and punctures improve success rates, reduce the risk of additional tissue damage and improve patient recovery times. We estimate that in 2023, IZI's products played a part in nearly 400,000 patients' surgical or diagnostic procedures.

TSI is a Halma company that manufactures specialised surgical instruments to enhance and support surgical procedures. Its technology helps to retract and expose tissue and vascular structures to enable surgeons safe access to complex surgical sites including the spine, brain and heart.

For example, their Phantom UL™ zdATP™ Surgical Access System enables surgeons to directly access patients' lumbar discs via narrow passageways through their abdomen. This development replaces the traditional route taken from the back of the patient, which requires surgeons to remove parts of the spine to get past the spinal cord and nerve roots before reaching affected discs. Access via the abdomen not only results in a safer procedure, but also in quicker recovery times and a lowered possibility of issues that traditional open posterior surgery can cause.

We estimate that more than 800,000 patients were treated in neuro/spine and cardiothoracic conditions procedures using TSI products in 2023, bringing the combined total of the number of patients supported by these two Halma companies to more than 1 million in a single year. This demonstrates how Halma companies, driven by our purpose, are working to ensure a healthier future for everyone, every day.

The figures quoted in this example are high level estimates only and more information on our methodology and assumptions is available at www.halma.com.

Life-saving technology in emerging markets

Halma's purpose has driven our business for decades and informs every decision we make. A key part of our purpose is focused on growing our companies who can then amplify the positive difference they make every day through their technologies. Sustainability has always been at the heart of this growth strategy, and our companies are always alert to new opportunities that will enable their customers to provide safer environments, protect life-critical resources and enable better healthcare.

Enabling better health outcomes

PeriGen is an example of a Halma company looking at ways to drive its growth through sustainability. It develops technologies that solve an urgent global problem: enabling better health outcomes for mothers and babies during childbirth.

Worldwide, about 140 million women give birth every year. Tragically, however, around one million new-born babies die within the first 24 hours. Added to this, the World Health Organization estimates that each day 810 women die from pregnancy related or childbirth related complications. Sub-Saharan Africa has a particularly high maternal death rate and an even higher stillbirth and neonatal death rate. In Malawi, there is a shockingly high maternal death rate, with about one in every 200 women dying around the time of delivery, and even higher levels of early neonatal death and stillbirth rate, ranging between 2-6% of all babies during the time of delivery, either in the womb or outside the womb.

During the delivery process, electronic fetal monitoring can provide data on the birth progress, but caregivers must interpret the data and recognise any warning signs, many of which can be subtle and build gradually over hours.

Early warning system for healthcare workers

PeriGen, a Halma company based in North Carolina, US, provides Artificial Intelligence based software solutions to interpret this data in real time, updating the care team and enhancing the delivery of care during childbirth. PeriGen joined Halma in 2021 and its PeriWatch Vigilance® technology acts as an automated early warning system for both mothers and babies, tracking vital information such as fetal heart rate, contractions, and labour progression.

The Area 25 Health Centre serves Malawi's bustling capital, Lilongwe, home to around one million people. Working in partnership with Malawi's Ministry of Health together with one of PeriGen's customers, the Texas Children's Hospital, and Baylor College of Medicine, the clinic is transforming the quality of care in its Maternal Health Unit.

Introducing PeriGen's technology to the Area 25 Health Centre helped the clinical team to reduce the number of stillbirths and neonatal deaths by 82% and also improve the overall quality of care for new mothers.

Exploring new growth opportunities

This is the first time the system has been used outside the US healthcare market. It has enabled PeriGen to create a proof of concept in an emerging market with significant resource constraints, demonstrating a transformational impact on the health outcomes of mothers and babies. The company is already exploring opportunities to grow its business in Africa, as well as customise its life-saving solution to work in different healthcare markets.

> "Even as technology becomes more available in resource-constrained environments, the main factor to improve care globally is the experience and expertise to effectively translate data to improved care. Systems such as PeriGen's provide continuous, objective and actionable information, that helps train care teams as well.

Matt Sappern
President, PeriGen

Area 25 Health Centre in Lilongwe, Malawi

PeriGen's AI Software monitors mums and babies

Support our people

Key focus area

Diversity, equity and inclusion

Relevant SDGs

Key targets and progress

Gender balance on company boards by end 2024
End 2024: 31%[1]
40-60%

Senior management (Executive Board and their direct reports) that will be from under-represented ethnic groups by December 2027. End 2024: 17%[2]
20%

Accident Frequency Rate
Progress: 0.05
(0.02)

Our employees

Building greater diversity, equity and inclusion to drive our growth

We aim to cultivate a highly inclusive culture at Halma. Improving diversity, equity and inclusion (DEI) produces significant advantages for our global communities and is fundamental to achieving our purpose. It is therefore a key focus area.

Our focus on DEI was supported by several initiatives this year. We expanded our in-house talent acquisition capacity and are exploring creative ways to attract diverse talent to our organisation, including targeted social networking campaigns. These campaigns showcase our diverse leaders as role models, inviting others to experience the Halma culture first-hand and widening our talent pool for recruitment. In March this year, we also expanded our communications channels to launch a signature podcast series, Leading with Purpose. Each episode features diverse company and sector leaders discussing leadership and purpose and giving insight into our culture. By doing so, we want to encourage others to want to join us to help meet our purpose.

To foster a sense of community and belonging at Halma, we use platforms such as our intranet and social media to amplify the voices of our global employees. Our employees shared their unique journeys commemorating events like Black History Month, International Women in Engineering Day and Pride Month, providing avenues for connection and engagement, and enriching colleagues' understanding of diverse cultures and backgrounds.

We know the value of inclusive benefits in attracting diverse talent within our companies and are pleased to see these benefits continue to have a positive uptake. Since it was introduced in October 2020, over 700 employees across the Group have benefited from our global parental leave policy which provides 14 weeks of full paid leave for births, surrogacy and adoptions, for both men and women. In 2023 we implemented comprehensive fertility benefits for US employees. We made this change recognising that infertility care is often not covered by health plans, leaving many individuals to pay high out-of-pocket costs for treatments, often putting a disproportionate burden on women and other minority groups.

Gender balance

As a Group, we are working towards gender balance on our company boards. This is a metric we started to track in 2020 and in 2021 we set a target to be within a gender-balanced range of 40-60% by the end of March 2024. We introduced this ambitious target knowing that given the nature and size of our companies, it would be difficult to achieve. However, we were resolute in our belief it was the right thing to do to broaden our talent and bring in different perspectives to help us grow faster.

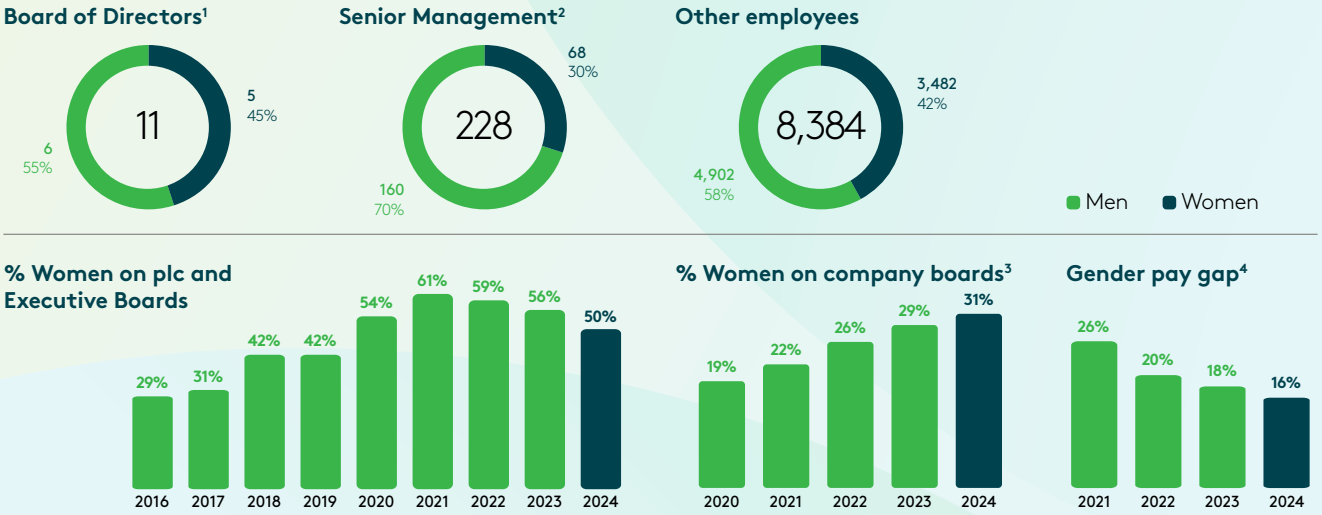
To accelerate the pace of change, in the 2023 financial year, we built progress towards the target into the bonus element of remuneration for our senior leaders. We ended the 2024 financial year with 31% of women on our company boards, representing a year-on-year increase of 2% compared to the 2023 figure of 29%. Although we have not met the overarching target, we have achieved steady year-on-year improvement resulting in an increase of 12% from where we started. We are proud of the progress our companies have made in this area, including notable cultural shifts.

We remain committed to our goal. However, due to the complexities of achieving DEI targets, we have reviewed the position and will look to reach the 40-60% gender-balanced range by a revised date of 31 March 2030. We are confident that this target is attainable by this new date, particularly as we reinforce some of the cultural changes we have seen across our companies and continue to refine our talent acquisition, pipeline development and retention strategies.

1 This includes companies that have been in the portfolio for longer than three years as at 31 March 2024.
2 This is based on the Halma definition of ethnic diversity. See page 85.

Our gender diversity

Figures at 31 March 2024



1 Includes non-executive Directors.
2 Defined as Executive Board members who are not appointed to the Board, Divisional Chief Executives and Directors of our companies.
3 This includes companies that have been in the portfolio for longer than three years as at 31 March 2024.
4 Mean Gender Pay Gap for all US and UK employees. Rounded to whole percentage numbers.

At the executive level, we are pleased to have remained within our 40–60% gender-balanced range, with women representing 45% and 50% of Halma's Board and Executive Board, respectively. Our three sector boards are also within our 40–60% gender-balanced range and 46% of all our senior roles (Executive Board, Halma Board and Divisional Chief Executives) are held by women.

Gender pay gap

Under the UK government's Gender Pay Gap Information Regulations, all legal entities in Great Britain with more than 250 employees are required to report their gender pay gap.

Although most of our individual UK companies (including Halma plc) do not directly employ more than 250 employees, we are voluntarily reporting the Gender Pay Gap figure, based on combined data for the employees in two of our largest regions – the UK and USA.

We are pleased to report a mean (average) pay gap of 15.7% as at 31 March 2024, which is a reduction from the 31 March 2023 figure of 17.9%. We are also encouraged to see the steady year-on-year reduction from 25.9% in 2021, when we started publishing this figure. We however recognise that there is further work to be done.

We have a gap in favour of men as we have more male senior leaders, who are in higher paid roles, alongside having more women in hourly paid positions. However, we continue to see improvement in representation of women at senior levels, which is one reason for the reduction in the gap.

Our Global Parental Leave policy and Halma Catalyst Programme are aimed at supporting women across different roles, functions and geographies of our business and as we focus on the ability to attract, hire and retain diverse talent, we are confident that progress will continue to be made.

Ethnic diversity

Improving ethnic diversity is also important to us. 14% of all employees consider themselves to be in an ethnic minority and 38% of our Halma Future Leaders are from an ethnically diverse background. At Board level, we will continue to meet the Parker Review target this year as well as the Change the Race Ratio target of having at least one ethnically diverse member at the Board and Executive Board level. In support of the Parker Review's newest recommendation, we have set a target of 20% of senior management (Executive Board and their direct reports) that will be from under-represented ethnic groups by December 2027.

Currently, based on the Parker Review's definition of diversity, 27% of our Executive Board and their direct reports, are from an ethnically diverse background. The Parker Review defines ethnic diversity as Black, Asian or any other race or ethnicity that is not the white majority of the UK population as defined by the Office for National Statistics and used in the 2021 UK census. This contrasts with our view of ethnic diversity, which has a more global focus and specifically does not count those who are not ethnic minorities in the region where they work as being ethnically diverse. Based on our definition of ethnic diversity, 17% of those on our Executive Board and their direct reports are from an ethnically diverse background.

In future years, we will report on our progress against both the Halma and the Parker Review ethnic diversity definitions. Whilst our current figures are encouraging, relative to industry benchmarks, ethnic diversity is something we will always nurture and look to improve even further.

Employee engagement

Employee engagement is vital for organisational success; without productive and engaged employees, businesses cannot prosper. Our annual global employee engagement survey is a crucial gauge of the health of our culture and the vitality of our businesses.

Over the past eight years, feedback from the survey has consistently shown a steadfast belief in our culture and DNA. This year we saw both a consistently strong response rate of 83% and stable engagement at all levels at 76%. Our commitment to building inclusive businesses continues to yield positive results, as evidenced by high engagement scores indicating that colleagues feel fairly and respectfully treated (83%), which is above the industry benchmark. It's also reassuring to see that people feel good about the efforts their company is making on sustainability, scoring 66%, and ranking among the key drivers of engagement. Another leading factor is providing an environment where people can be innovative (with 68% favourability).

Fostering employee wellbeing

The satisfaction and wellbeing of our people is key to ensuring they feel healthy, productive and engaged at work and beyond. This year we continued to focus on wellbeing in all its forms to ensure this happens.

Through the Employee Assistance Programme in the US, Europe and India, employees have confidential, complimentary access to experts to manage emotional, financial and legal issues. We also organised several sessions to support employees in exploring topics such as menopause, managing grief and loss, and mindfulness. Additionally, with the current conflict in Israel, we launched a support hotline for our colleagues in the country for in-the-moment support via our Employee Assistance provider.

In the UK we introduced the YuLife app to over 2,000 employees which incentivises wellbeing by rewarding employees for healthy behaviours like walking, cycling, meditation and giving back to the community. Since its October 2023 rollout, over 50% of eligible employees have signed up and downloaded the app with consistent monthly and daily active usage. In China, colleagues continued reinforcing the importance of work-life balance and hosted its first Family Day at our newly established Shanghai Family Park with over 70 employees and their loved ones enjoying an immersive experience filled with entertaining and educational activities. In India, a total wellness programme, "Healthy You, Healthier Halma," ensures employees are actively engaged through physical and team-building activities year-round. As evidence of this workplace culture, policies and practices, the India hub was awarded a Great Place To Work® certificate by the Institute of the same name, as we celebrate our 15th year in the region.

Ensuring our benefits remain competitive in attracting and retaining top talent is a priority for us. In 2023, we introduced various enhancements to the 401(k) retirement savings plan for our US employees.

Case study

Ian Costley, Lazer Safe President, visiting Action for Empowerment orphanage in Zambia, Africa.

Grassroots community engagement

At the core of our community engagement strategy lies a grassroots-driven approach within each company, complemented by group-wide support and resources. Our companies live our purpose every day, actively participating in their communities through tailored initiatives. By advocating for local initiatives and assisting underserved communities, they cultivate a profound sense of purpose in their workforce, enriching lives and making a positive impact where it's needed most.

Since 2016, Lazer Safe, based in Australia, has been supporting Action for Empowerment, an orphanage in Zambia, Africa. In Zambia, childhood can be challenging for many children, with approximately 10% of the population being orphaned. The organisation strives to make a difference by providing essential healthcare, education and care to vulnerable children, about two-thirds of them being girls. Early education empowers these girls with knowledge on family planning, fostering independence and participating in decision-making. This grassroots approach ensures a lasting impact, as values are passed down through generations.

Lazer Safe's staff are deeply invested in this cause, knowing their contributions help make a significant difference where it truly matters.

Many other Halma companies also make a positive impact through charitable programmes. For example, eye care company Keeler has organised donation drives benefiting various organisations fighting hunger, animal cruelty and children's welfare. They have also donated food, toys, eyeglasses, and surgical and cleaning supplies to local charities in the USA and UK.

AAI, based in Michigan, USA has collected funds for a local volunteer-run organisation that offers a safe and joyful haven for burn survivors. They've also made gift collections to support survivors of domestic and sexual violence and to sponsor families in need, for the first time this year, including two employees' families.

These changes have resulted in substantial progress towards reducing the disparity in savings rates between our highly compensated employees and those who are not, as demonstrated by the successful compliance test carried out in December 2023. The changes also allow all employees to save more effectively for retirement.

We take pride in maintaining our commitment to pay a Real Living Wage, with all our UK companies aligning their employee pay with the rates set by the Living Wage Foundation. We also recognise that the cost of living continues to be an issue, and our companies are taking measures to support our colleagues. In addition, we have introduced a new health cash plan for our UK employees, allowing them to claim money back for everyday treatments such as a trip to the optician, dentist, physiotherapist, podiatrist and much more.

Health and safety

Looking after the wellbeing of our people is critical to our business and a key priority for all our leaders. The Group's Accident Frequency Rate (AFR) for the year was 0.05. Whilst it is still relatively low and represents a decrease against the AFR for 2023, it is greater than our target of 0.02. We continue to promote the importance of health and safety and the role that everyone has to help maintain a safe workplace. There were no work related fatalities in 2024 or in prior years and details of both the number of days lost to preventable work injuries and recorded injuries during the year and the prior four years are set out in the graphs. In line with the decrease in the AFR, the days lost to preventable work injuries has decreased by 325 days and the total recorded injuries has decreased by 71 injuries.

Talent and leadership development

We remained active in our pursuit to help our companies develop leaders at and below the company board level. We do this through face-to-face leadership programmes, online platforms for blended learning, coaching and mentoring, and on-the-job experiences. A notable achievement this year was the promotion of one-third of the participants from our high-potential programme into company board roles, including two Managing Directors. From the start of 2024, we have observed a rise in the demand for leadership programmes with leaders more invested and engaged in its success.

We see the successful development of young people as a key contributor to the future of our businesses and delivering our purpose. Halma's Future Leaders (HFL) Development Programme offers new graduates a distinctive opportunity for professional and personal growth, empowering them to make a meaningful impact. We continue to build a diverse pipeline of future leaders; with 42% of all current programme participants being women and 38% ethnically diverse. Since the programme's inception we've also hired from 25 different nationalities. This ensures a varied array of voices and experiences within our leadership ranks.

Our culture of continuous improvement drives us to regularly review our practices. Over the past six months, we've extensively consulted with Managing Directors/ Presidents to understand their perceptions of the programme's value and weaknesses. This work is culminating in a couple of imminent changes: A rebrand to Halma Catalyst Programme, launched in April this year, and a remodel to three eight-month rotations starting in October. The expectation is longer rotations would make a bigger impact, giving both our companies and the graduates the ability to see the result of their hard work.

Our communities

We are proud of the work we do in our communities. Our companies drive their own community engagement programmes, and the case study on the previous page gives some examples of these programmes in action. Our global fundraising campaigns have built on the benefits our products deliver and provided our products to underprivileged communities. Having completed our partnership with Water for Life, we are now considering options for our next global campaign.

Suppliers

Our suppliers are a key part of our value chain, and we expect them to act in line with our Code of Conduct and our DNA. We are encouraging our companies to work in partnership with their suppliers to deliver positive outcomes for their customers and workforce, including, where relevant, using our Group licence to EcoVadis.

Read more about how we engage with our suppliers in the Stakeholders section on page 71

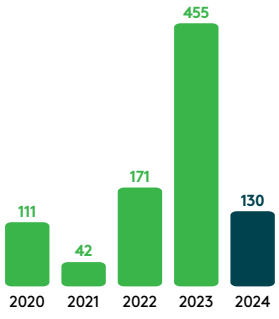
Wider social metrics, including health and safety, diversity and employee engagement, can be found in our ESG Data Supplement at www.halma.com

For more information on how we support our people please see:

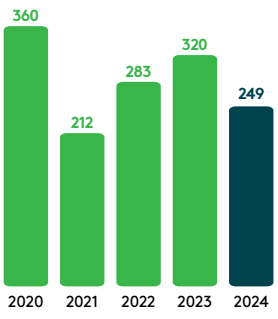
Social, supply chain and community matters:

- Stakeholders section – pages 68 to 76.
- Non-financial & sustainability information statement – pages 100 to 103.

Days lost to preventable work injuries* 130



Total recorded injuries to all employees 249



* Specified major injury incidents are reportable incidents which result in more than three working days lost.

Protect our environment

Key focus area

Sustainable product design and reducing emissions

Relevant SDGs

Reduction in Scope 1 & 2 emissions from 2020 baseline
(2023: 46% reduction)
55%

Renewable electricity
(2023: 62%)
71%

Overview

Our purpose – to grow a safer, cleaner, healthier future for everyone, every day – drives our commitment to protect the environment for future generations and means that emissions reduction remains a key area of focus.

As a Group, most of our environmental footprint comes from our wider value chain, embedded in the design of our products and services rather than our operations.

This means that while we are committed to reducing our operational emissions and impacts, we place even greater importance on supporting our companies to engage with their wider emissions and impacts through activities such as sustainable design, supply chain engagement, and climate-related opportunities that support their customers' transitions.

Our companies recognise the ethical and environmental benefits of more environmentally sustainable operations. However, they increasingly find this work helps to lower operating costs as well as helping to meet their customers' changing environmental expectations.

Our companies' bottom-up Sustainability Action Plans generally include goals and actions focused on:

- Reductions in emissions through energy efficiency.
- Reductions in emissions through renewable energy, moving to EVs, and considering alternatives to natural gas for heating.
- Starting to engage with sustainable product design and Scope 3 decarbonisation.
- Starting to engage with supply chains on both environmental and wider social matters.

Making progress against these goals, especially through the supply chain, and aggregating performance and targets at Group level, is particularly challenging within Halma's unique model. This is due to the diversity of products and services, alongside the fact that each company manages their own supply chains and operations.

Similarly, the relatively small size of most of our companies limits their ability to influence their wider value chain at scale, as they are often a small customer of their own suppliers and logistics providers. More information on these key challenges, limitations and dependencies in the context of our Scope 3 ambitions is included on page 98 of our TCFD statement.

Scope 1 & 2

We are pleased that we have continued to see reductions in our Scope 1 & 2 emissions, and progress towards our renewable electricity target. We expect all of our companies to consider how they will reduce Scope 1 & 2 emissions, particularly through switching to renewable electricity and increasing energy productivity, in their Sustainability Action Plans. A summary of our Scope 1 & 2 targets, further discussion on our progress, and examples of our companies' work in this area is available in our TCFD statement on page 90 and in our more detailed Emissions Reduction Report available at www.halma.com.

Scope 3 and the role of sustainable design
Our disclosures against the TCFD recommendations (pages 90 to 99) give an overview of our key sources of Scope 3 emissions, our ambition to reach Net Zero for Scope 3 by 2050 and our multiyear approach to supporting our companies to build bottom-up Scope 3 decarbonisation plans.

For most of our companies, supply chain and upstream transport emissions make up the bulk of their Scope 3 footprint. For some companies, emissions from the electricity that their customers use to run their products is more significant. This means that for many of our companies, concentrating on sustainable product design and supply chain emissions are key ways to reduce their emissions – and many of our companies are already taking action.

Some examples of sustainable design and emissions reductions activities in our companies are on the facing page, and more examples are available in our Emissions Reduction Report at www.halma.com.

We continue to consider what additional sustainable design related Group targets could be appropriate, given the high diversity of our products. This will need to reflect and balance Group-led top-down goals with the bottom-up actions of our companies.

See our TCFD statement on pages 90 to 99 for more information about our progress against emissions reduction targets

Further detailed information about Scope 1, 2 & 3 emission sources, targets and progress can be found in our Emissions Reduction Report at www.halma.com

Further information on our target calculation and Scope 1, 2 & 3 reporting methodologies is in our ESG Data Basis of Preparation at www.halma.com

Further information about our wider environmental impacts, including waste, water and SASB disclosures, can be found in our ESG Data Supplement at www.halma.com

For more information on other environmental matters, including supply chain engagement, please see:

- Stakeholders section – pages 68 to 76.
- Non-financial & sustainability information statement – pages 100 to 103.
- ESG Data Supplement (including SASB disclosures) – www.halma.com.

Case study

Sustainable design and emissions reductions in action

One example of sustainable design in action is in our Healthcare Sector, where ophthalmology specialists Keeler made some changes to their otoscope and ophthalmoscope handheld torch-style diagnostic devices. Keeler has enhanced their offering to include LEDs in place of traditional arc bulbs. A seemingly small change given Keeler's relatively low emissions in use, but one that has the potential to both reduce energy usage and waste thanks to LED bulbs lasting several times longer than the arc bulbs.

Another example comes from a company in our Safety Sector, Advanced, which sought to adjust its component ordering processes by shifting from an 'on demand' air flown supply model to an approach that focused on less frequent quarterly orders and shipment of the same components by sea. While the related emissions are only a small part of its overall Scope 3 footprint, this is a step in the right direction to both reduce their emissions for transportation as well as saving freight costs.

An Environmental & Analysis Sector company Crowcon is another example, having redesigned some of its gas detectors to have extended life spans that reduce the need for customers to replace the product as often and so reduce waste. Another benefit of the redesigned products has been the removal of lead from the product design, contributing to the worldwide push to reduce the volume of lead in circulation.

Our approach to climate change

The climate emergency is one of the biggest issues facing our society and our environment. The physical impacts of climate change are of significant concern to all of us, as individuals and as businesses.

We believe that a robust and timely low-carbon transition in line with a 1.5-degrees Celsius trajectory is highly aligned with Halma's purpose to grow a safer, cleaner, healthier future for everyone, every day and therefore a significant source of potential growth opportunities for our companies. Alongside this, climate change presents potential transition and physical risks for Halma. However, as set out further in this Statement, on balance we believe that pursuing potential climate-related opportunities, which are highly aligned with our purpose and long-term growth drivers, should be the focus of our strategic response.

Introduction and compliance statement

Our disclosures within this Annual Report and Accounts are consistent with the four Task Force on Climate-related Financial Disclosures (TCFD) recommendations and the 11 recommended disclosures as required by the Listing Rules. In preparing our disclosures, we have considered the TCFD additional guidance for all sectors (2021 TCFD Annex). These climate-related financial disclosures also comply with the requirements of the Companies Act 2006 as amended by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022. In addition, the Directors have considered the relevance of the risks of climate change and transition risks associated with achieving the goals of the Paris Agreement when preparing and signing off the Company accounts.

In order to ensure our TCFD statement is proportionate with our overall Strategic Report and business risks and opportunities, supplementary details which are not material to our overall assessment or disclosures, including additional details from our inaugural risk and opportunity assessment process in 2022, are set out in our 2022 Annual Report and Accounts on pages 89 to 95.

Our 2022 Annual Report and Accounts is available on our website at www.halma.com

TCFD in the context of our business model

Our approach to sustainability, risk management and climate aligns with our Sustainable Growth Model.

We have a highly decentralised organisational model that places our operational resources close to our customers through locally managed, autonomous and agile companies.

We have a diverse portfolio of companies who operate in highly diverse markets across diverse geographies. Our model means that we typically have a diverse customer base, products and supply chains.

This business model enables our companies to respond quickly to changing markets and events, and company boards are empowered to make strategic decisions within Halma's framework.

Find out more about our decentralised Group structure on page 6

Governance

Our Group management structure is simple and lean, with only three layers – companies, sectors and Group teams – all of which are focused on driving purpose-aligned growth enabling fast decision-making and minimising bureaucracy.

Further details of our Board and management structure, including the connections between the management structure and the Board governance structure, are set out in the How we are structured and How we are governed sections on pages 6 and 126.

This Governance section describes how our climate-related governance sits within our overall governance structure. During 2024, we further integrated our climate-related governance into our existing strategic and risk management processes, and this integrated structure is reflected in the section below and in the diagram on page 106 of the Risk management and internal controls section.

a) Describe the Board's oversight of climate-related risks and opportunities.

The Board as a whole has ultimate oversight of and responsibility for climate-related opportunities and risks and is highly engaged on this topic. At least annually, it reviews management's Group-level assessment of climate-related opportunities and risks as part of our principal and emerging risks processes; our performance against our sustainability strategy and our climate change related targets; and approves any new or amended climate-related targets. It also reviews additional information on climate-related opportunities and risks for relevant standalone acquisition opportunities as part of its strategic remit. During 2024, the Board approved the adoption of a 2050 date for our Scope 3 Net Zero ambition.

The Board also received a report on sustainability at half of its scheduled Board meetings during 2024 and receives an update on our progress on climate change related actions and targets at least annually.

The Audit Committee has responsibility for approving our overall TCFD disclosures as part of the Annual Report and Accounts process. During 2024, the Remuneration Committee continued to oversee the inclusion of climate-related targets in executive remuneration, as set out in our Remuneration Committee Report on page 152.

b) Describe management's role in assessing and managing climate-related risks and opportunities.

The Executive Board (including the Chief Sustainability Officer who is also a Sector Chief Executive) is responsible for identification and management of climate-related opportunities and risks at the Group level. This responsibility has transferred from the Sustainability Management Committee as a result of the full integration of climate-related risk management into the Enterprise Risk Management process, and the Sustainability Management Committee is no longer active.

The Sector Chief Executives, who are part of the Executive Board, are responsible for identification and management of climate-related opportunities and risks at the sector level.

During 2024, the Executive Board and Sector Chief Executives reviewed the key climate-related risks identified in 2022 as part of our annual Principal and Emerging Risks processes (see Risk Management section). In addition, the Executive Board reviews and inputs into the continued development and rollout of our sustainability strategy, which encourages our companies to pursue climate and sustainability-related business opportunities. The Executive Board receives an update on our sustainability agenda at least quarterly, including an update on our progress on our Scope 3 decarbonisation planning (see box on page 98), and during 2024 recommended the adoption of a 2050 date for our Scope 3 Net Zero ambition to the Board.

The Executive Board and Sector Chief Executives are also informed about and monitor climate-related issues through informal updates and discussions, as relevant topics arise, with the Sustainability function and/or external advisers.

Each company board is responsible for identifying and managing climate-related opportunities and risks at the company level, reflecting our decentralised, agile and autonomous business model.

Strategy

Like all businesses, Halma is exposed to potential transition and physical risks associated with climate change, as outlined further in this Statement. However, given the potential scale of climate-related opportunities, our strategic response is primarily focused on developing and pursuing these opportunities over the short to medium term.

a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.

b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.

c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios including a 2°C or lower temperature scenario.

Background to risk and opportunity assessments

Materiality

We currently use financial materiality (as set out on page 184), as well as considering reputational and regulatory impacts, to make decisions about the potential materiality of climate-related risks and opportunities and the appropriate level of detail to include in our TCFD disclosures. We also consider proportionality with the rest of the Annual Report and Accounts and our principal risks. We assess this on a "net basis" after consideration of mitigating factors or actions in place.

As we continue to integrate sustainability risks and opportunities into our Enterprise Risk Management framework, and prepare for IFRS sustainability disclosures and changes to governance requirements, we are reviewing our definition of materiality. This is to ensure it is fit for purpose across strategic, financial, operational, compliance and sustainability risks and opportunities, and appropriately flexed to account for risks and opportunities arising over the long term.

Timeframes

We consider the following timeframes in assessing climate-related risks and opportunities:

Timeframe	Period	Rationale for timeframe
Short term	0-3 years	Annual strategic planning process and viability assessment.
Medium term	3-10 years	Useful life of most premise leases and assets. Timeframe for major product and market shifts.
Long term	10-30+ years	Sustainable Growth Model and M&A assessment timeframes.

Scenarios

We identified and assessed climate-related opportunities and risks using the three high-level, qualitative, narrative scenarios shown in the table below. These scenarios were prepared in 2022 and our scenarios and scenario based analysis will be refreshed in 2025. The scenarios were selected due to their alignment with the relevant Representative Concentration Pathways (RCPs) and Shared Socioeconomic Pathways (SSPs) which feed into the International Panel on Climate Change (IPCC)'s global, economy-wide assessment process. Sector-specific scenarios would not have been appropriate for Halma's diversified model.

Given our assessment outlined below that climate-related risks are unlikely to have a material impact on the business, and the significant diversity of opportunities available, we will continue to review whether and in what contexts quantitative scenario assessment may be able to provide additional useful information for investors.

Scenario	IPCC alignment	Approx temp increase (2100)	Key narrative points
Steady Path to Sustainability	SSP 1/ RCP 2.6	1.5°C	Globally coordinated decarbonisation efforts from the early 2020s through to Net Zero emissions by 2050.
Late Policy Action	SSP4/ RCP 4.5	2°C	Delayed disorderly transition with individual states, corporations and individuals taking drastic but divergent action to limit emissions.
Fossil-fuelled Growth	SSP 5/ RCP 8.5	4°C	Extremely limited decarbonisation efforts leading to strongly increased physical climate risks.

Transition planning

In addition to the information provided in this Statement, we are continuing to develop our formal transition plan, taking into account the guidance from the UK's Transition Plan Taskforce. This year, the box on page 98 contains additional disclosures on our Scope 3 decarbonisation planning to give context to our ambition to reach Scope 3 Net Zero by 2050. More information on our GHG reduction targets is in the Targets and Metrics section.

Opportunities

Our assessment of climate-related opportunities

We continue to believe that in aggregate, climate-related product and market sub-opportunities (both organic and inorganic) will become material for the Group over the medium to long term (3-30+ years). Given that these opportunities are only expected to be material in aggregate, not individually, we refer to individual opportunities as 'sub-opportunities' in this Statement for clarity.

Our initial assessment, carried out in 2022, was supported by top-down qualitative scenario analysis, which identified multiple potential organic and inorganic sub-opportunities within our existing Environmental & Analysis and Safety Sector strategies. These included new products and technologies, as well as greater demand for existing product lines[1]. Where relevant, companies continue to identify and develop climate-related sub-opportunities in their annual strategic planning cycles.

A small selection of potential sub-opportunities, where Halma already had a market presence at the time of the initial assessment, are described in the table below in order to give some detail on the types of potential sub-opportunities that could be available to Halma companies. Given the diversified nature of Halma's business model and our companies' markets, and the bottom-up nature of how our companies investigate and pursue sub-opportunities, these are illustrative only, and material financial impacts would only be expected at an aggregated level (across multiple sub-opportunities being pursued by multiple companies).

Please see the box on page 93 for more examples of climate-related sub-opportunities

Our strategic response to climate-related opportunities

Our approach to climate-related opportunity identification and pursuit reflects our purpose-led Sustainable Growth Model (see pages 26 to 35), and the highly granular, diverse and early-stage nature of sub-opportunities. Our approach contrasts with a more centralised decision-making, prioritisation and target setting approach which would not be appropriate within our business model.

Examples of potential climate-related sub-opportunities over the medium to longer term[2]

Description	Most relevant scenarios	Potential financial impact
Clean water leak detection, recycling and reuse	All – physical climate change driving increasing water scarcity.	Increased profits from growing revenues and/or higher margin opportunities (organic and inorganic).
Stormwater and wastewater management	All – physical climate change driving increasing storm and flooding events.	
Energy efficiency related building improvements and retrofits	1.5 degrees – increase in pace and scale of building retrofits required to meet Net Zero targets.	
Industrial refrigerant detection	1.5 degrees – phase out of HFC based refrigerants and introduction of low GHG potential refrigerants.	
Methane detection and leakage prevention	1.5 degrees – reducing methane emissions as a key lever to mitigate near-term temperature rises.	
Growth in hydrogen usage	1.5 degrees – increasing use of hydrogen in diverse applications, requiring detection and management.	
Growing renewable energy, energy storage and other energy transition and Net Zero related end markets	1.5 degrees – rapid expansion of renewable energy and electricity end markets for existing Safety and Environmental & Analysis products, as well as new markets.	

1 In order to support our assessment that these sub-opportunities could be significant in aggregate, quantitative and qualitative data in relation to a number of scenarios were considered internally for a selection of the sub-opportunities. However, we do not believe that it would be appropriate or practical to disclose potential quantified financial impacts for the aggregate impact from climate-related opportunities. This is because there is a high degree of uncertainty about which specific sub-opportunities will become most impactful, and our aggregate opportunity is likely to be distributed across a high volume of small sub-opportunities. Given Halma's dual organic and inorganic growth strategy, potential sub-opportunities to participate in the Net Zero transition could be highly varied both in terms of the scale of the sub-opportunities, and the cost of accessing them. In many cases, it will also be difficult to identify the profits that arise from climate mitigation/ adaptation as separate from our wider growth drivers including increasing environmental regulation, efforts to address waste and pollution, and increasing demands on life-critical resources.

2 This table is not exhaustive and may not represent the individual sub-opportunities which are likely to become most significant over time.

Company level:

- Talented people throughout the organisation seek and pursue most relevant sub-opportunities.
- Autonomous and agile individual companies can rapidly take advantage of sub-opportunities.
- R&D and capital expenditure budgets are set from the bottom up.

Sector and Group level:

- Focus on increasing education and awareness around low-carbon transition and adaptation opportunities within sectors.
- Low-carbon transition and adaptation sub-opportunities are considered in the development of M&A strategies.
- Level of alignment with the low-carbon transition is explicitly considered for relevant standalone acquisitions.

In 2023, we made three standalone acquisitions which had market sub-opportunities aligned with a low-carbon transition, including WEETECH, Deep Trekker and FirePro. More information on those acquisitions is available in our 2023 Annual Report and at www.halma.com. In 2024, our standalone acquisitions were mostly neutral with regards to low-carbon transition opportunities (with three of the four acquisitions being in healthcare and specialised worker safety). However, Sewertronics, acquired in May 2023, adds to our capabilities in addressing wastewater management with a lower carbon and more environmentally friendly method of pipe repair.

Although climate opportunities and risks are not yet uniformly incorporated into board discussions across all companies, an increasing number of companies are actively investigating climate-related sub-opportunities. See the box below for more information and examples.

Case study

Increasing opportunities from enabling climate mitigation and adaptation

Most of the climate-related sub-opportunities that our companies may pursue are enabling the low-carbon transition or enabling adaptation to climate change. This is where our companies supply technology or support products and services that contribute towards the overall transition, alongside their customers' actions and technologies and alongside other providers.

For example, multiple companies are pursuing opportunities to supply fire, worker and other safety and sensing equipment for renewable electricity generation and distribution, battery installations, low-carbon transport and hydrogen applications. One of our companies provides sensors that enable recyclers to achieve high-speed, precise sorting of aluminium scrap. Some of our water companies supply sensors to help utilities detect stormwater overflows and leaks in the water network, as well as equipment to enable them to repair pipes faster.

A Crowcon Xgard bright gas sensor installed in a Hydrogen Refuelling Station

As an example of a sub-opportunity, Crowcon, a gas sensing company in our Environmental & Analysis Sector, has identified a strategic growth opportunity across a variety of low-carbon transition applications. This includes supplying detectors that detect hydrogen in electrolyzer installations (which create "green" hydrogen), at hydrogen refuelling stations, and other hydrogen transportation and use cases.

Crowcon have designed their newest generation of fixed detectors to enable hydrogen detection as well as reducing the need for scheduled maintenance – meaning their sensors automatically detect hydrogen leaks to keep people and property secure for many years at a time.

An additional area of focus is their work to produce detectors that can also detect hydrogen and other off gasses within lithium battery energy storage installations, providing early warning of thermal runaway and potential explosions or fires in these otherwise volatile settings.

This sub-opportunity is growing from a very low revenue base and is not expected to be material to Crowcon within the next three years, and would not be material to the Group in its own right. However, Crowcon considers these climate-related markets as a key strategic initiative that they expect to contribute to their growth over their next three-year strategic planning cycle.

Risks and resilience

Our assessment of climate-related risks and resilience

Like all businesses, Halma is exposed to both transition and physical climate risks. Having assessed the potential significance of multiple risk categories in 2022, and considered potential impacts from Scope 3 work in 2023 and 2024, we continue to conclude that there are no material individual climate-related risks arising for Halma in the short to medium term (0-10 years).

See more information on how we reassess climate-related risks annually and how we considered Scope 3 in 2023 and 2024 on page 95 in the Risk Management section of this Statement

Over the longer term (10-30+ years), we identified physical and transition-driven supply chain impacts, as well as business model and communication risks, as potentially having a higher impact on the business compared to the other climate-related risks assessed, due to the higher likelihood of underlying risk events under transition scenarios.

Nevertheless, we do not currently expect these risks to become material, as our business model and strategy is expected to be resilient to climate-related risks and exposed to climate-related growth opportunities.

Our resilience stems from our highly diverse, agile and decentralised business model (see page 6), as well as our ability to provide products and operate in sectors expected to thrive in a low-carbon economy.

Key factors which also reduce the level of inherent climate-related risk include the diversification of the Group's products, markets (including low exposure to highly impacted markets), geographies and first tier supply chains, the inherent resilience and agility of the Group's business model, our pricing resilience and our asset-light model.

More information is available on page 105 of the Risk management and internal controls section. Fuller details on resilience are included in our 2022 Annual Report and Accounts on page 93, and are not repeated here in the interest of proportionate disclosures.

Within our overall assessment of our business model's climate resilience, the 'late policy action' scenario creates the largest potential challenge for Halma over the medium to long term, particularly in relation to navigating rapid and divergent regulatory, disclosure and stakeholder expectation changes within our decentralised business model. In this scenario, however, we would expect significant transition related growth opportunities.

Over the longer term, a 'fossil-fuelled growth' scenario would create increasing operational and supply chain challenges, and fewer climate-related opportunities for Halma. However, we believe this scenario is the least likely outcome given momentum and progress already made on the energy transition – which is expected to support Halma's future growth.

Our response to climate-related risks

Taking the above factors into account, we have not identified climate change as a standalone principal risk for the Group, but have included the potential impact of climate-related issues as drivers, modifiers or accelerators to existing principal risks where relevant[1].

In addition, we have incorporated the three climate-related risks that were identified as most potentially impactful over the longer term into our emerging risk landscape. The table below shows the potential directional impacts and key mitigating actions for these risks. As part of our emerging risk landscape, they are subject to annual review and monitoring.

More information is available on pages 104 to 107 of the Risk management and internal controls section

Climate-related emerging risks over the long term

Risk category & description	Potential financial impacts (not currently expected to have a material impact on financial position or performance)[2]	Key mitigating actions
Physical supply chain disruption: Increasingly severe extreme weather events could reduce availability of materials and components and/or interrupt transportation and logistics.	• Increased materials, logistics or other supply chain related costs. • Revenue disruption.	• Our companies continue to manage their supply chains, supported where appropriate by our Group Growth Enablers.
Transition-induced supply chain risks: Increased costs (including from carbon pricing) and constrained material/component availability resulting from the low-carbon transition.	• Increased materials, logistics or other supply chain related costs. • Revenue disruption.	• Our companies continue to manage their supply chains, supported where appropriate by our Group Growth Enablers. • Scope 3 emission measurement and target setting.
Business model and communications: Meeting increasing or shifting stakeholder, regulatory and reporting expectations within our decentralised business model. This includes reputational and other risks that may arise from efforts to reach and maintain Scope 3 Net Zero.	• Decreased valuation or reduction in available capital. • Increased costs or business model changes.	• Continued commitment to transparency in our reporting.

1 Despite our assessment that these risks are not likely to be material, at 31 March 2024 we continue to subject balance sheet items to detailed review against our climate-related risks, including goodwill, acquired intangible assets and PP&E. As set out in the Critical accounting judgements and key sources of estimation uncertainty section of the Accounting Policies of the Accounts (page 202), there were no indicators of impairment identified or adjustments made as a result of these reviews.

2 As none of these risks are currently expected to have a material impact on financial position or performance, we do not disclose granular descriptions of potential impacts (for example relating to geographies, business units, or sectors in which we operate). As we refresh our scenario analysis and continue to keep these emerging risks under annual monitoring, we will consider what additional, more granular information may be appropriate to disclose if the potential impacts or likelihoods are significantly increased.

As set out in the Risk Management section of these disclosures, we continue to reassess the potential impact of climate-related risks on an ongoing basis. They may become more significant over time if new information becomes available or we have significant changes to our structure.

Given our risk assessment, we do not outline additional details on our strategic response to climate-related risks or risk related metrics and targets within this Statement. In addition, we do not expect to carry out quantitative scenario analysis on these risks or disclose their quantified financial impacts, unless our assessment of their materiality changes as a result of our ongoing risk management process.

Risk Management

a) Describe the organisation's processes for identifying and assessing climate-related risks.
b) Describe the organisation's processes for managing climate-related risks.
c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.

The Risk management and internal controls section on pages 104 to 107 sets out our overall risk management system, in which climate-related risks are identified and managed. This system includes 'bottom-up risk assessment' and 'top-down principal and emerging risks' frameworks.

Climate integration into bottom-up processes

Companies, sectors and functions identify opportunities and risks on an ongoing basis and, more formally, as part of their annual strategic reviews where they assess how these are currently controlled and whether any further actions are required. As set out on page 105 of the Risk management and internal controls section, there has been a continued focus on enhancing the quality of risk discussions at the company board level. This bottom-up process enables climate-related opportunities and risks to be captured, and includes an annual request for our companies to consider climate-related risks.

We continue to support our companies to improve their ability to capture bottom-up climate-related risks by integrating climate-related risks into the overall risk landscape in a more prominent manner. Nevertheless, as largely small to medium-sized companies, they may not all be fully capturing and managing transition and physical risks, particularly over the medium to longer term. For example, the companies do not currently utilise climate scenario analysis.

However, we generally do not expect climate-related risks arising at the individual company level to create a significant risk to the Group as a whole, because of the decentralised and diversified nature of Halma. Therefore, we continue to believe this lighter-touch approach is appropriate at the Company level.

Climate integration into top-down processes

In 2022 we assessed the significance of potential climate-related opportunities and risks as part of a standalone process, using largely qualitative scenario analysis, at the Group level over the short, medium and long term. Eight potentially relevant risk categories were assessed:

Transition risks	Physical risks
Supply chain	Supply chain disruption
Business model and communications	Operational interruption
Products and markets	
M&A and portfolio strategy	
Skills, talent and information	
Regulatory environment	

Our assessment included analysis of potential impacts across different geographies and markets/sectors. We intend to review the conclusions from the 2022 assessment and update our scenarios during 2025.

More details on our 2022 standalone assessment, as well as more information for the remaining risk categories not shown as emerging risks in the table on page 94, is available on pages 89 to 95 of our 2022 Annual Report and Accounts. In the interest of proportionate disclosures, this information has not been reproduced in this Statement to conserve space for more relevant and timely disclosures and due to the very low potential impact of those risks compared to our principal risks.

The continued assessment and management of the Group-level risks identified in 2022 is integrated into our top-down principal and emerging risk process, which includes an annual review of those climate-related risks that have been added to the emerging risks landscape. In particular, the Executive Board reviews whether there have been major changes to either the risk drivers or mitigating factors for each of these three emerging risks which may increase potential impacts or likelihood.

See pages 106 to 107 in the Risk management and internal controls section for more information on our top-down principal and emerging risks process

We assess the relative importance of climate-related opportunities and risks at the Group level by comparing qualitative potential impact and likelihood with the same scales used to assess principal risks. This qualitative process includes a high level, directional assessment of financial impact as well as reputational, regulatory and other impacts (including considering existing and emerging regulatory requirements).

2024 and 2023 updates

In 2023, we reassessed the potential materiality of 'transition related supply chain risks' and 'product and market risks' as we screened and estimated baselines for our Scope 3 emissions, which are set out in the Metrics and Targets section. This included a quantitative and qualitative assessment of carbon pricing risks within our supply chain. Many of the risk mitigating considerations outlined earlier in this Statement, including the diversification of the Group's geographies and first tier supply chains and our pricing resilience, influenced our assessment.

In particular, we noted that approximately 60% of our product-in-use emissions baseline is related to only one company which contributes approximately 1% of Group revenue. This company sells products which have high energy usage to meet customer needs. This work did not result in any change to the risks identified in our original risk assessment performed in 2022.

In 2024, we confirmed our intention to reach Net Zero for Scope 3 by 2050, reinforcing the importance of this goal internally and acknowledging that we will be highly dependent on wider economy decarbonisation to meet this. We have not yet set supporting short-term targets, and we are taking a multiyear approach to requiring our decentralised companies to create bottom-up decarbonisation plans.

See the box on page 98 for more information on our Scope 3 decarbonisation planning.

Based on the information available to us from Scope 3 decarbonisation planning so far, we carried out a qualitative assessment of risks that could arise from confirming a 2050 date for our Scope 3 Net Zero ambition, including quantitative assessment of potential neutralisation costs. This did not indicate any required change to our original risk assessment. However, we have added risks related to our Scope 3 ambition to our 'Business model and communications' climate-related emerging risk, in order to keep this under annual review and monitoring. As we develop our Group transition plan further, we will assess whether there may be increased risks created by our commitment to decarbonisation.

Metrics and Targets

a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

We disclose total GHG emissions in line with the TCFD cross-industry metric guidance, as set out below. Although we have not identified our Scope 1 & 2 emissions as a material risk, 5% of executive bonuses are currently linked to an energy productivity target that supports achievement of our Scope 1 & 2 targets (outlined below), as set out in our Remuneration Report on page 152.

We do not consider that most of the other suggested cross-industry metrics are currently appropriate for our business model and the nature of our opportunities and risks.

Given our assessment that climate-related risks do not pose a material risk to our business model, we do not currently intend to disclose the amount or percentage of assets or activities vulnerable to transition or physical risks. We will continue to consider the use of an internal carbon price, if relevant, as we develop our Scope 3 transition plan.

We do not currently use any centralised or cross-industry metrics to manage climate-related opportunities. Where individual businesses and sectors identify climate-related opportunities, they may use specific metrics to track their progress against these, in line with our decentralised model and the granular, diverse and early-stage nature of the sub-opportunities.

As our climate governance process evolves and we increase centrally available climate-related information over time, we may be able to disclose other opportunity metrics where relevant.

b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.

c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

Scope 1 & 2 emissions

Reporting and targets

Our Scope 1 & 2 emissions, calculated in accordance with the GHG protocol, are disclosed in the SECR-compliant table at the bottom of this Statement. Our Scope 1 & 2 emissions profile is fairly simple, and at approximately 18 $ktCO_2e$ in our 2020 baseline year, is small compared to the FTSE 100 average and only c.2% of our total baseline greenhouse gas footprint.

We apply internal audit processes to our Scope 1 & 2 emissions, and are reviewing what level of external assurance may be appropriate considering our business and the way we use these metrics.

Despite not identifying our Scope 1 & 2 emissions as a material risk, we have targets in place to reduce our emissions in line with stakeholder expectations. These targets are outlined in the table at the bottom of this Statement and include a Net Zero by 2040 and a 1.5 degree-aligned interim 2030 target, set according to the guidance from the Science Based Target initiative (SBTi)[2].

Our company boards continue to annually refresh their own Sustainability Action Plans, and focus on their achievement. These include their bottom-up Scope 1 & 2 emissions reduction plans. A high level summary of performance against our targets is included in the table below.

Full details on the definitions of our Scope 1 & 2 targets, our current and historic performance against them, and narrative discussion about key emission sources, milestones and key levers required to reach these targets is disclosed in our Emissions Reduction Report available at www.halma.com. This level of detail is not included in our Strategic Report in the interests of proportionate disclosures, given the low materiality of our emissions.

Scope 3 emissions

Baseline estimate

During 2023, we worked with an external consultant to estimate our Scope 3 baseline (2020) emissions. Figures were calculated for all relevant categories in accordance with the GHG protocol and using acceptable Scope 3 methodologies, but as these figures are heavily reliant on assumptions and estimates they may be recalculated in the future as data availability and accuracy improves.

We estimate that 2020 Scope 3 emissions were approximately 0.95 m tonnes CO_2e, or c.98% of our total baseline greenhouse gas footprint.

The main components of this footprint are as follows:

- Supply chain (including upstream transport and distribution): approximately 0.34 m tCO_2e (c.35% of total 2020 baseline emissions).
- Products' use phase: approximately 0.58 m tCO_2e (c.59% of total baseline) – with approximately 60% of these emissions relating to one company comprising approximately 1% of Group revenue, which sells products which have high energy usage to meet customer needs.

2024 estimate

We faced significant difficulties and data limitations, due to our decentralised business model, when estimating our 2020 Scope 3 baselines from the bottom up. Therefore, we believe that to re-model Scope 3 emissions on the same bottom-up basis annually would require undue cost and effort for limited useful additional information provided for our stakeholders. As a result, during 2024 we created a methodology to enable a high level annual estimate of Scope 3 emissions.

Using this methodology, total Scope 3 emissions in 2024 were estimated at approximately 1.05 m tonnes CO_2e, up 11% compared to our 2020 baseline. Our two main components, supply chain (including upstream transport and distribution) and products' use phase were estimated to increase 20% to approximately 0.41 m tCO_2e and 6% to approximately 0.61 m tCO_2e respectively.

These increases reflect our methodology which largely relies on scaling our baseline emissions in line with growth in inflation adjusted revenues and operating costs, with more granular data based on current emissions factors only supplied by a small number of companies. The mix of revenue and operating costs growth impacts the estimates, along with data improvements in 2024 compared to the baseline. We were also pleased to see one of our larger contributors to products' use phase emissions increasing the proportion of sales from more energy efficient products.

Greenhouse gas data and commentary on greenhouse gas and energy performance

Scope 1 & 2 targets	2020 baseline	2023	2024	Commentary
Long term: Net Zero by 2040[1] Medium term: 42% reduction by 2030 from 2020 baseline[2]	0%	46%	55%	This medium-term target, which has already been exceeded, is aligned with 1.5 degree Science-based Target guidance[2]. The continued reduction from our 2020 baseline is largely due to increasing renewable electricity purchases, alongside energy efficiency measures and changes to our companies' operations. More detail is set out in our Emissions Reduction Report at www.halma.com.
Short term: 80% renewable electricity by 2025[3]	8%	62%	71%	The improvement is driven by bottom-up company-led purchase and generation of renewables. Approximately 94% (2023: 94%) is local renewable tariffs, largely backed by Energy Attribute Certificates (EACs), or unbundled EACs. Onsite electricity generated increased by 19% year-on-year, comprising the remaining 6% (2023: 6%).
Annual: At least 4% energy productivity improvements on a cumulative basis from FY22[4]	N/A	10%	19%	Since FY22, we have seen a c.19% increase in revenue (adjusted to remove the effects of currency movements and acquisitions) while energy consumption (adjusted on the same basis) has remained almost flat. Changes in energy consumption reflect various operational changes and investments, including premise moves and expansions, energy efficiency measures at a number of our companies, and a number of elements outside our control (ie weather fluctuations in some geographies).

Scope 3 ambition (ktCO2e)	2020 baseline	2023	2024	Commentary
Long-term ambition: Net Zero by 2050[5]	Estimated: 952	N/A	Estimated: 1,053	11% increase since 2020 baseline. Please see commentary in the Metrics and Targets section above.

1 Market-based calculation of Scope 2 emissions. Our Net Zero target is aligned with guidance from the Science Based Targets initiative (SBTi). We will reach Net Zero by reducing emissions as much as is feasible before using carbon removal instruments. We do not expect to utilise carbon offsets, as set out in our Emissions Reduction Report at www.halma.com.
2 From 2020 baseline. Market-based calculation of Scope 2 emissions. This target is aligned with guidance from the Science Based Targets initiative (SBTi) and 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.
3 Current year renewable % reflects the full year impact of acquisitions and disposals made during the period. Comparative figures are not updated for the impact of acquisitions and disposals made in subsequent periods.
4 Revenue/energy consumed. Annual straight line increase from 2022. 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. This target was set using the EP100 initiative minimum commitment (to double energy productivity over 25 years).
5 Not aligned with guidance from the Science Based Targets initiative (SBTi). Please see further commentary in Metrics and Targets section above.

Our plans to transition to a low-carbon economy and Scope 3 decarbonisation plans

We operate globally and are committed to achieving Net Zero for our entire value chain. Our decentralised model – in which our companies have a high degree of strategic and operational autonomy – as well as our companies' highly diversified products and markets, bring unique challenges to creating a transition plan for Scope 3 decarbonisation.

Our formal transition plans are still under development, considering guidance from the Transition Plan Taskforce and TCFD. However, this section outlines our current direction of travel and what we have learned from our progress this year. These learnings and our approach are expected to continue to change as we execute on our near-term activities.

We have not identified our own emissions as a material risk to Halma, and our Scope 1 & 2 emissions are very small. This section therefore focuses on Scope 3 – c.98% of our baseline footprint – where we have set an ambition to reach Net Zero by 2050 and where we have the largest challenges to decarbonisation. See the Metrics and Targets section for more information on our targets, and our Emissions Reduction Report at www.halma.com for more information on our plans to reduce Scope 1 & 2 emissions, including our approach to renewables and offsets.

Near to mid-term objectives

Our ambition is to establish decarbonisation planning to 2030 at the company level, where most feasible and relevant, to:

- Ensure initial real-world emission reduction actions are underway.
- Assist us in setting interim targets to support our 2050 Scope 3 Net Zero commitment.
- Understand key decarbonisation levers and challenges and identify the key dependencies and assumptions that will underpin our transition plans and potential alignment of our 2050 Net Zero commitment with the SBTi's guidance.

We aim to balance a pragmatic and achievable approach for our largely small to medium-sized companies with the transition plan and reporting requirements expected by external stakeholders.

Our multiyear approach to bottom-up decarbonisation planning:

- In 2024, five companies, representing a significant portion of our 2020 estimated emissions baseline, created initial high level Scope 3 decarbonisation plans to 2030 utilising Group guidance and tools.
- In 2025, using the learnings from the first five companies, we are building on the initial decarbonisation plans and engaging with a larger group of companies, covering the majority of estimated baseline emissions.
- We currently expect to expand engagement on Scope 3 decarbonisation planning to remaining companies, where relevant and feasible, from 2026 onwards.

Key decarbonisation levers, challenges, assumptions and dependencies:

The initial five bottom-up decarbonisation plans identify multiple actions the companies can take in the period to 2030. These include product design changes to reduce electricity usage and reduce/change materials, and engagement with key suppliers and customers.

However, as expected, the companies have identified challenges that introduce significant uncertainty and limit visibility on a trajectory to 2050 Net Zero. These include relative lack of influence over suppliers and customers, expected levels of organic growth making absolute emissions reductions challenging, and limitations to product design changes due to the high level of regulation and certification of our products.

In addition, achievement of our 2050 Net Zero commitment is likely to be highly dependent on many factors outside our control or influence. Some of these dependencies surfaced by the initial five bottom-up decarbonisation plans include sector-wide decarbonisation of multiple globally traded components (such as electronics, plastics and metals), grid decarbonisation, customers' switch to renewable electricity and supportive product standards and policy environments.

We recognise the limitations in this methodological approach, but we believe the most effective allocation of our resources is to creating company-level decarbonisation plans that our companies can implement with conviction, and increasing reporting granularity and accuracy for the most significant emission reduction opportunities over time. We currently expect to carry out a fuller bottom-up modelling of emissions on a periodic basis, including re-estimating our baseline to reflect better data and methodologies and enabling us to capture the current and baseline impact of recent acquisitions.

Full details of our reporting methodology can be found in the Basis of Preparation document at www.halma.com.

Full details of all categories of Scope 1, 2 & 3 baseline and 2024 emissions, as well as more information on the limitations and caveats associated with these estimates, are available in our Emissions Reduction Report at www.halma.com, given this is not material information to include in our TCFD Statement.

Targets

As explained above, our 2020 Scope 3 baseline estimate confirmed our assessment that Scope 3 emissions are not expected to constitute a material risk for Halma. However, in order to provide a strong direction internally and show commitment externally, we are setting our ambition to reach absolute Net Zero for our Scope 3 emissions by 2050.

This long-term ambition encompasses all categories of Scope 3, and we expect that we will aim for the greatest amount of decarbonisation possible before any use of offsets. Achieving our ambition will be highly dependent on economy-wide decarbonisation, and as we develop our transition plan to understand more about our levers and dependencies, we will determine whether we can align with the SBTi's standard for Scope 3 Net Zero, which includes the requirement for a 90% reduction in absolute emissions (from our 2020 baseline) followed by permanent neutralisation.

As set out in the box opposite, we have a multiyear approach to developing bottom-up Scope 3 decarbonisation plans with our companies, to enable us to set short-term Scope 3 targets and develop our group-wide transition plan. In the meantime, multiple Halma companies are already taking action to reduce Scope 3 emissions from their products and supply chains. Please see examples in our Emissions Reduction Report at www.halma.com.

Greenhouse gas data and commentary on greenhouse gas and energy performance (continued)

CO_2e emissions (tonnes) from:	2024 (current year)	2023[1] (comparative year)	2020[1] (baseline year)
Scope 1[2]	3,933	4,237	5,328
Scope 2: Location-based[3]	10,721	10,459	13,278
Scope 2: Market-based[3]	4,605	5,947	13,558
Total Scope 1 & 2: Location-based	14,654	14,696	18,606
Of which UK	2,970	2,979	4,093
Total: Scope 1 & 2: Market-based	8,538	10,184	18,887
Of which UK	1,426	1,692	4,077
Energy consumption in MWh used to calculate above emissions	55,126	56,350	62,825
Of which UK	16,914	17,259	18,553
Intensity ratio (market-based)[4]	4.1	4.9	N/A
Scope 3: Annually calculated categories[5]	19,695	14,975	21,477[7]
Scope 3: Total including remaining estimated categories[6]	1,053,223	N/A	952,077

SECR data reporting methodology and scope (excluding estimated Scope 3 categories):
We have reported on all the emission sources required under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. We have employed the Operational Control definition to outline our carbon footprint boundary; included within that boundary are Scope 1, 2 & 3 emissions from manufacturing sites and offices which we own and/or operate. Excluded from our footprint boundary are emissions from manufacturing sites and offices which we do not own and/or operate and emissions considered non-material by the business. We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and the Environmental Reporting Guidelines (March 2019) including Streamlined Energy and Carbon Reporting (SECR) guidance published by the UK's Department for Business, Energy & Industrial Strategy (BEIS). Full calculation and reporting methodologies for all emissions and energy data, as well as further information on our Scope 3 estimation methodologies, can be found in our Basis of Preparation on our website at www.halma.com.

1 Our Scope 1 & 2 (market-based) GHG emissions for the year ended 31 March 2020 form the baseline for our science based target. Given the acquisitive nature of Halma, we have chosen to apply a 5% base year threshold for the structural change trigger of acquisitions and disposals. This year the threshold for recalculation was exceeded and we have represented our baseline and comparative figures. We do not recalculate Scope 3 annually calculated emissions for acquisitions and disposals, and have not re-estimated our Scope 3 baseline in the current year.
2 Included in Scope 1 are GHG emissions from direct fuel combustion at our sites, refrigerants and from fuel use in our company-owned or leased vehicle fleet.
3 Electricity purchased for our own use. Market-based is net of market instruments.
4 Total Scope 1 & 2 (market-based) emissions divided by revenue. Prior to 2024, we included annually calculated Scope 3 emissions in this metric. These have now been excluded as we report against all relevant Scope 3 categories, which include estimates. We do not show a recalculated intensity measure for our 2020 baseline.
5 Scope 3 categories 3, 5 and 6. 2024 Scope 3 annually calculated emissions reflect the continued recovery in business travel following restrictions during the pandemic. We do not recalculate Scope 3 annually calculated emissions for acquisitions and disposals.
6 Estimated as explained further in our Statement above, and in our Emissions Reduction Report and ESG Data Basis of Preparation document at www.halma.com. Neither our 2024 figures or our baseline have been recalculated for acquisitions and disposals in 2023 and 2024, given data limitations. As explained above, we expect to do a fuller bottom-up estimate on a periodic basis to enable us to include the impact of our multiple small acquisitions.
7 We do not recalculate Scope 3 for acquisitions or disposals. Updated to reflect detailed Scope 3 baseline re-calculation.

Examples of energy efficiency measures undertaken during the year by our companies included enhancements to operational efficiencies, LED lighting and motion sensors, improving HVAC controls and removal of inefficient equipment and installation of heat exchangers.