**Halma plc**
Annual Report
and Accounts 2022

# Growing a safer, cleaner, healthier future for everyone, every day

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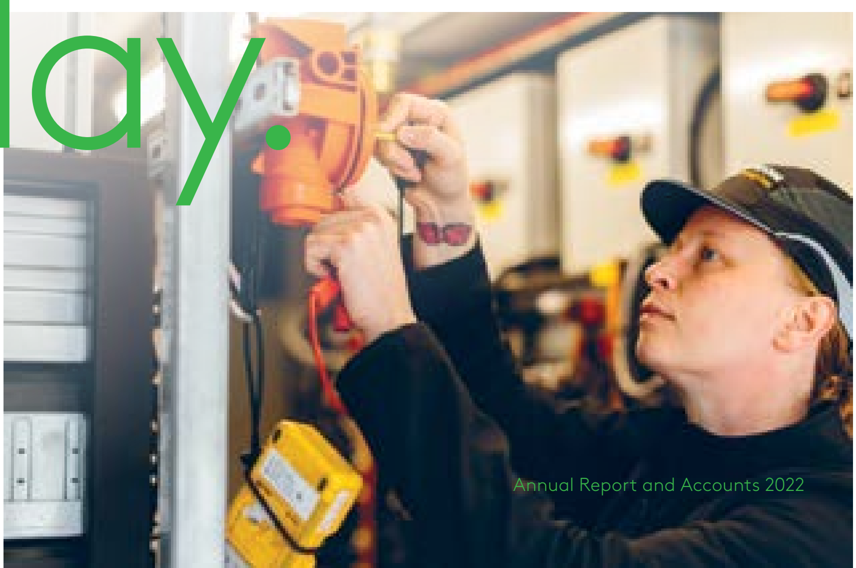

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**Dame Louise Makin**
Chair



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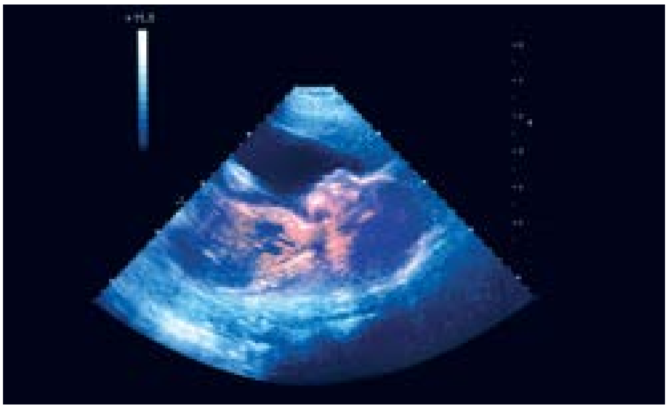

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Increasing healthcare, **safety** and environmental regulation

## Financial Statements



## Other Information




To find out more visit our website
**www.halma.com/investors**

# Our purpose is to grow a safer, cleaner, healthier future for everyone, every day.

## It's in our DNA...

We have a unique set of organisational and cultural genes which power our continued growth. We call this Halma's DNA. Our DNA runs through our business at all levels. It provides competitive advantage and stability, and allows us to continuously adapt to new market needs. Our DNA embodies the core elements of our organisation and culture that are inextricably linked to our past and which enable our future success.

Read more

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## ...it drives everything we do

We continuously evaluate our portfolio, and decide on new product development and target acquisitions based on their alignment to achieving our purpose. We allocate capital and talent to maximise our positive impact, in line with our purpose. We pursue enhanced digital technologies and international expansion strategies to ensure we reach "everyone, every day".

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## ...delivering sustainable value

We create long-term sustainable value for all stakeholders by continuously delivering a simple formula: strong growth + sustainable returns + positive impact = long-term sustainable value creation.

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## ...and is measured along the way.

We track our progress in fulfilling our purpose through a range of financial and non-financial indicators covering key aspects of performance that matter to our stakeholders.

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## ...for all our stakeholders

- Our people.
- Our companies.
- Customers and suppliers.
- Acquisition prospects and business partners.
- Society and community.
- Investors and debt holders.

Read more

p66

## ...and a positive impact

Our technologies solve some of the world's most pressing issues, from air quality to road safety to preventable blindness. Halma companies, by growing, make the world a safer, cleaner and healthier place, and contribute towards multiple United Nations Sustainable Development Goals.

Read more

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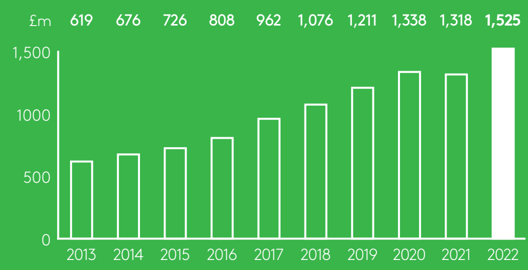
# Highlights – strong growth and returns

## Revenue

£1,525m

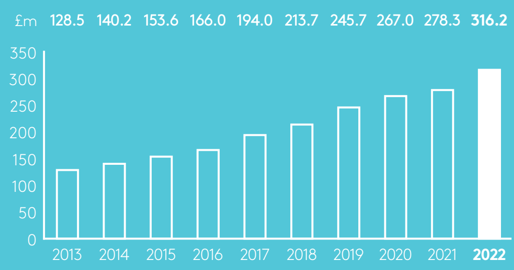
+16%




## Adjusted[1] profit before taxation

£316.2m

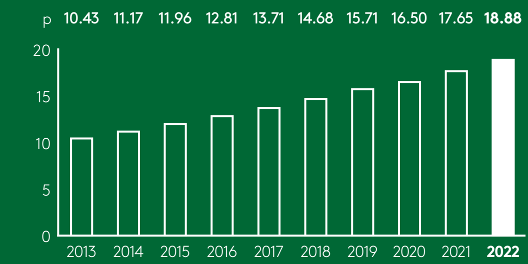
+14%




## Dividend per share paid and proposed

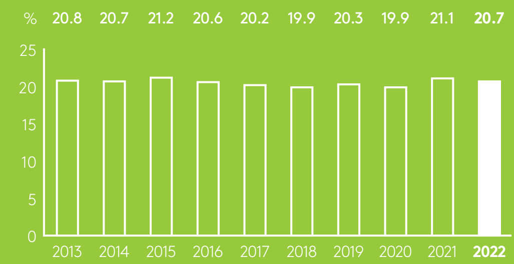
18.88p

+7%




## Return on sales[4]

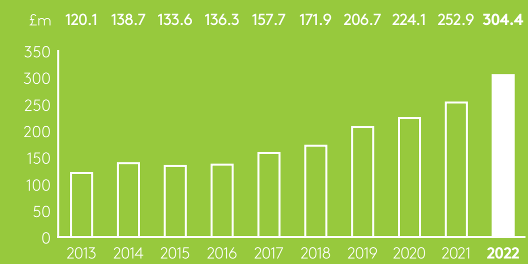
20.7%




## Statutory profit before taxation

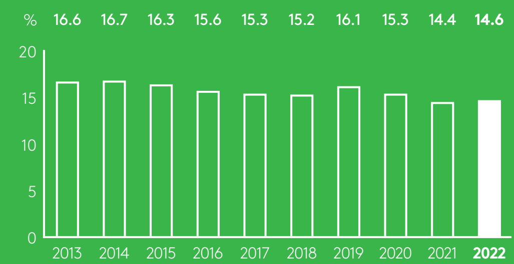
£304.4m

+20%




## Return on total invested capital[5]

14.6%




## Continuing operations

| | 2022 | 2021 | Change |
|---|---|---|---|
| Revenue | £1,525.3m | £1,318.2m | +16% |
| Adjusted[1] profit before taxation | £316.2m | £278.3m | +14% |
| Adjusted[2] earnings per share | 65.48p | 58.67p | +12% |
| Statutory profit before taxation | £304.4m | £252.9m | +20% |
| Statutory basic earnings per share | 64.54p | 53.61p | +20% |
| Total dividend per share[3] | 18.88p | 17.65p | +7% |
| Return on sales[4] | 20.7% | 21.1% | |
| Return on total invested capital[5] | 14.6% | 14.4% | |
| Net debt | £274.8m | £256.2m | |

**Notes**

1 Adjusted to remove the amortisation and impairment of acquired intangible assets, acquisition items, restructuring costs, profit or loss on disposal of operations, the effect of equalisation of benefits for men and women in the defined benefit pension plans (2019 only), and, in 2014 only, the effects of closure to future benefit accrual of the defined benefit pension plans, in 2022 totalling £11.8m (2021: £25.4m). See note 1 to the Accounts.

2 Adjusted to remove the amortisation of acquired intangible assets, acquisition items, restructuring costs, profit or loss on disposal of operations, the associated tax thereon and the effect of the US tax reform measures (2018 only) and, in 2022, the increase in the UK's corporation tax rate from 19% to 25%. See note 2 to the Accounts.

3 Total dividend paid and proposed per share.

4 Return on Sales is defined as adjusted[1] profit before taxation from continuing operations expressed as a percentage of revenue from continuing operations.

5 Return on Total Invested Capital (ROTIC) is defined as post-tax Adjusted[1] Profit as a percentage of average Total Invested Capital.

6 Adjusted[1] Profit before Taxation, Adjusted[2] Earnings per Share, organic growth rates, Return on Sales and ROTIC are alternative performance measures used by management. See notes 1, 2 and 3 to the Accounts.

7 For further detail see notes on page 182.

## Highlights of our positive impacts

### Improving health

7m

Supporting more than 7 million surgeries per annum

### Supporting the energy transition

10,000

Protecting more than 10,000 wind turbines by supplying over 23,000 fire suppression systems

### Keeping workers safe

40,000

Protecting worker safety in more than 40,000 manufacturing and other facilities

### Making water safer

200m

Enabling over 200 million water tests annually

### Protecting mothers and babies during labour

500,000

Monitoring more than 500,000 births each year

### Making buildings safer

5,000km²

Protecting more than 5,000km² of buildings from fire hazards

### Building inclusive businesses

54%

of our Halma senior leaders are women*

*Halma plc Board, Executive Board and Divisional Chief Executives at 31 March 2022

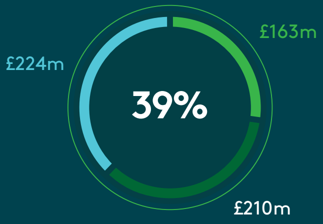
76%

employee engagement score

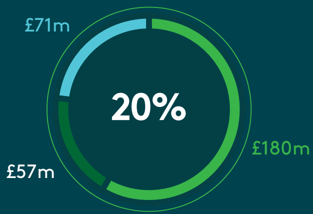
For full information about these metrics, including details about estimations and assumptions, please refer to the "Our people and culture" section on pages 70 to 73 and the "Sustainability" section on page 80.

We have around 45 companies, grouped into three sectors. They have customers in over 100 countries and make the world safer, cleaner and healthier for millions of people every day.

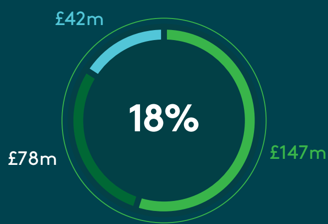
USA
**Revenue**
**£597m**



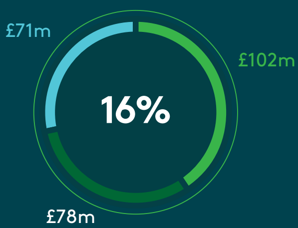

Mainland Europe
**Revenue**
**£308m**



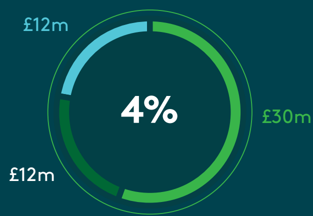

UK
**Revenue**
**£267m**



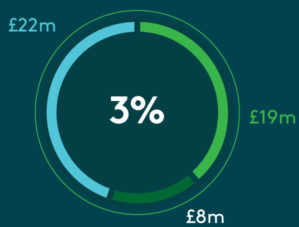

Asia Pacific
**Revenue**
**£251m**




Africa, Near and Middle East
**Revenue**
**£54m**




Other
**Revenue**
**£49m**




● Safety ● Environmental & Analysis ● Medical

Percentages are % of Group revenue.
Sector revenue includes inter-segmental sales.

# Safety

Safety's technologies protect people and the places they work, enabling safe movement and enhancing efficiency across public and commercial spaces, and industrial and logistics operations.

**Revenue**
**£641m**

**Adjusted operating profit**
**£146m**

Read more
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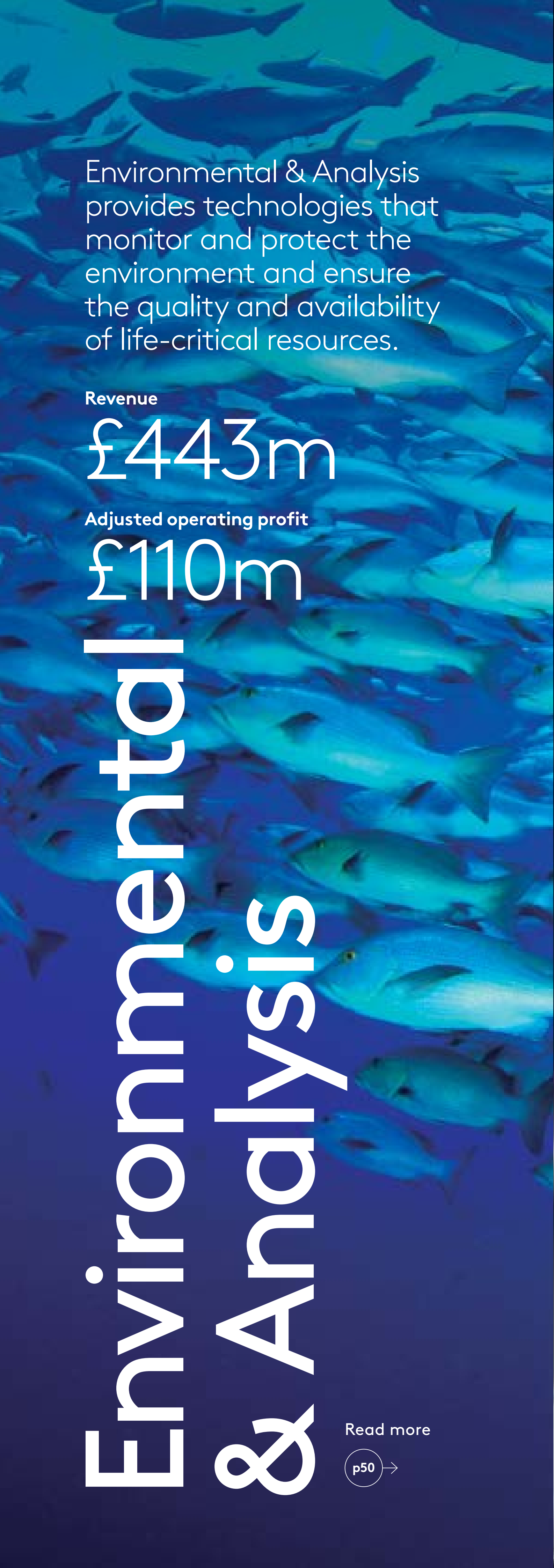

Environmental & Analysis provides technologies that monitor and protect the environment and ensure the quality and availability of life-critical resources.

**Revenue**

£443m

**Adjusted operating profit**

£110m

# Environmental & Analysis

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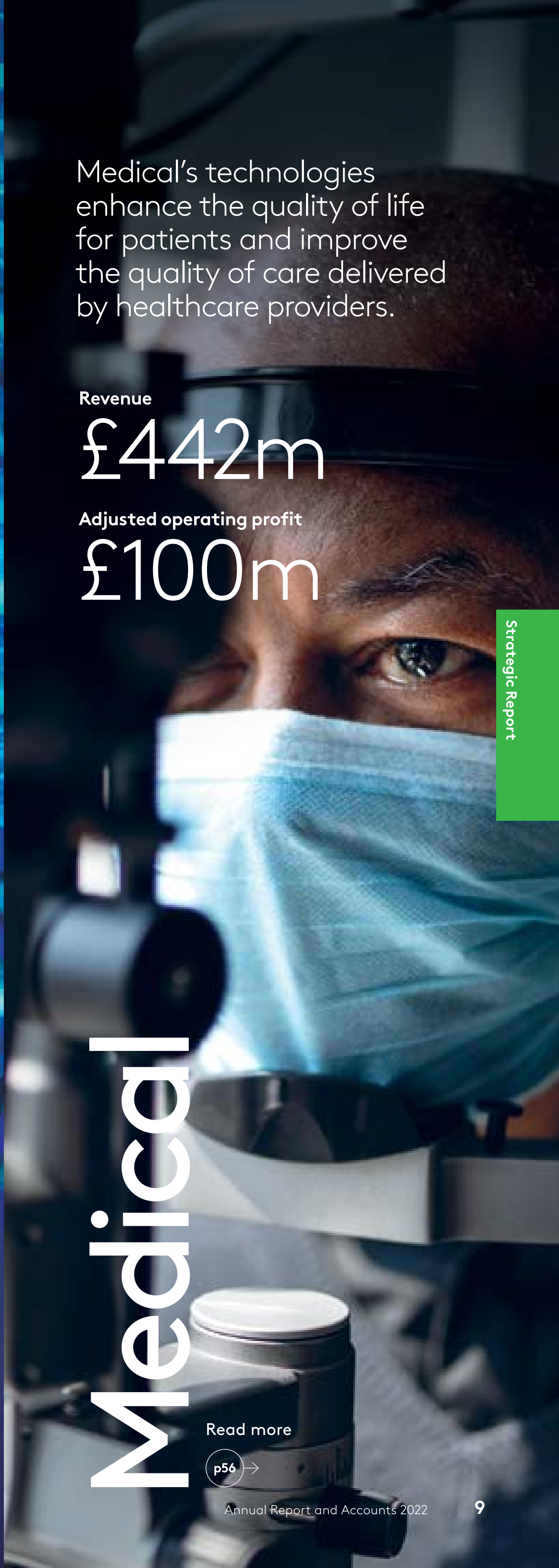


Medical's technologies enhance the quality of life for patients and improve the quality of care delivered by healthcare providers.

**Revenue**

£442m

**Adjusted operating profit**

£100m

# Medical

Read more p56

# 50

## years of sustainable value creation

We seek to create sustainable value for our stakeholders by delivering consistently strong growth and returns and a positive impact. We aspire to double our earnings every five years, supported by consistently strong investment in organic growth and acquisitions, funded by our companies' high cash generation.

UK GAAP applied 1971/72–2004/05; IFRS applied 2005/06–2021/22

### Compound annual growth rate since 1972

**Revenue**

15%

**Profit before tax**

17%

1972
Market cap £2.4 million

Revenue
£1m
£0.1m
Profit before tax

1982

Revenue
£16m
£1.7m
Profit before tax

1992

Revenue
£95m
£15.5m
Profit before tax

Spent on acquisitions

>£1.5bn

Paid in dividends

c.£900m

Revenue
£1,525m
£304.4m
Profit before tax

Revenue
£580m
£112.0m
Profit before tax

Revenue
£268m
£46.0m
Profit before tax

2002

2012

March 2022
Market cap £9.5 billion

# Sustainable growth

over 50 years

"It is a pleasure to be presenting my first statement as Chair of Halma and to use this opportunity to thank all of our dedicated and talented people across the Group for their part in helping us deliver another set of record results. I am immensely proud to be part of an organisation that lives out its purpose and demonstrates agility and compassion during times of uncertainty and challenge."

**Dame Louise Makin**
Chair

**Reflecting on Halma's 50 years of sustainable growth**
Halma's purpose-led approach and Sustainable Growth Model have driven its strong growth over the past 50 years and remain as the foundations for our future growth and positive impact over the years ahead. Each element of our Sustainable Growth Model – our clear purpose, unique DNA, global niche markets, self-sustaining financial model, organic and inorganic growth strategy and value-enhancing investment proposition – combine to create a system where the elements reinforce each other. It is our management of these interdependent elements that creates long-term value for our stakeholders and amplifies the positive impact we have on people and society.

David Barber, Halma's co-founder and the architect of its culture and self-financing business model, sadly died earlier this year, yet even today we still benefit from his legacy which has led to Halma becoming one of Britain's Most Admired Companies.

**Sustainability is at the heart of our business model**
Our purpose of *growing a safer, cleaner, healthier future for everyone, every day* drives everything we do and delivering sustainable value to all of our stakeholders is inherent in our business model and how we operate. The positive impact that we make through our products and services has been at the core of our approach to sustainability for decades. In addition, during the last year I've been really pleased to see increasing momentum and progress in the roll-out of our Sustainability Framework – which provides a renewed focus on Climate Change, Diversity, Equity and Inclusion, and Circular Economy as our three Key Sustainability Objectives (KSOs).

We recognise that the climate crisis is one of the biggest issues facing our planet and society and it is imperative that we work to immediately reduce, and ultimately eliminate, carbon emissions in our businesses and supply chains. This year, we have reported against the recommendations of the Task Force for Climate-related Financial Disclosures (TCFD). This Report outlines the many opportunities that Halma companies have to use their products and services to support the net zero transition. In addition, while our operational emissions are relatively low, the Board has set net zero Scope 1 and Scope 2 emissions targets and added further targets this year to support the Group's transition to renewable energy and to improve energy productivity – with the latter target incorporated into executive remuneration. We are well-progressed in assessing our Scope 3 emissions and intend to set a net zero target over these emissions as soon as we are able to do so.

We also recognise the need to live our purpose in other ways and the tragic invasion of Ukraine led to us taking a Group-wide decision to cease sales into Russia and our companies to focus their efforts on supporting affected colleagues. Halma is matching all donations made by our companies and employees to the International Committee of the Red Cross, which is providing humanitarian aid and support to the people of Ukraine. We have also continued our two-year charitable initiative with WaterAid – donating funds and equipment for projects to tackle water accessibility and quality in Northeast India. I am really proud of how our companies respond in times of need and for their regular support to local, national and international causes, living out both our purpose and DNA.

**Our diversity brings competitive advantage**
Halma is committed to building a diverse and inclusive culture throughout the Group. Diversity, Equity and Inclusion is vital to our strategy, and one of our Sustainability KSOs. We believe it not only benefits Halma – by securing the best talent and providing diverse thinking – but it also benefits the global economy and society, creating a fairer future for everyone.

I am proud of our recent progress on increasing gender and ethnic diversity at the senior leadership levels and know that our management around the world are focused on improving gender and ethnic diversity in their businesses at all levels too. We have now linked executive remuneration to a target for all operating companies to have gender diverse boards, by achieving gender balance within a range of 40% to 60% of the board's composition by the end of March 2024. Above all, we aim to have an inclusive culture – where people can be themselves at work, feel valued and free to contribute such that diversity of thought can prevail and make us more successful in all that we do.

In February 2022, the FTSE Women Leaders Review announced two new recommendations for FTSE 350 companies to increase representation of women in senior leadership positions by 31 December 2025. We already meet one of those goals, by having a female Chair, and are pleased to report good progress towards the second goal – as we already have at least 40% women at Board and Executive Board level and are committed to achieving the same at one level below the Executive Board by 31 December 2025. In March 2022, the Board also updated its Diversity Policy to commit to maintaining at least two ethnically diverse Directors on the Board, which goes beyond the target recommended by the Parker Review. The diversity, in its many forms, of our Board and Executive Board members, along with the mix of skills and experience that those individuals bring, enhances our thinking, decision-making and actions. It also demonstrates Halma's commitment to improving Diversity, Equity and Inclusion at all levels of our organisation.

**Board succession**
During the year, I completed my handover with Paul Walker, who retired as Chair at the 2021 AGM. I am grateful for Paul's support and counsel during the transition and look forward to building on the excellent work that he did during his tenure.

As part of the Nomination Committee's ongoing remit, we reviewed succession at all levels and continued our focus on increasing diversity throughout the organisation. In December 2021, we were pleased to welcome Sharmila Nebhrajani OBE as a non-executive Director, who brings valuable skills and experience to the Board.

During the coming year, work will be undertaken to identify a successor for the Senior Independent Director role which will be vacated when Tony Rice retires from the Board.

**Looking ahead**
I am really excited to be leading Halma's Board through the next phase of its development, to build on the success already achieved and make even greater progress to deliver on our purpose. In doing so, I am clear that we must preserve Halma's organisational model, culture and DNA. These elements are critical for our continued success. They will help us to be more ambitious in solving problems, to deliver growth and returns, and become a more sustainable business.

The Board, like our people, embodies our DNA which helps us to attract the diverse, purpose-driven talent we need in the future. It also ensures that Halma continues to be a home for passionate people who want to grow a business that makes a positive impact on our world. Over the next decade, as we continue to grow our Company, together, we will strive to make Halma a more inclusive employer – where exceptional people thrive – and a greener, more sustainable group of companies, which remains committed to *growing a safer, cleaner, healthier future for everyone, every day.*

**Dame Louise Makin**
Chair

"Our achievements reflect the relevance of our purpose in addressing our customers' needs and consequently many key challenges facing our planet and society."

**Andrew Williams**
Group Chief Executive

# Strong growth

and continued investment

### A year of notable achievements

This has been a year of notable achievements for Halma. We delivered record profit for the 19th consecutive year, our revenue exceeded £1.5 billion and profit £300 million for the first time, and our companies successfully addressed multiple economic and geopolitical challenges including the ongoing effects of the COVID pandemic and more recently the conflict in Ukraine. At the same time, we substantially increased investment in our digital and innovation activities while also making further progress on our Key Sustainability Objectives.

Our achievements reflect the relevance of our purpose in addressing our customers' needs and consequently many key challenges facing our planet and society. They were enabled by Halma's Sustainable Growth Model (see pages 22 to 27), built on a culture and organisational model which allows our companies to respond with agility to changes in their markets and the wider world.

However, all of this is brought to life through the commitment of our employees worldwide who rose to the challenges and lived Halma's purpose of growing a safer, cleaner, healthier future for everyone, every day. I would like to thank them for their dedication and their contributions over the past year.

### A strong financial performance

Revenue grew by 16% to £1,525.3m and Adjusted[1] profit before taxation increased by 14% to £316.2m. Statutory profit before taxation increased by 20% to £304.4m.

Growth was broadly spread across our sectors, regions and companies. All sectors delivered double digit rates of revenue and profit growth on an organic constant currency basis. There was double digit organic constant currency revenue growth in all major regions, and approximately 80% of our companies delivered double digit organic constant currency revenue growth.

Returns remained strong, with Return on Sales[1] well within our target range of 18-22% and Return on Total Invested Capital over double our estimated weighted average cost of capital of 7.1%.

Cash conversion was solid, which reflected strong underlying cash generation and working capital control, but also the effect of some selective working capital investment to support the strong growth in the period. Our continued cash generation and strong balance sheet underpin our investment in future organic growth, as well as providing capacity to fund acquisitions and our progressive dividend policy.

The Board is recommending a 7% increase in the final dividend to 11.53p per share (2021: 10.78p per share). Together with the 7.35p per share interim dividend, this would result in a total dividend for the year of 18.88p (2021: 17.65p), up 7%, making this the 43rd consecutive year of dividend per share growth of 5% or more.

### Organisational model and DNA enable our strong performance

Our Sustainable Growth Model, and in particular our organisational model and our DNA, have been critical in delivering our strong performance this year.

At its core is our purpose, which not only continues to motivate us, as demonstrated by our high employee engagement scores (see page 70), but is also proving to be an important asset in attracting new talent.

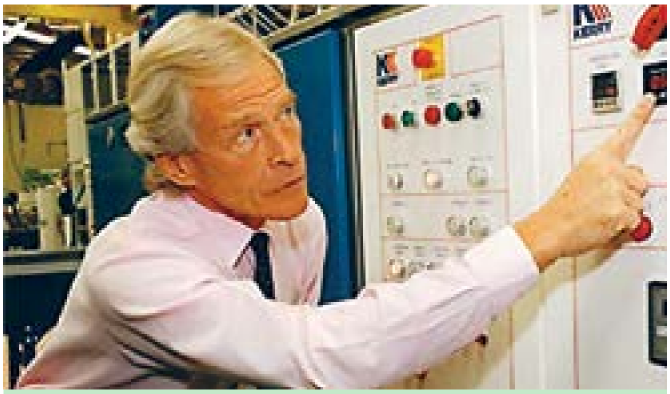
Our organisational model gives our companies the resources, agility and authority to respond to changes in their markets and the global operating environment, led by their local management team. It also has inherent scalability, allowing us to use M&A to expand our opportunities for growth, without adding further complexity to our structures and decision making or to divest when growth opportunities become more limited. As we have grown, we have deliberately developed a more collaborative culture. This has allowed our companies to address opportunities and solve common issues together, benefiting from the Group's increasing scale, while still retaining the advantages of being small, agile companies, close to their markets. This has been crucial during the COVID pandemic and will continue to be so as we address the further opportunities and challenges ahead.

**+7%**

**Dividend per share**

Our organisational design and DNA means that companies have short spans of control and the autonomy to act in their best interests without seeking approval first. A good example of this in action has been the different actions they have taken to address the wide range of operational challenges they have faced during the past year. These include:

- introducing radically different shift patterns and increasing employee engagement in response to increased demand and labour market shortages, which has also added capacity and flexibility for further growth;
- collaborating to source alternative supplies, share component inventories or leverage the Group's scale to address shortages and delays of critical components in supply chains;
- rapidly redesigning products to use alternative components or making components themselves, using cross-functional groups to achieve fast times to market; and
- leveraging their close relationships with their customers to ensure that we continue to deliver value to them as well as to address increasing costs by price changes.



## A tribute to our co-founder David Barber

It is 50 years since David Barber, as co-founder, established the foundations for what Halma is today. He began the transformation of a small holding company into what is now a FTSE 100 global group of life-saving technology companies.

These same foundations underpin Halma today and our core strategy is essentially unchanged since that time, which is in the words of our 1973 Annual Report "to establish positions of strength in markets which offer growth prospects significantly above average". The Report goes on to say that the initial focus of the Group would be on the Industrial Safety and Environmental Control markets, areas which remain an important part of the Group today.

We were sad to hear of David's death in January 2022. He was instrumental in creating our scalable organisational model, establishing our cultural principles and, with his co-founder and Group Finance Director Mike Arthur, introducing the sustainable financial model which continues to support our growth.

Their simple yet disciplined model for how Halma can continue to grow and scale has proven to be hugely successful. At its core was the unique organisational model that we still have today, with its decentralised structure of companies with their own boards of directors, empowered to develop their own strategy, drive innovation in their chosen markets, make their own decisions and be accountable for their company's performance.

David was committed to building an ethical culture and his clear, purpose-driven governance is expressed today through Halma's DNA. He believed in a long-term approach, carefully acquiring and investing in a portfolio of companies in niche markets that are driven by long-term growth drivers.

The discipline in adhering to these principles has driven Halma's success over the past 50 years, and provides a springboard to enable us to deliver value to all our stakeholders in the future. The strength of our results, the scale of our positive impact and our achievements in the year are a tribute to him and the foundations that he created.

### Increased strategic investment to support future growth

One of Halma's key strengths is the ability to deliver strong performance in the shorter-term, while simultaneously making substantial investments to support sustainable growth over the longer-term.

We invested over a quarter of a billion pounds in aggregate in this financial year. This investment broadened our opportunities for growth both organically and through acquisition, ensured our products continue to create value for our customers and further strengthened our infrastructure across the Group.

Increasing these investments reflects our confidence in the long-term growth drivers we see in our markets. Our products and services have never been more relevant than today, as health, safety and environmental regulations continue to increase, demand for healthcare grows and the world addresses expanding demands on life-critical resources including the urgent need to tackle climate change, waste and pollution.

### Increased strategic investment in new products and technology

Our companies increased investment in new product development above the rate of revenue growth, reflecting their own confidence in their long-term growth prospects. R&D expenditure grew by £15m to £85m, which represented 5.6% of revenue, up from 5.3% in the prior year.

**£85m**

**R&D expenditure**

Investment in our technology infrastructure was £11m, to support future growth and modernise ways of working across Halma. We are upgrading our operational technologies to simplify the way in which central functions collect the data required from our companies' systems, with the objectives of increasing automation, improving accuracy and control, and facilitating deeper data insights. We are largely complete in the rollout of our global Treasury Management solution and have commenced implementation of our new Finance and Talent Management platforms. We are also investing significantly in upgrading our global security architecture, which has already brought the added benefits of more secure connectivity between our companies and locations. We are assisting each of our companies in considering how their core business opportunities and challenges can be addressed through improved technology solutions.

Our Digital and Technology teams have been active in supporting the advancement of digital solutions across our companies' product portfolios. Revenue from digital products and solutions increased by 15% in the year, and represents over 40% of Group revenue, with revenue from IoT solutions and from software and services both up by more than 40% year-on-year.

We are making steady progress in establishing a common technology core to support our ongoing IoT product development, with companies trialling a number of potential solutions addressing areas such as telemedicine, fire detection, and critical asset tracking and management.

As our companies increasingly incorporate connected technologies into their products, we are helping to accelerate their IoT/digital product development through a number of initiatives. Examples include diagnostic and design clinics which help companies devise their digital solutions; digital incubators to help companies rapidly prototype and test their new concepts; and strategic partnerships with third-party digital technology platforms and software development partners to assist companies in scaling and launching products to market.

These activities were supported by a range of initiatives which encourage collaboration and by our innovation network. They included an Innovation & Digital Summit, which brought together over 100 participants from across the Group to share their experiences and learn from external experts, a regular Innovation & Digital newsletter, and the release of a self-learning resource through our Innovation & Digital Champions Network.

## 13 acquisitions completed across all three sectors

Our M&A strategy is focused on acquiring businesses with valuable intellectual property, which operate in market niches aligned with our purpose of growing a safer, cleaner, healthier future for everyone, every day.

# £164m

**acquisition spend**

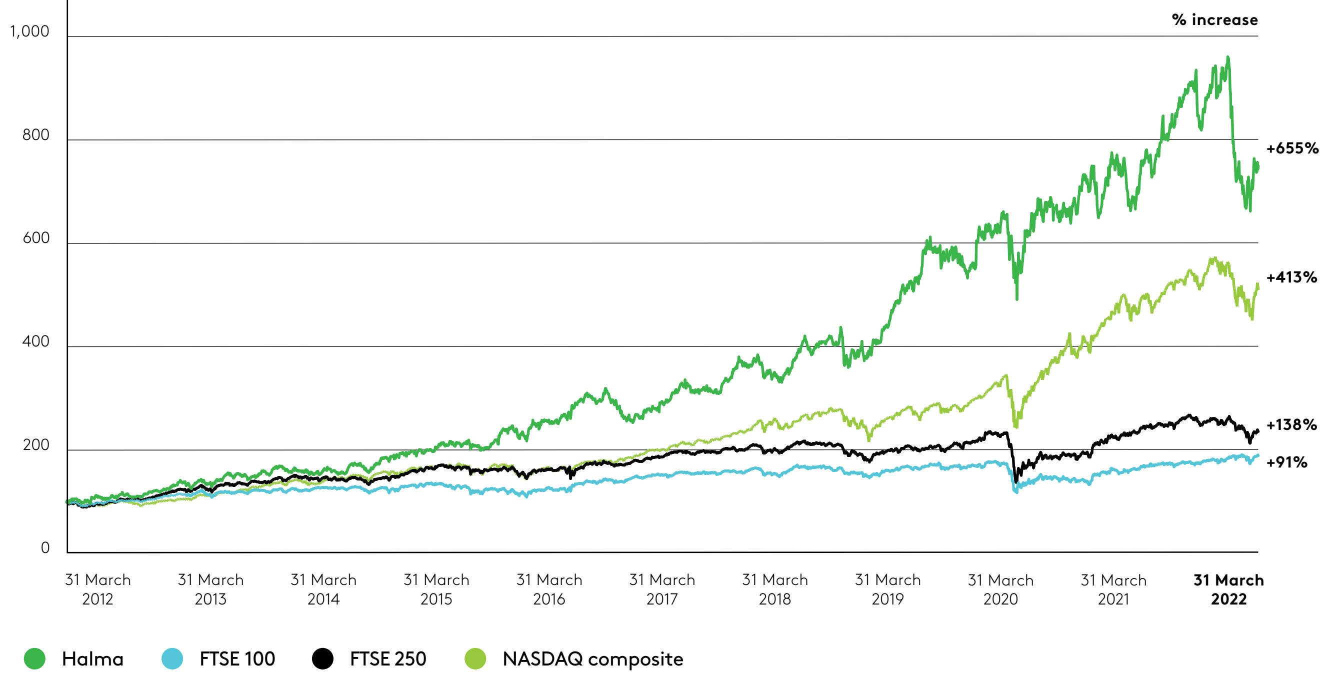
Our lean organisational model is scalable and gives us the ability to continue acquiring small-to-medium sized businesses to add new capabilities and supplement our underlying organic growth.

We are also able to sell and merge businesses relatively easily should market dynamics change, enabling us to maintain a purpose-driven, growth-oriented portfolio without it becoming significantly more complex to manage. The benefit of this active portfolio management is reflected in the number of companies within Halma remaining relatively stable, whilst we have grown and maximised value for our shareholders. For example, in 2012, Halma had revenue of £580m from 38 operating companies, and today we are delivering revenue of over £1.5bn from only 44 operating companies.

We made 13 acquisitions in the year, for a maximum total consideration of £164m, while disposing of one business for £65m. The acquisitions were spread across our three sectors, with five acquisitions each in the Environmental & Analysis and Medical sectors and three in the Safety sector. They were broadly spread geographically, with acquisitions made in the UK, the USA, a number of countries in Mainland Europe, and in Australia.

## Total Shareholder Return

Graph as rebased to 100



It is particularly pleasing to see the acquisition momentum in the Environmental & Analysis sector increasing, following the formation of the new sector leadership team at the beginning of the year including a dedicated M&A team.

Three of the acquisitions made in the year will be standalone companies within the Group. They are:

- PeriGen, Inc., whose advanced technology protects mothers and their unborn babies during childbirth by alerting doctors, midwives and nurses to potential problems. PeriGen was acquired for a cash consideration of US$57.3m (approximately £40.1m) on a cash and debt-free basis;
- The Ramtech group of companies, a UK-based supplier of wireless fire systems for temporary sites, which was purchased for a cash consideration of £15.7m, on a cash and debt-free basis; and
- Sensitron S.r.L., an Italian gas detection company, which was acquired for a cash consideration of €20.1m (£17.1m), on a cash and debt-free basis.

An increasing number of our companies now have the size and capability to grow their businesses through acquisition as well as organically, and 10 of the acquisitions in the year were made by our companies as bolt-ons to enhance their technologies and market reach. Details of these transactions are contained in the notes to the Accounts.

Since the period end, we have acquired Deep Trekker, a market-leading manufacturer of remotely operated underwater robots used for inspection, surveying, analysis and maintenance. It will be a stand-alone company within our Environmental & Analysis sector. It serves markets including aquaculture, renewable energy and ocean science and research, and was acquired for a cash consideration of C$60m (approximately £36.6m) on a cash and debt-free basis.

We have also continued to develop our external partnerships through our Halma Ventures programme, that offers Halma access to new technology and capabilities via minority ownership, and have a good pipeline of further potential opportunities. Since the year end, we have made one further investment in VAPAR, whose AI technology enables faster and more accurate condition assessment of wastewater infrastructure.

### Talent and Executive Board changes

The quality and diversity of our leaders and teams is a critical component of Halma's success, and their continued commitment to bringing our purpose to life was reflected in our global engagement survey. This had a high response rate of 85% and an engagement score of 76%, with improvements across all dimensions compared to 2020. This result was supported by the ability of our companies to act quickly to look after their employees' wellbeing in response to events such as the ongoing pandemic and the invasion of Ukraine.

We are committed to maximising the quality of talent available to us by ensuring that Halma is an inclusive organisation, thereby also ensuring a diversity of voices and experiences within our leadership teams.

Diversity, Equity and Inclusion is one of our Key Sustainability Objectives, and one measure of inclusion is gender diversity. We have introduced a target of achieving 40-60% gender balance on all company boards by March 2024. Although this is a stretching goal, we made progress towards it in the year, increasing female representation from 22% last year to 26% at 31 March 2022.

We manage the development and diversity of our leadership teams to ensure that we have robust succession plans for senior positions within the Group and that we have the appropriate capabilities in our teams to support the Group's future growth.

Since the beginning of the year, we have been operating and reporting as three sectors, to better align with our purpose and our focus on safety, health and environmental markets. Each sector team includes a Sector Chief Executive, a Chief Financial Officer, a team to support M&A activity as well as legal and talent management resource, to deliver its growth strategy.

The new dedicated sector team created for the Environmental & Analysis sector has brought increased focus on the significant opportunities we see in its markets. Its new M&A team, for example, has already benefited the sector, with five acquisitions completed in the year, and Deep Trekker acquired after the year end.

We are also investing in our leadership team in Asia-Pacific, reflecting the substantial organic and inorganic growth potential in the region over the longer term. This team is led by Aldous Wong, who was one of our Divisional Chief Executives (DCEs), as President of Halma Asia Pacific and an advisor to Halma's Executive Board. We made one further change to the Executive Board in the year, with Steve Brown also being promoted from DCE to succeed Laura Stoltenberg as the Sector Chief Executive for the Medical sector.

### Good progress on our Key Sustainability Objectives

Following the introduction of our Sustainability Framework in the prior year, each of our companies is creating its own plan to set out how they will contribute to the Group's goals and ambitions for our Key Sustainability Objectives (KSOs) – Climate Change, Diversity, Equity and Inclusion (DEI), and Circular Economy. Achieving these objectives will add to the positive impact delivered through our purpose-aligned growth.

In addition, we advanced our work to enable us to report against the recommendations from the Task Force for Climate-related Financial Disclosures (TCFD). This further highlighted not only the challenges but also the significant opportunities for Halma arising from the transition to a lower carbon world and from global efforts to address climate change. The ways in which our companies can address these opportunities are diverse. These include solutions to reduce greenhouse gas (GHG) emissions; helping customers in energy-transitioning industries to increase safety and reduce costs; providing products with a lower carbon footprint; and helping customers and societies adapt to the worsening physical impacts of climate change. We will be supporting our companies in identifying and assessing relevant opportunities as part of their strategic growth plans, as well as continuing to assess these opportunities as part of our M&A strategy.

35%

**reduction in GHG emissions**

We have several targets already in place for our Climate Change KSO. We have made progress towards our 2040 Net Zero and 2030 1.5 degree aligned targets for Scope 1 & 2 emissions, with a 35% reduction in GHG emissions from our 2020 baseline, compared to 14% reported revenue growth over those two years. We have rapidly increased our use of renewable electricity from 8% of consumption in 2020 to 42% in 2022, which is on the way to our target of 80% renewable electricity by 2025. From FY23, we have also introduced a new target of at least 4% annual growth in energy productivity to support our Scope 1 & 2 goals.

We recognise that Scope 1 & 2 is only a small portion of our total carbon footprint and that we need to work towards Net Zero for our entire value chain. We have made progress during the year in estimating our full Scope 3 footprint. We will be looking to show strong progress towards setting appropriate Scope 3 goals and targets during the coming financial year.

Our new annual energy productivity metrics have been incorporated into our executive remuneration for FY23, alongside the gender diversity targets mentioned above. Performance against stretching annual targets is required for participants to achieve 10% of the maximum annual bonus. We consider this change in our remuneration as a good starting point; in the future we will consider further metrics as well as evolving the scope and type of sustainability-linked remuneration.

### Summary and Outlook

Halma's Sustainable Growth Model enabled our companies to act with agility to address new market opportunities and to respond rapidly to the multiple operational and economic challenges they faced during the year. Our strong performance reflects huge credit on the dedication of our people across the business, and was underpinned by our empowering purpose and culture, our focus on niche markets with long-term, fundamental growth drivers and the high value of the solutions we provide to our customers.

We have made a positive start to the new financial year. We have a strong order book, and order intake in the year to date is ahead of revenue and in line with the very strong intake in the same period of the prior year. We expect to deliver continued growth and maintain high returns in the 2022/23 financial year, with good single digit percentage organic constant currency revenue growth and a Return on Sales similar to the second half of the 2021/22 financial year. We are well positioned to make further progress in the full year and in the longer-term.

**Andrew Williams**
Group Chief Executive

1 See Highlights

## Halma's DNA

The combination of our organisational model and culture is a fundamental part of what makes Halma a successful, sustainable business. We call this Halma's DNA, and it runs through our business at all levels.

p23

# Our Sustainable Growth Model

## Our purpose

We have been a purpose-led business for 50 years. It powers every decision we make, from choosing our markets to finding the right talent. It attracts people who want to solve the same problems as we do, and keeps us focused on the things that matter to our business.

p22

**We deliver sustainable growth, consistently high returns and positive impact.**

Each of the elements of this model create a self-reinforcing system that gives us the resources and flexibility to address new opportunities and challenges.

It is the combination and interdependency of all of them that enables us to deliver value over the long term for all our stakeholders.

## Investment proposition

We seek to deliver superior and sustainable value for our investors, while delivering a positive impact for all our stakeholders. We set ourselves challenging targets, and aspire to double our earnings every five years.

p25

## Our markets

We choose niches in markets with resilient, long-term growth drivers. We find niches that are driven by increasing demand for healthcare and life-critical resources, increasing regulation, and by growing global efforts to address climate change, waste and pollution.

p24

## Our business model

We have a simple and self-sustaining financial model which supports investment in our growth strategy and our scalable organisational model, underpinned by Halma's DNA. It delivers strong performance in both the short and longer term.

p26

## Our growth strategy

Our growth is powered by our purpose, across three dimensions of Core, Convergence and Edge. It is focused on acquiring and growing businesses in global niches of safety, health and the environment.

p24

1

# Our purpose

Our purpose is to grow a safer, cleaner, healthier future for everyone, every day.

Our purpose drives every business decision we make. It ensures everyone who works with us is focused on doing those things that make it happen.

Our companies develop technologies which save lives and protect critical infrastructure and services. Our technologies solve some of the world's most pressing issues, from air quality and clean water, to road safety and preventable blindness.

Our purpose defines the three broad market areas where we choose to operate:

**Safety**
Protecting people's safety and the environment as populations grow, and enhancing worker safety.

**Environment**
Addressing the impacts of climate change, pollution and waste, protecting life-critical resources and supporting scientific research.

**Health**
Meeting the increasing demand for better healthcare as chronic illness rises, driven by growing and ageing populations and lifestyle changes.

We believe these issues are global and long term in nature. We expect them to support Halma's success sustainably for the foreseeable future.

By growing in line with our purpose, we deliver positive impact in the markets we serve and beyond.

Learn more about our positive impact

p80

2

# Halma's DNA

Halma's DNA runs through our business at all levels. It embodies the core elements of our organisation and culture that are inextricably linked to enable our success. Even though we have to continuously change, these core elements remain constant.

## Halma Organisational Genes

These are the core elements of our business structure and have proved themselves to be fundamental drivers in delivering consistent, long-term growth. They describe what we will protect while we continuously transform ourselves.

**Purpose drives us**
Our purpose powers every business decision we make, from choosing our markets to finding the right talent.

**Agility is everything**
We are built to be responsive. Individual businesses make decisions close to our customers. We manage our portfolio to respond rapidly when market dynamics change.

**We bet on talent**
We insist on exceptional leaders who are empowered and accountable to set strategy and grow their own businesses. Diverse viewpoints on every team ensure we don't miss a thing.

**We are global niche specialists**
We are disciplined in targeting high-return, global niches in markets with long-term growth drivers. We innovate with cutting-edge technology in these niches using our deep application knowledge.

**We invest for the future**
Our diverse portfolio allows us to take a long-term view and means we can continue to innovate for the future regardless of individual short-term market conditions.

**We are structured for growth**
Individual businesses within the Group have access to our internal and external networks, enabling us to go faster by learning from the experiences of others. Central expertise and capital are available to accelerate organic growth, which in turn allow us to continue to acquire additional growth and capabilities.

## Halma Cultural Genes

These are the unique cultural and behavioural principles that we require, protect and leverage to effectively optimise our organisational genes and deliver our purpose.

**Live the purpose**
Be passionate about making the world safer, cleaner and healthier. See real problems and create innovative solutions.

**Embrace the adventure**
Continually grow and change, as individuals and collectively. Challenge assumptions and see opportunities. Seek insight from all directions and leverage diverse points of view.

**Be an entrepreneur**
Be an owner, risk-taker, visionary. Transform bold ambitions into reality. Be agile and responsive in the face of constant change. Be successful through and with others.

**Say yes, and...**
Choose Yes, and... to seemingly conflicting priorities. Build for tomorrow and deliver today. Have stability and constantly evolve. Enjoy autonomy and eagerly collaborate to accomplish our goals.

**Just be a good person**
Play to win, but not at the expense of others. Operate with impeccable ethics, transparency and integrity in all that you do.

3

# Our growth strategy

Our growth is powered by our purpose across three dimensions of Core, Convergence and Edge. It is focused on acquiring and growing businesses in global niches in safety, health and the environment.

Our Core strategy is an evolution of what we have always done and focuses on growing through enhanced digital offerings, new product development, international expansion and acquisitions aligned to our purpose.

Our Convergence strategy enables us to go faster by partnering with others who want to solve the same problems as we do.

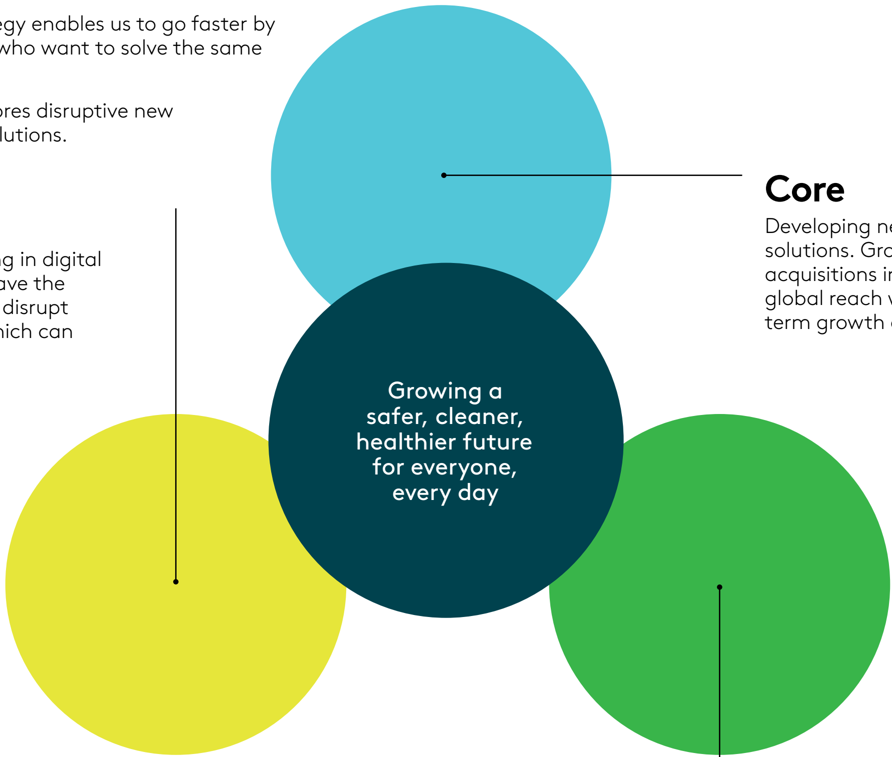
Our Edge strategy explores disruptive new business models and solutions.

## Edge

Developing and investing in digital business models that have the potential to completely disrupt existing models, and which can scale exponentially.

## Core

Developing new products and digital solutions. Growing organically and by acquisitions in niche markets with global reach which have resilient long-term growth drivers.




## Convergence

Developing new products, services and business models by combining existing Halma technologies and capabilities in new ways, and potentially by adding capabilities and partnerships.

4

# Our markets

We choose valuable niches in our markets with resilient, long-term growth drivers.

- **Global efforts to address climate change, waste and pollution.** See p**42**
- **Increasing demands on life-critical resources.** See p**48**
- **Increasing demand for healthcare.** See p**54**
- **Increasing health, safety and environmental regulation.** See p**60**

We expect to drive consistently superior growth and returns over the long term from our disciplined focus on acquiring and growing businesses in these niche markets.

We continuously reinvest in our companies to ensure that we maintain strong positions in our chosen markets. This includes investment in developing our people, our products and services, our intellectual property and our knowledge of the markets we serve.

Our companies are mostly small-to medium-sized businesses, which provide technology solutions in the safety, health and environmental markets.

We have a variety of routes to market, from direct sales to third party distribution, and a wide range of customers, from individuals to large OEMs.

Our customers operate in diverse sectors, including commercial and public buildings, utilities, healthcare, science, the environment, process industries, and energy and resources.

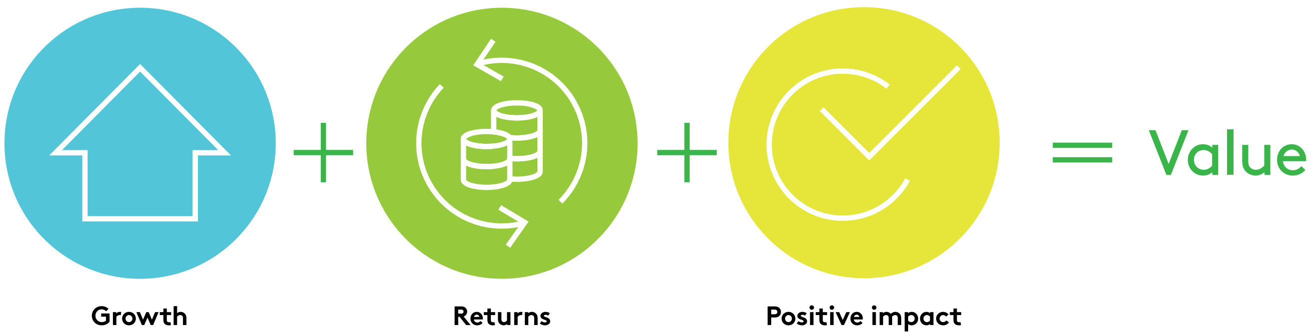
## 20+ countries

We operate in more than 20 countries, with major operations in the UK, mainland Europe, the USA and Asia Pacific.

5

## Investment proposition

We seek to create sustainable value for our stakeholders, by delivering consistently strong growth and returns and a positive impact. We set ourselves challenging targets, and aspire to double our earnings every five years, while maintaining a conservative capital structure and delivering high returns.




### High growth and returns

We deliver high growth and returns. Over the past five years, organic revenue growth has averaged 6.8% and growth in adjusted earnings per share has averaged 10.3%. Return on Sales has averaged 20.4% and Return on Total Invested Capital has averaged 15.1% over the same time period.

### A clear purpose and a positive impact

Our purpose is to grow a safer, cleaner, healthier future for everyone, every day, and this gives us a strong motivation to make a positive difference to people's lives worldwide, and provides us with exciting opportunities for growth in a diverse range of markets. Our positive impact is amplified through our Sustainability Framework, which focuses us on the areas of sustainability which are both highly aligned to our purpose and most material for Halma and our stakeholders.

### Strong cash generation and modest leverage

Our business is strongly cash generative. Cash generation (adjusted operating cash flow as a percentage of adjusted operating profit) has averaged 92% over the past five years. We maintain modest levels of leverage, to allow us flexibility for organic investment, to make acquisitions, and pay increasing dividends to shareholders, with gearing (net debt to EBITDA) having averaged 0.83 times over the past five years.

### Agile portfolio management

We manage the mix of businesses in our Group to ensure they can sustain strong growth and returns over the long term, aligned with our purpose. We acquire businesses to accelerate penetration of attractive market niches, we merge businesses when market characteristics change, and we exit markets which offer less attractive long-term growth and returns through carefully planned disposals.

### A strong and consistent track record

We have delivered record levels of profit for 19 consecutive years, Return on Sales of 16% or more for 37 consecutive years, and have a 43-year track record of growing dividend per share by 5% or more every year.

6

# Our business model

We have a simple and self-sustaining financial model which supports investment in our growth strategy and our scalable organisational model, underpinned by Halma's DNA. It delivers strong performance in both the short and longer term.

## We are structured for growth

Our structure is simple and lean, with only three layers – companies, sectors and Group teams – all three of which are aligned and rewarded on driving growth. This allows for fast decision-making, and reduced bureaucracy.

### Our companies

Each company is a separate legal entity with a board of directors. This drives accountability for performance and good governance. It also allows companies to drive innovation in their chosen niche markets, and be agile and responsive to changes in their customers' needs.

### Our sectors

Our sector teams are the vital connection between our companies and Growth Enablers, and drive our M&A efforts. They promote internal networks and collaboration between companies, enabling companies to capitalise on broader sector trends.

### Group teams

Group teams provide expertise in capital management and control frameworks. They support our companies through our Growth Enablers, oversee our portfolio of companies and the allocation of capital, set our risk appetite, and ensure compliance and good governance.

## We have a sustainable financial model

Our purpose drives our focus on growing and acquiring businesses in global niches in the safety, health and environmental markets.

This market focus results in a highly sustainable financial model with strong organic growth and cash generation allowing us to continuously reinvest in future growth and acquisitions, as well as increasing dividends to investors each year.

### Strong organic growth and margins

The foundation of strong and consistent organic revenue and profit growth is driven by our disciplined focus on niches in global markets which have resilient, long-term growth drivers, and customer solutions that offer consistently superior margins.

### High returns and cash generation

We acquire and grow companies that have relatively low capital intensity and high returns on sales. This, together with high rates of revenue growth and margins, drives strong returns on capital and high levels of cash generation.

### Continuous reinvestment

We maintain our strong market and product positions by continuously reinvesting in cash-generative R&D and product innovation projects to maintain our strong market and product positions, which drive future growth and maintain high returns.

### Value-enhancing acquisitions

We make value-enhancing acquisitions in core and adjacent niches, expanding our growth opportunities, technology capabilities and geographical reach.

### Flexibility to invest and grow dividends

Our strong cash generation not only supports continuous reinvestment and value-enhancing acquisitions with modest levels of financial leverage, but also enables us to sustain a progressive dividend policy for our shareholders.

## We support our companies through our Growth Enablers

Our Growth Enablers support our companies in delivering their growth strategies, aligned with our purpose. These seven Growth Enablers leverage a unique set of skills and expertise from across the Group, powered and coordinated by small central teams.

**M&A**
We acquire and grow businesses sustainably over the long term in line with our strategy, and sell or merge businesses which are no longer aligned.

**International Expansion**
We assist our companies in growing their business in key export markets, including through our hubs in the USA, UK, India and China.

**Talent and Culture**
We ensure Halma has world-class teams and high-performance, inclusive cultures across all three layers of our operating model.

**Finance, Legal and Risk**
We give our leaders the insight to make good decisions, through accurate, timely, and actionable financial data, legal advice and risk analysis.

**Digital Growth Engines**
We provide accelerator programmes to challenge our companies to discover new opportunities, and support them with the digital capabilities and technology to grow.

**Innovation Network**
We connect our companies globally with each other and with experts to help them learn faster, see new market trends and establish strategic partnerships.

**Strategic Communications and Brand**
We enable our companies to reach all stakeholders by helping them build their brand, understand their market needs and develop leading positions, using the endorsement of the Halma brand where it makes sense.

## We amplify our positive impact through our Sustainability Framework

Through sustainable growth, Halma companies make the world a safer, cleaner and healthier place. We amplify this positive impact by our drive to achieving our Key Sustainability Objectives, as part of our Sustainability Framework.

## We measure our achievements and reward performance

We measure our achievements through financial and non-financial key performance indicators (KPIs), through customer satisfaction and the delivery of shareholder value.

### Setting challenging targets
We aspire to double our earnings every five years while maintaining high returns, and set targets for our growth, returns, cash generation and investment KPIs. We work hard to ensure that we have the right culture, talent and diversity and set challenging targets for employee engagement, health and safety, training and Key Sustainability Objectives.

### Closely monitoring performance
We closely monitor our businesses' performance, strategic plans and forecasts. Twice a year, each business certifies its compliance, with minimum controls for finance, legal and IT; this is complemented by independent peer reviews of financial performance, and internal and external audits.

We are developing new ways of measuring the delivery of our strategy, for example in the effect of our digitalisation strategies, and how we are achieving our purpose, by measuring our impact on the world.

### Rewarding our people
We reward our people for delivering superior and sustainable growth and returns, also holding them accountable for delivering our strategy and complying with our control frameworks. Short-term incentives based on Economic Value Added (profit growth, adjusted for a charge for the use of any capital) are balanced by longer-term incentives in the form of Halma shares.

**Marc Ronchetti**
Chief Financial Officer

"We delivered a record profit for the 19th consecutive year, while substantially increasing investment to support future growth."

### Record profit

Halma reported a strong financial performance in the period. We delivered record profit for the 19th consecutive year, while substantially increasing investment to support future growth. Our Sustainable Growth Model enabled our companies to respond with agility to new opportunities in their end markets and to benefit from recovery in a number of markets that had been affected by the COVID pandemic. It also allowed them to act rapidly to address multiple economic and geopolitical challenges including the ongoing effects of the pandemic and, in the fourth quarter of the year, from the conflict in Ukraine. The increased investment in the year was supported by the continued strength of our financial position and solid cash flow, and will underpin our growth over the longer term as our companies address the significant opportunities in their markets.

Revenue for the year to 31 March 2022 was £1,525.3m (2021: £1,318.2m), up 15.7%, which principally reflected a strong organic performance. There was also a benefit from recent acquisitions (net of the effect of a disposal in the year), and a negative effect from currency translation. The increase in Adjusted[1] profit before taxation of 13.6% to £316.2m (2021: £278.3m) reflected the increase in revenue, the return of discretionary variable overhead costs in the second half of the year as the effects of the pandemic eased.

It also included a net benefit of £3m, comprising a £5m release of a centrally-held provision for the risk of customer bad debt as a result of the COVID pandemic, offset in part by an increase of £2m in provisions in relation to bad debt and contract risk relating to our decision to cease trading with Russia. As a result of the continued strong performance, we were able to increase investment to support future growth, including further resources for our central Growth Enabler teams, and £7m increase in expenditure to upgrade our information technology infrastructure. Statutory profit before taxation increased by 20.4% to £304.4m (2021: £252.9m).

Revenue growth of 15.7% was driven by a 17.4% increase in organic constant currency revenue. The contribution from acquisitions was a positive 4.8% (1.6% net of disposals), and there was a negative effect from currency translation of 3.3%. The 13.6% increase in Adjusted[1] profit comprised a 15.4% increase in organic constant currency profit, a 3.6% contribution from acquisitions (1.7% net of disposals), and a negative effect from currency of 3.5%.

+15.7%
**Revenue growth**

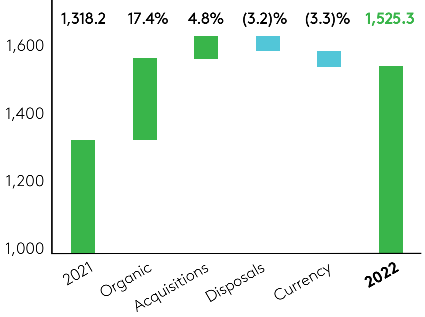
Statutory profit before taxation of £304.4m is calculated after charging the amortisation of acquired intangible assets of £42.7m (2021: £42.3m), a £34.0m gain on disposals (2021: £22.1m), and other items of a net £3.1m (2021: £5.2m). Further detail on these items is given in note 1 to these Accounts.

Cash conversion was solid at 84%, reflecting good underlying working capital control, partially offset by selective investment by our companies in their stock of components and raw materials to ensure continuity of production and to manage price increases. Our financial position remained strong, despite significant organic investment and acquisition spend, with net debt (on an IFRS 16 basis which includes lease commitments) increasing by only £18.6m to £274.8m, and representing gearing (net debt to EBITDA) of 0.74 times.

**Revenue bridge (£m)**

**£1,525.3m**

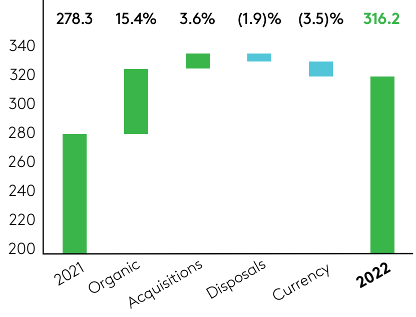
+15.7%




**Adjusted[1] profit bridge (£m)**

**£316.2m**

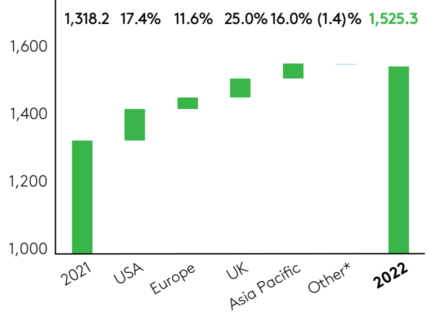
+13.6%




**Geographic revenue bridge (£m)**

**£1,525.3m**

+15.7%




* Comprises Africa, Near and Middle East & other countries

## Strong revenue and profit performance

Revenue grew by 19.2% in the first half of the year and by 12.6% in the second half, with second half revenue 6.9% higher than revenue in the first. Constant currency organic revenue increased by 17.4%, comprising a 23.2% increase in the first half and growth of 12.2% in the second half. There was a negative effect of 6.2% from currency translation in the first half, and of 0.7% in the second half, giving a negative effect of 3.3% for the year as a whole.

Adjusted[1] profit increased by 27.0% in the first half and grew by 3.2% in the second half. This resulted in a first half/second half split of adjusted profit of 49%/51%, compared to our typical 45%/55% pattern. Organic profit at constant currency increased by 31.7% in the first half, and by 2.6% in the second half, resulting in growth of 15.4% for the year. Growth in the second half of the year included an investment of £6m in information technology infrastructure (out of £7m in the year as a whole), and a net £3m benefit from the release of provisions relating to the risk of customer bad debt and our decision this year to cease trading with Russia as described above.

**+22.6%**

**Environmental & Analysis sector revenue growth**

## Strong revenue and profit growth in all sectors

All sectors delivered strong revenue and profit growth, both on a reported and organic constant currency basis, and all sectors grew revenue and profit in both the first half and the second half of the year.

The Environmental & Analysis sector delivered the strongest performance. Revenue increased 22.6% driven by strong organic constant currency growth of 24.5%, with all regions reporting growth on an organic constant currency basis. Profit grew 23.0%, or by 23.3% on an organic constant currency basis. The sector's strong revenue growth principally reflected a recovery in customer demand, including a number of larger contracts, as the effects of the COVID pandemic eased, and its operational agility in spite of supply chain disruptions. Acquisitions, net of disposals, contributed growth of 1.6% to revenue, and 3.5% to profit. Return on Sales was marginally higher at 24.8% (2021: 24.7%). There was a reduction in gross margin as a result of product mix, in addition to increased sector costs following the creation of a new dedicated sector leadership team (rather than one shared with the Medical sector, as in the previous year). These factors were mitigated by continued strong overhead control. Absolute expenditure on R&D increased to £22.8m (2021: £20.6m) although that represented a reduction in R&D expenditure as a percentage of sales from 5.7% to 5.1%. Looking ahead, while there are continued risks from supply chain disruptions and a robust comparative (notably in the first half), we expect the sector to make further strong progress, supported by a substantial order book and a contribution from recent acquisitions.

## Revenue and profit change

| | 2022 £m | 2021 £m | Change £m | Total % | Organic growth[2] % | Organic growth[2] at constant currency % |
|---|---|---|---|---|---|---|
| Revenue | **1,525.3** | 1,318.2 | **207.1** | **15.7** | **14.1** | **17.4** |
| Adjusted[1] profit before taxation | **316.2** | 278.3 | **37.9** | **13.6** | **11.9** | **15.4** |
| Statutory profit before taxation | **304.4** | 252.9 | **51.5** | **20.4** | **–** | **–** |

1 In addition to those figures reported under IFRS, Halma uses alternative performance measures as key performance indicators, as management believe these measures enable them to better assess the underlying trading performance of the business by removing non-trading items that are not closely related to the Group's trading or operating cash flows. Adjusted profit excludes the amortisation and impairment of acquired intangible assets; acquisition items; restructuring costs and profit or loss on disposal of operations. All of these are included in the statutory figures. Notes 1 and 3 to the Accounts give further details with the calculation and reconciliation of adjusted figures.
2 See Highlights.

The Medical sector also grew strongly, with revenue growth of 19.1%, including an organic constant currency increase of 13.0% and a contribution from acquisitions of 10.1%. Growth was broad-based across the sector, with the majority of companies delivering double digit growth as a result of strong increases in customer demand as the effects of the COVID pandemic abated and healthcare systems began to normalise. This was partially offset by a small number of companies which had seen significant increases in demand as a result of the pandemic seeing a decline in sales. Profit grew 15.0% (10.5% on an organic constant currency basis) and Return on Sales was 22.5% (2021: 23.3%). This included a substantial increase in R&D expenditure to £26.9m, representing 6.1% of revenue (2021: £18.8m; 5.1% of revenue), given an intensification of new product development and new product launches in the year. It also reflected the allocation of the full cost of a dedicated sector leadership team following the creation of a separate team for the Environmental & Analysis sector. These effects were partly offset by strong control of overheads. While risks remain of further supply chain disruptions and delays to customer orders, the sector is anticipated to deliver good growth in the year ahead, supported by a strong order book.

The Safety sector also saw strong growth, with revenue increasing by 15.9% on an organic constant currency basis. Reported revenue growth was 9.3% and included negative effects of 5.2% from the disposal of Texecom in the first half of the year and 2.7% from foreign exchange translation, which were partly offset by a benefit from recent acquisitions of 1.3%. Sector growth was driven by double digit revenue growth in all but two (smaller) subsectors, reflecting our companies' agility in responding to the recovery in customer demand as the effects of the COVID pandemic eased, and was achieved despite increased supply chain, logistics and labour market disruption during the year.

Profit increased 8.1%, or 13.3% on an organic constant currency basis, and Return on Sales was 22.8% (2021: 23.0%), reflecting higher technology costs and an increase in R&D spend to 5.6% of revenue (2021: 5.2%), partly offset by strong overhead control and the effect of the disposal of Texecom during the year. While there are risks from continued inflationary, operational and supply chain challenges, the sector is expected to deliver a strong organic constant currency performance in the year ahead.

Central administration costs, which include our Growth Enabler functions, increased to £30.9m. These had declined in 2021 to £22.9m from £26.3m in 2020, as a result of the discretionary cost reduction measures implemented at the beginning of the COVID pandemic. The increase reflected the partial return of discretionary variable overhead costs as our business activity recovered, investment in our governance and compliance teams given the increased scale of the Group and planned investment in technology and our Growth Enabler teams to support our future growth. In 2023, we expect the same factors, principally technology investment, to result in central administration costs being approximately £40m.

### Strong revenue growth in all major regions

The Group's four major regions delivered a strong revenue performance on a reported and organic constant currency basis, and all of them grew on an organic constant currency basis.

**+17.4%**

Revenue growth in the USA

### Sector revenue change

| | 2022 | | 2021 | | | | |
|---|---|---|---|---|---|---|---|
| | £m | % of total | £m | % of total | Change £m | % growth | % organic growth[2] at constant currency |
| Safety | **641.4** | **42** | 587.0 | 45 | **54.4** | **9.3** | **15.9** |
| Environmental & Analysis | **442.9** | **29** | 361.1 | 27 | **81.8** | **22.6** | **24.5** |
| Medical | **442.3** | **29** | 371.3 | 28 | **71.0** | **19.1** | **13.0** |
| Inter-segment sales | **(1.3)** | | (1.2) | | **(0.1)** | | |
| | **1,525.3** | **100** | 1,318.2 | 100 | **207.1** | **15.7** | **17.4** |

### Sector profit change

| | 2022 | | 2021 | | | | |
|---|---|---|---|---|---|---|---|
| | £m | % of total | £m | % of total | Change £m | % growth | % organic growth[2] at constant currency |
| Safety | **146.2** | **41** | 135.3 | 43 | **10.9** | **8.1** | **13.3** |
| Environmental & Analysis | **109.8** | **31** | 89.3 | 29 | **20.5** | **23.0** | **23.3** |
| Medical | **99.5** | **28** | 86.6 | 28 | **12.9** | **15.0** | **10.5** |
| Sector profit[3] | **355.5** | **100** | 311.2 | 100 | **44.3** | | |
| Central administration costs | **(30.9)** | | (22.9) | | **(8.0)** | | |
| Net finance expense | **(8.4)** | | (10.0) | | **1.6** | | |
| Adjusted[4] profit before tax | **316.2** | | 278.3 | | **37.9** | **13.6** | **15.4** |

3 Sector profit before allocation of adjustments. See note 1 to the Financial Statements.
4 Adjusted profit excludes the amortisation and impairment of acquired intangible assets; acquisition items; restructuring costs; and profit or loss on disposal of operations. All of these are included in the statutory figures. Note 3 to the Accounts gives further details with the calculation and reconciliation of adjusted figures.

Revenue in the USA increased by 17.4%, and the USA remains our largest revenue destination, accounting for 39% of Group revenue, the same as in the prior year. Organic constant currency revenue grew by 19.8%. All sectors performed well, with the Environmental & Analysis sector reporting very strong growth, driven by Environmental Monitoring and Optical Analysis. The Safety sector also performed strongly, with a recovery in customer demand following the pandemic resulting in strong growth in a number of subsectors including emergency communication in Elevator Safety, Fire Detection, Pressure Management and Industrial Access Control. The Medical sector performed well, with many companies seeing substantial growth as elective procedure volumes increased, together with a positive contribution from recent acquisitions, principally PeriGen. This was partly offset, however, by a decline in demand for products supporting the diagnosis or treatment of COVID.

Mainland Europe revenue was 11.6% higher, or 12.8% on an organic constant currency basis. Reported revenue included a modest contribution from acquisitions (net of the impact of disposals), and a negative effect from foreign exchange translation. The Environmental & Analysis sector delivered a very strong performance, driven by the Water Analysis and Treatment subsector and also benefiting from the acquisition of Sensitron in the year. Medical sector growth was also strong, reflecting momentum in the Healthcare Assessment subsector. The Safety sector also performed well, with strong performances in People and Vehicle Flow and Fire Detection, although more mixed in the rest of the sector.

UK revenue was 25.0% higher, which included a small positive contribution from acquisitions, including Static Systems and Ramtech, net of the disposal of Texecom. Organic constant currency revenue growth was 24.8%.

The Medical sector saw strong organic constant currency growth following a sharp decline in the prior year as a result of the COVID-19 pandemic, and additionally benefited from the acquisition of Static Systems in the year. The Environmental & Analysis sector saw good growth, driven by strong demand for pipeline inspection and maintenance solutions in the Water Analysis and Treatment subsector and good momentum in gas detection within Environmental Monitoring. Growth in the Safety sector was strong, and reflected high rates of organic growth, driven by a strong performance in Fire Detection, more than compensating for the negative impact from the disposal.

Revenue from territories outside the UK/Mainland Europe/the USA grew by 10.4%, in line with our 10% KPI growth target. This comprised a strong performance in Asia Pacific and a small decline in revenue in other regions.

Asia Pacific revenue increased 16.0%, or 18.3% on an organic constant currency basis. Revenue in China, our largest market in the region at approximately 7% of Group revenue, grew at a similar rate to the Asia Pacific region overall. The Environmental & Analysis and Medical sectors delivered strong performances, supported by our companies' alignment with the major elements of the Chinese government's Five Year Plan. Elsewhere in the region, the other larger markets of Australasia, India, Japan, South Korea and Singapore delivered double digit revenue growth, and, in the smaller markets, only Malaysia and Indonesia saw a decline. The net effect of acquisitions and disposals was broadly neutral.

Other regions, which represent less than 7% of Group revenue, reported revenue 1.4% lower on a reported basis, principally as a result of foreign exchange translation. There was a 2.1% increase on an organic constant currency basis, which reflected modest organic growth in Africa, Near and Middle East and a wide range of performances in other countries. There was a strong performance in the Environmental & Analysis sector and good growth in Medical, while Safety sector revenue was lower.



## Geographic revenue

| | 2022 | | 2021 | | | | |
|---|---|---|---|---|---|---|---|
| | £m | % of total | £m | % of total | Change £m | % change | % change organic at constant currency |
| United States of America | **597.2** | **39** | 508.8 | 39 | 88.4 | 17.4 | 19.8 |
| Mainland Europe | **308.1** | **20** | 276.0 | 21 | 32.1 | 11.6 | 12.8 |
| United Kingdom | **267.0** | **18** | 213.6 | 16 | 53.4 | 25.0 | 24.8 |
| Asia Pacific | **250.8** | **16** | 216.1 | 16 | 34.7 | 16.0 | 18.3 |
| Africa, Near and Middle East | **53.6** | **4** | 54.1 | 4 | (0.5) | (0.9) | 3.0 |
| Other countries | **48.6** | **3** | 49.6 | 4 | (1.0) | (2.0) | 1.2 |
| | **1,525.3** | **100** | 1,318.2 | 100 | 207.1 | 15.7 | 17.4 |

## Currency effects

| | Weighted average rates used in the Income Statement | | | Exchange rates used to translate the Balance Sheet | |
|---|---|---|---|---|---|
| | First half | 2022 Full year | 2021 Full year | 2022 Year end | 2021 Year end |
| US$ | **1.388** | **1.367** | 1.308 | **1.315** | 1.378 |
| Euro | **1.165** | **1.176** | 1.121 | **1.183** | 1.174 |

### Continued high returns

Halma's Return on Sales[2] has exceeded 16% for 37 consecutive years. Our KPI target is to deliver Return on Sales in the range of 18–22% and this year Return on Sales was 20.7%, or 20.5% when the benefit of £3m from a net decrease in customer bad debt and Russia-related provisions is excluded. This compares to an unusually high level of 21.1% in 2021, which had benefited from the stringent cost reduction measures we decided to take during the COVID-19 pandemic.

We successfully achieved our objective of continuing to invest in our businesses while delivering growth and we maintained a high level of Return on Total Invested Capital (ROTIC)[2], the post-tax return on the Group's total assets including all historical goodwill. This year, ROTIC increased to 14.6% (2021: 14.4%), with the change principally reflecting the higher level of constant currency growth in the year, partially offset by the negative effect of currency movements. Our ROTIC remains well ahead of our KPI target of 12% and more than double Halma's Weighted Average Cost of Capital (WACC), estimated to be 7.1% (2021: 6.7%).

### Currency effects well managed

Halma reports its results in Sterling. Our other key trading currencies are the US Dollar, Euro and to a lesser extent the Swiss Franc, the Chinese Renminbi and the Australian Dollar. Over 46% of Group revenue is denominated in US Dollars, approximately 28% in Sterling and approximately 12% in Euros.

The Group has both translational and transactional currency exposure. Translational exposures are not hedged. Transactional exposures, after matching currency of revenue with currency costs wherever practical, are hedged using forward exchange contracts for a proportion (up to 75%) of the remaining forecast net transaction flows where there is a reasonable certainty of an exposure. We hedge up to 12 months forward.

Sterling strengthened on average in the year, principally in the first half. This gave rise to a negative currency translation impact of 3.3% on revenue and 3.5% on profit for the full year.

Based on the current mix of currency denominated revenue and profit, a 1% movement in the US Dollar relative to Sterling changes revenue by £7.1m and profit by £1.6m. Similarly, a 1% movement in the Euro changes revenue by £1.8m and profit by £0.4m.

If currency rates for the financial year to the end of March 2023 were US Dollar 1.260/Euro 1.190 relative to Sterling, and assuming a constant mix of currency results, we would expect approximately a £59m positive revenue and a £13m positive profit impact compared to financial year to the end of March 2022, with the majority of the impact in the first half of the year.

### Financing cost decreased

The net financing cost in the Income Statement of £8.4m was lower than the prior year (2021: £10.0m). This principally reflected a lower weighted average interest rate in the year (see the "Average debt and interest rates'" table on page 35 for more information).

We expect the net financing cost for the 2023 financial year to be approximately £14m, if no further acquisitions are made. This reflects a forecast higher weighted average interest rate in the year, following the completion of a new Private Placement issuance (for details, see the "Substantial funding capacity and liquidity" section on page 34). This issuance results in an increased proportion of fixed coupon debt on the Group's balance sheet, and secures debt financing sufficient to meet the Group's likely medium-term requirements.

The net pension financing impact under IAS 19 is included within the net financing cost. This year the Group recognised a charge of £0.3m (2021: gain of £0.1m).

### Group tax rate increased

The Group has major operating subsidiaries in a number of countries and the Group's effective tax rate is a blend of these national tax rates applied to locally generated profits.

The Group's effective tax rate on adjusted profit was higher than in the prior year at 21.6% (2021: 20.1%). This was mainly due to changes in tax laws reducing the benefits from intra-group financing arrangements. Based on the latest forecast mix of adjusted profits for the year to 31 March 2023 we currently anticipate the Group effective tax rate to be broadly stable at approximately 22% of adjusted profits.

On 2 April 2019, the European Commission (EC) published its final decision that the UK controlled Finance Company Partial Exemption (FCPE) constituted State Aid. In common with many other UK companies, Halma has benefited from the FCPE and had appealed against the European Commission's decision, as had the UK Government. The EU General Court delivered its decision on 8 June 2022. The ruling was in favour of the European Commission but the UK Government and the taxpayer have the option to appeal this decision. Following receipt of charging notices from HM Revenue & Customs (HMRC) we made a payment in February 2021 of £13.9m to HMRC in respect of tax, and in May 2021 made a further payment of approximately £0.8m in respect of interest.

Whilst the EU General Court was in favour of the EC, our assessment is that there are strong grounds for appeal and we would expect such appeals to be successful. As a result we continue to recognise a receivable of £14.7m in the balance sheet.

### Solid cash generation

Cash generation is an important component of the Halma model, underpinning further investment in organic growth, supporting value-enhancing acquisitions and funding an increasing dividend to shareholders.

Cash generated from operations was £293.4m (2021: £331.4m) and adjusted operating cash flow, which excludes operating cash adjusting items, and includes net cash capital expenditure, was £273.2m (2021: £300.3m) which represented 84% (2021: 104%) of adjusted operating profit. While this was below our cash conversion KPI target of 90%, it included the impact of selective investment by our companies in their stock of components and raw materials to ensure continuity of production and manage price increases. This had an impact on working capital, with an outflow of £62.7m, comprising changes in inventory, receivables and creditors (2021: inflow of £2.8m), which also reflected the strong revenue growth in the period. These effects would have been more significant were it not for the continued strong underlying control of working capital by our companies. Adjusted operating cash flow is defined in note 3 to the Accounts.

A summary of the year's cash flow is shown in the tables at the end of this review. The largest outflows in the year were in relation to acquisitions, dividends and taxation paid. Acquisition of businesses including cash and debt acquired and fees increased to £164.4m (2021: £48.8m), reflecting the higher levels of M&A activity in the year. Dividends totalling £68.7m (2021: £63.7m) were paid to shareholders in the year. Taxation paid increased to £56.0m (2021: £53.8m).

## Capital allocation and funding priorities

Halma aims to deliver high returns, measured by ROTIC[2], well in excess of our cost of capital. We invest to deliver the future earnings growth and strong cash returns which enable us to achieve this aim on a sustainable basis, and our capital allocation priorities remain as follows:

- Investment for organic growth: Organic growth is our first priority and is driven by investment in our existing businesses, including through capital expenditure, innovation in digital growth and new products, international expansion and the development of our people.
- Value-enhancing acquisitions: We supplement organic growth with acquisitions in current and adjacent market niches, aligned with our purpose. This brings new technology, intellectual property and talent into the Group and expands our market reach, keeping Halma well-positioned in growing markets over the long term.
- Regular and increasing returns to shareholders: We have maintained a progressive dividend policy for over 40 years and this is our preferred route for delivering regular cash returns to shareholders without impacting on our investment to grow our business.

### Continued investment for organic growth

All sectors continue to innovate and invest in new products, with R&D spend determined by each individual Halma company. R&D expenditure as a percentage of revenue remained well above our KPI target of 4% at 5.6% (2021: 5.3%). In absolute terms, this meant that R&D expenditure increased by 21% to £85.4m (2021: £70.3m), which was ahead of revenue growth. This increasing investment reflects our companies' confidence in the growth prospects of their respective markets. In the medium term we expect R&D expenditure to continue to increase broadly in line with revenue growth.

Under IFRS accounting rules we are required to capitalise certain development projects and amortise the cost over an appropriate period, which we determine as three years. This year we capitalised £13.4m (2021: £15.4m), impaired £2.9m (2021: £1.9m) and amortised £7.0m (2021: £7.9m). The closing intangible asset carried on the Consolidated Balance Sheet, after a £1.3m gain (2021: £2.0m loss) relating to foreign exchange was £41.7m (2021: £38.9m). All R&D projects, and particularly those requiring capitalisation, are subject to rigorous review and approval processes by the relevant sector board.

Capital expenditure on property, plant, equipment and vehicles, computer software and other intangible assets was £26.6m (2021: £26.4m), with both years reflecting a lower spend as a result of pandemic constraints. Expenditure was principally on plant, equipment and vehicles. We anticipate capital expenditure to increase to approximately £34m in the coming year, reflecting investment in the expansion of manufacturing facilities and automation to support future growth.

We are also investing in automation and technology upgrades. Technology spend totalled £11m in the 2022 financial year, reflecting increased investment of £7m, and we expect expenditure in the financial year ending 31 March 2023 to be approximately £20m. This Group-wide investment includes enhanced security, improved data and analytics capabilities and support for our companies in upgrading their operating technology and creating new digital models in line with our Halma 4.0 growth strategy.

Lease right-of-use asset additions were £23.0m (2021: £24.3m). This included additions of £4.6m as a result of acquisitions made in the year, and the commencement of new leases and extensions or renewals of existing leases.

### Value-enhancing acquisitions and investments

Acquisitions and disposals are a key component of our sustainable growth strategy, as they keep our portfolio of companies focused on markets which have strong growth opportunities over the medium and long term.

In the year we made 13 acquisitions at a cost of £154.3m (net of cash acquired of £18.2m and including acquisition costs). In addition, we paid £14.2m in contingent consideration and other payments for acquisitions made in prior years, giving a total spend of £168.5m. We also divested Texecom Limited, for £62.0m, net of disposal costs.

The acquisitions completed in the current and prior year contributed to revenue this year in line with expectations overall, and we expect a good performance from these acquisitions in the future.

Details of the acquisitions and investments made in the year are given in the sector reviews on pages 44 to 59 of the Report and in notes 25 and 14 to these Accounts.

## Operating cash flow summary

| | 2022 £m | 2021 £m |
|---|---|---|
| **Operating profit** | **278.9** | 240.8 |
| Net acquisition costs and contingent consideration fair value adjustments | **3.1** | 5.2 |
| Amortisation and impairment of acquisition-related acquired intangible assets | **42.7** | 42.3 |
| **Adjusted operating profit** | **324.7** | 288.3 |
| Depreciation and other amortisation | **49.1** | 50.8 |
| Working capital movements | **(62.7)** | 2.8 |
| Capital expenditure net of disposal proceeds | **(25.5)** | (25.9) |
| Additional payments to pension plans | **(12.2)** | (13.0) |
| Other adjustments | **(0.2)** | (2.7) |
| **Adjusted operating cash flow** | **273.2** | 300.3 |

Since the year end, we have made one further acquisition, of Deep Trekker, a market-leading manufacturer of remotely operated underwater robots used for inspection, surveying, analysis and maintenance, for a cash consideration of C$60m (approximately £36.6m), on a cash and debt free basis.

**Regular and increasing returns for shareholders**
Adjusted earnings per share increased by 11.6% to 65.48p (2021: 58.67p) and statutory basic earnings per share, which included a gain on disposal of Texecom Limited, increased by 20.4% to 64.54p (2021: 53.61p).

The Board is recommending a 7.0% increase in the final dividend to 11.53p per share (2021: 10.78p per share), which together with the 7.35p per share interim dividend gives a total dividend per share of 18.88p (2021: 17.65p), up 7.0% in total.

Dividend cover (the ratio of adjusted profit after tax to dividends paid and proposed) is 3.47 times (2021: 3.33 times).

The final dividend for the financial year ended March 2022 is subject to approval by shareholders at the AGM on 21 July 2022 and, if approved, will be paid on 18 August 2022 to shareholders on the register at 15 July 2022.

We aim to increase dividends per share each year, while maintaining a prudent level of dividend cover, and declare approximately 35-40% of the anticipated total dividend as an interim dividend. The Board's determination of the proposed final dividend increase this year took into account the Group's financial performance, economic and geopolitical uncertainty including the effects of the COVID pandemic and the war in Ukraine, the Group's continued balance sheet strength and medium-term organic constant currency growth.

**Substantial funding capacity and liquidity**
Halma's operations have continually been cash generative and the Group has access to competitively priced committed debt finance, providing good liquidity for the Group. Group treasury policy remains conservative and no speculative transactions are undertaken.

We have a strong balance sheet, solid cash generation, and substantial available liquidity. Shortly after the year end, we refinanced our syndicated revolving credit facility. The new facility remains at £550m and matures in May 2027, and there are two one-year extension options. In addition, we completed a new Private Placement issuance of c.£330m in May 2022. The issuance consists of Sterling, Euro, US Dollar and Swiss Franc tranches and matures in July 2032, with an amortisation profile giving it a seven year average life. Once the January 2023 tranche of our existing Private Placement has matured this will give us additional funding capacity of £260m.

The financial covenants on these facilities are for leverage (net debt/adjusted EBITDA) to not be more than three and a half times and for adjusted interest cover to be not less than four times. The Group continues to operate well within its banking covenants with significant headroom under each financial ratio.

At 31 March 2022, net debt was £274.8m, a combination of £360.1m of debt, £72.1m of IFRS 16 lease liabilities and £157.4m of cash held around the world to finance local operations. Net debt at 31 March 2021 was £256.2m.

The gearing ratio at the year-end (net debt to EBITDA) was 0.74 times (2021: 0.76 times). Net debt represented 3% (2021: 3%) of the Group's year-end market capitalisation.

**Non-operating cash flow and reconciliation to net debt**

| | 2022 £m | 2021 £m |
|---|---|---|
| **Adjusted operating cash flow** | **273.2** | 300.3 |
| Tax paid | **(56.0)** | (53.8) |
| Acquisition of businesses including cash/debt acquired and fees | **(164.4)** | (48.8) |
| Purchase of equity investments | **(0.7)** | (3.4) |
| Disposal of businesses | **57.5** | 26.1 |
| Net finance costs and arrangement fees (excluding lease interest) | **(5.7)** | (7.0) |
| Net lease liabilities additions | **(21.5)** | (23.7) |
| Dividends paid | **(68.7)** | (63.7) |
| Own shares purchased | **(19.3)** | (16.2) |
| Adjustment for cash outflow on share awards not settled by own shares | **(7.1)** | (7.8) |
| Effects of foreign exchange | **(5.9)** | 17.1 |
| **Movement in net debt** | **(18.6)** | 119.1 |
| **Opening net debt** | **(256.2)** | (375.3) |
| **Closing net debt** | **(274.8)** | (256.2) |

## Pensions update

The Group accounts for post-retirement benefits in accordance with IAS 19 Employee Benefits. The Consolidated Balance Sheet reflects the net accounting surplus on our pension plans as at 31 March 2022 based on the market value of assets at that date and the valuation of liabilities using discount rates derived from year end AA corporate bond yields. Lane Clark & Peacock LLP assist the Company in setting assumptions, and valuation work is performed by Mercer Limited.

We closed the two UK defined benefit (DB) plans to new members in 2002. In December 2014 we ceased future accrual within these plans with future pension benefits earned within the Group's Defined Contribution (DC) pension arrangements. These two plans represent over 95% of consolidated plan liabilities.

On an IAS 19 basis, before deferred taxes, the Group's DB plans at 31 March 2022 had a surplus of £30.5m (2021: £22.5m deficit). The value of plan assets increased to £347.6m (2021: £333.1m). Plan liabilities decreased to £317.1m (2021: £355.6m) due to the increase in the discount rate (1.95% to 2.80%) being greater than the increase in the long-term inflation rate (3.2% to 3.6%). Mortality assumptions have been aligned to updated actuarial information.

The plans' actuarial valuation reviews, rather than the accounting basis, determine any cash deficit payments. This year these contributions amounted to £11.8m, slightly lower than expected due to a delay in agreement of the revised schedule of contributions. Following a triennial actuarial valuation of the two UK pension plans in this financial year, cash contributions increasing at 7% per annum aimed at eliminating the deficit were agreed with the trustee, and in FY23 we expect contributions to be £14.6m. In the unlikely event that these payments result in a surplus on winding up of the schemes, the Group has an unconditional right to a refund under the plan rules.

## Conclusion

We delivered a strong financial performance, despite the challenges arising from economic and geopolitical uncertainty including the COVID pandemic and, more recently, the conflict in Ukraine. We delivered record revenue and profit and solid cash flow, while substantially increasing our investment in future growth opportunities and maintaining a strong balance sheet. My colleagues in our finance and risk teams have helped our companies to successfully respond to the opportunities and challenges that have arisen in the year, through actionable insights and strong control. I would like to thank them for their hard work and commitment throughout the year.

**Marc Ronchetti**
Chief Financial Officer



## Net debt to EBITDA

| | 2022 £m | 2021 £m |
|---|---|---|
| **Adjusted operating profit** | **324.7** | 288.3 |
| Depreciation and amortisation (excluding acquired intangible assets) | **49.1** | 50.8 |
| **EBITDA** | **373.8** | 339.1 |
| **Net debt to EBITDA** | **0.74** | 0.76 |

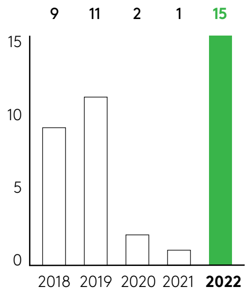
## Average debt and interest rates

| | 2022 | 2021 |
|---|---|---|
| Average gross debt (£m) | **426.8** | 445.5 |
| Weighted average interest rate on gross debt | **1.90%** | 2.32% |
| Average cash balances (£m) | **143.1** | 148.8 |
| Weighted average interest rate on cash | **0.16%** | 0.51% |
| Average net debt (£m) | **283.7** | 296.7 |
| Weighted average interest rate on net debt | **2.78%** | 3.22% |

# Key performance indicators

## Organic profit growth (%)
(constant currency)

**Key performance indicator**




**15%**
performance

**≥5%**
target

**Strategic focus**

**Through careful selection of our market niches and strategic investment in people development, international expansion and innovation we aim to achieve organic growth in excess of our blended market growth rate, broadly matching revenue and profit growth in the medium term.**

**Comment**

Organic profit growth at constant currency was substantially ahead of our target. This reflected widespread growth across all sectors and major regions, and the weaker comparative performance in the 2021 financial year. Organic growth over the last five years has averaged 7.6%, well ahead of our target, and in line with our aspiration to double our profitability every five years through a mixture of organic and acquired growth.

**Definition**

Organic profit growth is calculated at constant currency and measures the change in adjusted profit achieved in the current year compared with the prior year from continuing Group operations.

The effect of acquisitions and disposals made during the current or prior financial year has been eliminated.

**Target**

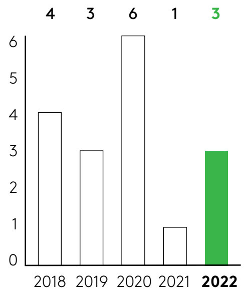
The Board has established a long-term organic growth target of at least 5% pa, slightly above the blended long-term average growth rate of our markets.

**Remuneration linkage**

Growth in organic profit is a key element of the Economic Value Added (EVA) performance which forms the basis of the annual bonus plan for Group, sector and company boards, requiring consistent annual and longer-term growth, with disciplined financial management.

## Acquisition profit growth (%)

**Key performance indicator**




**3%**
performance

**≥5%**
target

**Strategic focus**

**We buy companies with business and market characteristics similar to those of existing Halma operations. Acquired businesses have to be a good fit with our operating culture and strategy in addition to being value enhancing financially.**

**Comment**

Acquisition profit growth was solid at 3.5%, but below our target of 5%. However, the shortfall was more than compensated for by strong organic growth. Our M&A teams were active in the year and we completed 13 acquisitions; the profit acquired reflected the smaller average size of acquisitions in the period. We have a healthy pipeline of opportunities and expect to benefit in the future from recent investments in our M&A capabilities.

**Definition**

Acquisition profit growth measures the annualised profit (net of financing costs) from acquisitions made in the year, measured at the date of acquisition, expressed as a percentage of prior year profit.

**Target**

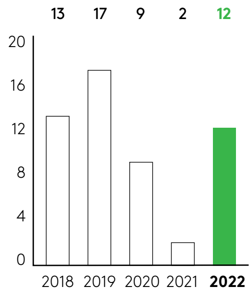
Acquisitions must meet our demanding criteria and we continue to have a strong pipeline of opportunities to meet our minimum 5% growth target.

**Remuneration linkage**

Growth in acquired profit is the second key element of the EVA performance which forms the basis of the annual bonus plan for Group, sector and company boards, requiring consistent annual and longer-term growth, with disciplined financial management.

## EPS growth (%)
(adjusted earnings per share)

**Key performance indicator**




**12%**
performance

**≥10%**
target

**Strategic focus**

**The measure of how successful we are in growing our business organically and by acquisition coupled with strong financial disciplines, including those related to tax and capital allocation, is captured in the Group's adjusted earnings per share.**

**Comment**

Growth in adjusted earnings per share was above our KPI, reflecting strong organic profit growth and a solid contribution from acquisitions. Adjusted earnings per share growth was lower than adjusted profit before tax growth principally as a result of a higher tax rate. Growth in adjusted earnings per share over the past five years has averaged 10.3%, in line with our KPI.

**Definition**

Adjusted earnings per share are calculated as earnings from continuing operations attributable to owners of the parent before adjustments (as outlined on page 188) and the associated taxation thereon, the effect of the US tax reform measures (2018 only) and the increase in the UK's corporation tax rate from 19% to 25% (2022 only), divided by the weighted average number of shares in issue during the year (net of shares purchased by the Group and held as own shares).

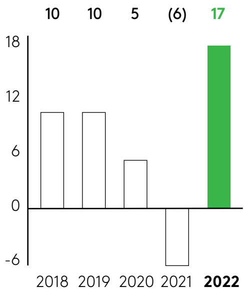
**Target**

We aim for the combination of organic and acquisition growth to exceed an average of 10% pa over the long term. The Directors consider that adjusted earnings represent a more consistent measure of underlying performance.

**Remuneration linkage**

EPS provides a clear link to the aims of the business growth strategy. It is a key financial driver for our business and provides a clear line of sight for our executives. EPS growth is 50% of the performance condition attaching to the Executive Share Plan.

## Organic revenue growth (%)
(constant currency)




**17%**
performance

**≥5%**
target

**Through careful selection of our market niches and targeted strategic investment, we aim to achieve organic growth in excess of our blended market growth rate, broadly matching revenue and profit growth in the medium term.**

Organic revenue growth at constant currency was substantially above our KPI, reflecting widespread growth across all sectors and major regions, after a weaker performance in the prior financial year. Organic constant currency revenue growth was very strong in the first half of the year, at 23.2%, against a weaker comparative, and moderated to 12.2% in the second half, remaining substantially ahead of our target. Organic constant currency revenue growth has averaged 7.3% over the last five years, ahead of our target.

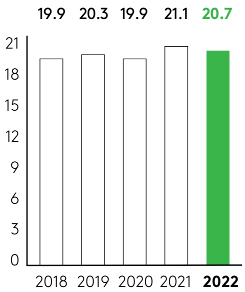
Organic revenue growth is calculated at constant currency and measures the change in revenue achieved in the current year compared with the prior year from continuing Group operations.

The effect of acquisitions and disposals made during the current or prior financial year has been eliminated.

The Board has established a long-term minimum organic revenue growth target of 5% pa, slightly above the blended long-term average growth rate of our markets.

Organic revenue drives earnings growth which contributes to the EVA performance. This forms the basis of the annual bonus plan for Group, sector and company boards, requiring consistent annual and longer-term growth with disciplined financial management.

## Return on Sales (%)




**20.7%**
performance

**≥18%**
target

**We choose to operate in market niches which are capable of delivering growth and high returns. The ability to sustain these returns is a result of maintaining strong market and product positions sustained by continuing product and process innovation.**

Return on Sales remained well above our minimum target, at 20.7%, and within our longer-term range of 18-22%. Return on Sales remained above our minimum target in each of our three sectors.

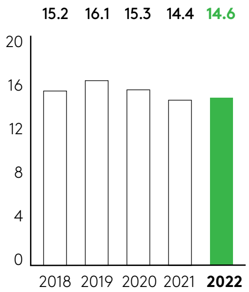
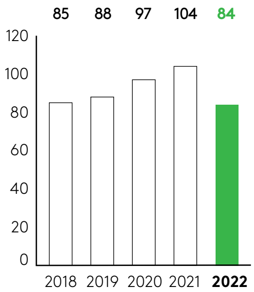
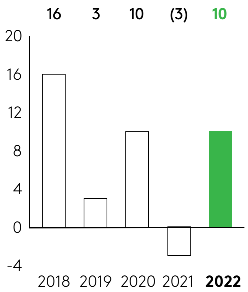
Return on Sales is defined as adjusted profit before taxation from continuing operations expressed as a percentage of revenue from continuing operations.

We aim to achieve a Return on Sales within the 18% to 22% range while continuing to invest to sustain growth.

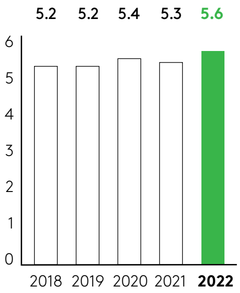
Return on Sales is a measure of the value our customers place on our solutions and of our operational efficiency. High profitability supports the generation of high economic value and cash generation. We choose a range in order to maintain a balance between short-term performance and investment for longer-term growth.

### Link to Growth Enablers

- International Expansion
- Talent & Culture
- Finance, Legal & Risk
- M&A
- Digital Growth Engines
- Innovation Network
- Strategic Communications and Brand

| | **ROTIC (%)** (Return on Total Invested Capital) | **Cash generation (%)** | **International revenue growth (%)** |
|---|---|---|---|
| **Key performance indicator** |   **14.6%** performance **≥12%** target |   **84%** performance **≥90%** target |   **10%** performance **≥10%** target |
| **Strategic focus** | **We choose to invest in high return on capital businesses operating in markets which are capable of delivering growth and high returns. The ability to sustain growth and high returns is a result of maintaining strong market and product positions sustained by continuing product and process innovation.** | **Strong cash generation provides the Group with freedom to pursue its strategic goals of investment in organic growth, acquisitions and progressive dividends without becoming highly leveraged. Our decentralised structure ensures that cash management is controlled at the individual company level and then transferred to the central treasury function.** | **The safety, health and environmental markets in developing regions are evolving quickly. We continue to invest in establishing local selling, technical and manufacturing resources to meet this current and future need.** |
| **Comment** | ROTIC increased to 14.6% and remained well ahead of our target, and substantially above our Weighted Average Cost of Capital of 7.1% (2021: 6.7%). The change compared to the prior year was mainly a result of a higher level of constant currency earnings growth, as well as a higher level of dividend growth on amounts paid in the year, net of a negative exchange rate effect. | Our cash conversion was solid at 84%, and compared to an exceptionally high level of 104% in the prior year. This performance, which was below our target, reflected a working capital outflow in the period of £62.7m, compared to an inflow in the prior year of £2.8m, as a result of the strong revenue growth in the period and selective investment in the stock of components and raw materials to ensure continuity of production and manage price increases. | Revenue outside the UK, the USA and Mainland Europe increased by 10%, in line with our target. This comprised a strong performance in Asia Pacific, with revenue growth of 16.0%, and a small decline in revenue in other regions. Revenue in China grew at a similar rate to the Asia Pacific region overall. |
| **Definition** | ROTIC is defined as the post-tax return from continuing operations before adjustments (as outlined on page 189) and the associated taxation thereon, the effect of the US tax reform measures (2018 only) and the increase in the UK's corporation tax rate from 19% to 25% (2022 only), as a percentage of Total Invested Capital. | Cash generation is calculated using adjusted operating cash flow as a percentage of adjusted operating profit. The target for this KPI was increased in 2020 from 85% to 90%, to account for the beneficial effect of the implementation of IFRS 16, which increased cash conversion by approximately 5 percentage points. We have not restated historical comparatives prior to 2020, which should be compared to the previous 85% target. | Total sales to markets outside the UK, the USA and Mainland Europe compared with the prior year. |
| **Target** | A range of 12% to 17% is considered representative of the Board's expectations over the long term to ensure a good balance between growth, investment, and returns. | The goal of Group cash inflow exceeding 90% of profit has relevance at all levels of the organisation and aligns management action with Group needs. We ensure that strong internal cash flow and availability of external funding underpin our strategic goals of organic growth, acquisitions and progressive dividends. | The emphasis on international revenue growth at twice the rate of overall organic growth reinforces the importance of emerging markets and our strategy of establishing operations close to our end markets. |
| **Remuneration linkage** | ROTIC performance, averaged over three financial years, is 50% of the performance condition attaching to the Executive Share Plan. | Strong cash generation is closely correlated with high return on capital which is a key component of our EVA bonus plan and our ROTIC Executive Share Plan vesting measure. | International markets are an important component of organic growth which, in turn, drives the year-on-year improvement in EVA demanded by our Annual Bonus plan. |

## Research and development
(% of revenue)




**5.6%**
performance

**≥4%**
target

**We have maintained high levels of R&D investment and spending on innovation. The successful introduction of new products is a key contributor to the Group's ability to build competitive advantage and grow organically and internationally.**

Total R&D spend remained well above our KPI target at 5.6% of revenue (2021: 5.3%). In absolute terms, R&D expenditure in the year increased by £15.1m to £85.4m. This increasing investment reflected our companies' confidence in the growth prospects of their respective markets. In the medium term we expect R&D expenditure to continue to increase broadly in line with revenue growth.

Total research and development expenditure in the financial year (both that expensed and capitalised) as a percentage of revenue from continuing operations.

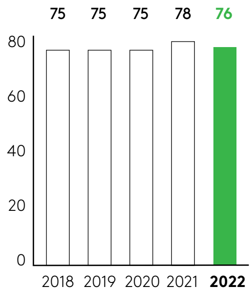
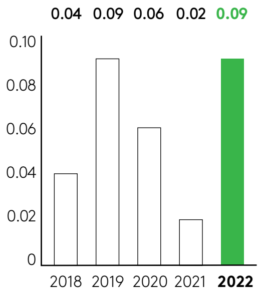
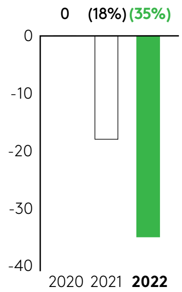
New products contribute strongly to organic growth, maintaining high returns and building strong market positions.

The 4% minimum investment target is appropriate to the mix of product life cycles and technologies within Halma.

Successful research and development investment is a key component of sustaining strong growth and returns which, in turn, help to drive EVA, EPS and ROTIC – all key elements of our annual bonus and LTIP plans.

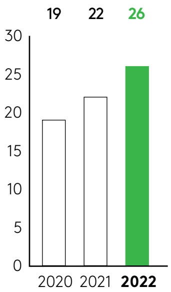
**Link to Growth Enablers**

- International Expansion
- Talent & Culture
- Finance, Legal & Risk
- M&A
- Digital Growth Engines
- Innovation Network
- Strategic Communications and Brand

| | Employee Engagement (%) | Health & Safety<br>(accident frequency rate) | Climate Change<br>(% reduction in Scope 1 & 2 emissions from 2020 baseline) |
|---|---|---|---|
| **Key performance indicator** | <br>**76%** performance<br>**74%** target | <br>**0.09** performance<br>**<0.02** target | <br>**-35%** performance<br>**-42%** by 2030 target |
| **Strategic focus** | **Halma conducts an annual survey of its employees to assess engagement across the Group. This provides visibility of engagement at the Group, sector and company levels.** | **Safety is critical and a major priority for the Group. Halma collects details of its worldwide reported health and safety incidents and encourages all Group companies to seek continuous improvement in their health and safety records and culture.** | **This is a new KPI in 2022, included because Climate Change is one of the Group's three Key Sustainability Objectives. Reducing our own emissions is a key sustainability priority for the Group as a whole and for each of our companies.** |
| **Comment** | 2017 was our inaugural engagement survey which established the baseline for our target. We were pleased to see the employee engagement score remain strong this year, and, while there was a slight drop on prior year, it was pleasing to see we retained most of the improvements gained compared to 2020. | The Health & Safety AFR performance this year was 0.09 (2021: 0.02) representing an increase against last year. We continue to review all reported incidents and there are no specific underlying patterns which cause concern. | Scope 1 & 2 emissions have reduced by 35% since 2020, largely as a result of increasing renewable energy purchases, alongside energy efficiency initiatives and improvements in our companies' operations. This compares to reported revenue growth of 14% over the same period. The Group is also in the process of measuring and setting targets in relation to our Scope 3 emissions. |
| **Definition** | The engagement of employees as measured through an externally facilitated survey over nine dimensions: engagement, empowerment, accountability, collaboration and teamwork, communication, development, ethics and fair treatment, innovation and leadership. | The year-to-date Accident Frequency Rate (AFR) is the total number of reportable* incidents in the period divided by the number of hours worked in that period by employees (including temporary staff and any overtime) multiplied by 100,000 hours (representing the estimated number of working hours in an employee's work lifetime). The AFR figure represents an indication of how many incidents employees will have in their working lives. | The total reduction in global Scope 1 & 2 greenhouse gas emissions compared to our FY20 baseline (as adjusted for acquisitions and disposals), with Scope 2 measured using a market-based approach that takes account of contractual instruments for renewable electricity. Full details of our definition and measurement are set out on page 86 of the Sustainability report. |
| **Target** | Our target remains to match or beat the baseline achieved in 2017 of 74% engagement. | The target is set at the lowest rate we have achieved as a Group and was re-set at <0.02 last year. | The Group is targeting Net Zero Scope 1 & 2 emissions by 2040. Our interim target for 2030, set in line with a 1.5 degree trajectory, is to reduce Scope 1 & 2 emissions 42% from our 2020 baseline. |
| **Remuneration linkage** | | | From FY23, 5% of the maximum opportunity of our Annual Bonus plan is related to achievement of an energy productivity target. Energy productivity is a key action that can be remunerated on an annual basis and underpins our achievement of these Scope 1 & 2 targets, as outlined on page 135 of the Remuneration Committee Report. This change will apply to the annual bonus for the Executive Directors and other senior leaders in the business – across the Executive and Sector Boards and all MDs and Presidents of Halma companies. |

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

## Diversity, Equity and Inclusion
(company board gender balance (%))




**26%**
performance

**40%**
**by 2024**
target

**This is a new KPI in 2022, included because Diversity, Equity and Inclusion is one of the Group's three Key Sustainability Objectives. Following our success in increasing gender diversity at the Halma and Executive Boards, our current focus is on increasing gender diversity on our company boards.**

Gender diversity on our company boards has increased from 22% to 26% this year, reflecting our companies' focus on building, diverse and inclusive cultures.

The total number of females as a proportion of the total number of Halma company board directors (approximately 200 company directors as at 31 March 2022).

All Halma company boards to be within a 40–60% gender balance range by 31 March 2024.

From FY23, 5% of the maximum opportunity of our Annual Bonus plan is related to the achievement of annual interim targets which reflect our 31 March 2024 ambition of achieving 40-60% gender balance on our company boards. This change will apply to the annual bonus for the Executive Directors and other senior leaders in the business – across the Executive and Sector Boards and all MDs and Presidents of Halma companies.

**Link to Growth Enablers**

- International Expansion
- Talent & Culture
- Finance, Legal & Risk
- M&A
- Digital Growth Engines
- Innovation Network
- Strategic Communications and Brand

As noted in last year's Annual Report, we reviewed our non-financial key performance indicators (KPI) during the year ended 31 March 2022. We have replaced the Development programmes KPI with two new KPIs – Climate Change and Diversity, Equity and Inclusion – which are aligned with our Key Sustainability Objectives.

Global efforts to address

# climate

waste and pollution

**Renewable energies such as wind power are an important part of decarbonising our economy and slowing climate change.**

Despite the short-term shocks to the energy market caused by supply shortages, the long-term trend is towards moving away from fossil fuels to greener alternatives, and demand is increasing rapidly.

With the growing need for wind power and improved technology, wind turbines are getting bigger and more efficient. At more than 300 ft above ground, often in remote locations, the wind flows more freely, with fewer obstructions on the earth's surface such as trees and buildings.

But this presents new safety challenges. To help address this, three Halma companies – Apollo, STI and Firetrace – are playing an important role in keeping wind turbines and workers safe and secure.

Apollo's high-quality fire detectors help wind turbine operators monitor their assets and provide the exact location of any potential fire, to minimise damage and disruption.

**$95 billion**

The global wind turbine market is expected to double in size by 2028

Interlocking systems by STI, part of SPS Group, create safe working conditions for a turbine's maintenance crew. The safety key system ensures that wherever the workers find themselves within the turbine – in either starting or shutting down operations – they can be reassured that they are protected.

Firetrace manufactures automatic fire detection and suppression systems, stopping small fires where they start. This fast-acting technology limits the damage caused by a fire and reduces the subsequent downtime. By adding this technology to wind turbines, operators can build an extra layer of protection to help extinguish fires at the source before they can cause serious harm.

Together these Halma companies are helping to ensure the energy transition over the next decade, protecting the infrastructure we need to move away from fossil fuels towards cleaner renewable energy.

**6.7%**

Wind power as part of the global energy mix in 2021

FIRETRACE apollo SPS

**1. Detect**
Fire is detected in the wind turbine.

**2. Activate**
The Firetrace system is activated.

**3. Suppress**
The suppressing agent is released and puts out the fire.

# change,

## Our markets

**Fire Detection**
Networked fire detection systems, cloud-based fire compliance and software support services, wired and wireless fire detection components.

**Fire Suppression**
Systems to automatically extinguish fires, protecting people, property and assets.

**People & Vehicle Flow**
Sensing solutions for automatic door systems, access control, safety, and security, used in public, commercial and industrial buildings and transportation. Advanced radar systems to improve road safety and efficiency and protect critical infrastructure.

**Elevator Safety**
Safety and communications components and systems that make elevators smarter, simpler and safer. Emergency communications systems that protect people in buildings in critical circumstances.

**Industrial Access Control**
Systems to manage the movement of people in high risk areas, preventing accidents and ensuring that critical processes operate safely.

**Safe Storage and Transfer**
Real-time corrosion monitoring and valve interlocking systems that safeguard people and processes.

**Pressure Management**
Explosion protection devices and systems to protect pressurised vessels and pipework in critical industrial processes.

# Safety


"The Safety sector's long-term growth is driven by increasing safety regulations, the impacts of climate change and the growing need to protect human life as populations grow and urbanisation puts pressure on crowded infrastructure."

**Mamadu Barrie**
Assembly Technician, Fortress

Mamadu is building escape release handles for Fortress's ethernet enabled locks.

# Safety

Technologies that protect people, assets and infrastructure, enable safe movement and enhance efficiency, in public and commercial spaces and in industrial and logistics operations.

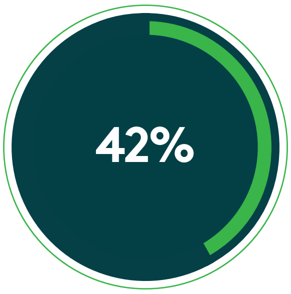
## Highlights

16% revenue growth and 13% profit growth on an organic constant currency basis

Growth across all major regions and the majority of subsectors

Increased R&D and technology investment to support future growth

**% of Group turnover**




**Revenue***

£641.4m
+9.3%

**Adjusted operating profit**

£146.2m
+8.1%

* includes inter-segment sales

### Sector overview and growth drivers

The Safety sector makes the world a safer place by protecting people, assets and infrastructure and enabling safe movement in a wide range of environments, including public and commercial spaces, and industrial and logistics operations. Many of the sector's products and services also make the world cleaner and improve efficiency.

The long-term growth of the sector continues to be driven by increasing safety and environmental regulation, and growing, urbanising and ageing populations. In recent years, increasing automation and accelerating demand for connected industrial and infrastructure systems have further underpinned the sector's growth prospects, as our customers have sought to benefit from the greater efficiency and safety that can be derived from these innovations.

The COVID pandemic and the urgent need to address the causes and impacts of climate change have further enhanced the opportunities available to our companies. We are already seeing effects in a number of our businesses. For example, we are seeing increasing demand for automated access solutions to both increase efficiency, including by minimising heat loss in commercial and industrial premises, and to enhance hygiene, for example through touchless operation. We are also supporting the drive towards renewable and cleaner energy sources, including through installing our fire suppression technology in wind turbines, or increasing the efficiency of industrial processes and repurposing technology towards areas such as carbon capture and hydrogen energy sources in our businesses which serve industrial customers.

### Performance in the year

The Safety sector delivered a strong performance, benefiting from the substantial increase in customer demand following the easing of lockdown restrictions, and the agility of its companies in successfully responding to new opportunities in their markets whilst addressing supply chain and other challenges. Growth was broadly spread across the majority of subsectors, with most delivering double-digit revenue growth, and across all major regions.

Revenue of £641.4m (2021: £587.0m) was 9.3% higher than in the prior year, and up 15.9% on an organic constant currency basis. This included a very strong performance in the first half of the year (and particularly in the first quarter), with organic constant currency growth of 25.3%, against a weaker comparative. The second half of the year saw a more normal level of revenue growth, with organic constant currency revenue increasing by 7.6%.

This strong performance was led by substantial growth in Fire Detection, which had been most affected in the first half of last year by lockdown restrictions and the furloughing of customer employees, with the subsector benefiting from the easing of lockdown restrictions and the resumption of construction activity.

People and Vehicle Flow also grew strongly. Continued demand for its touchless and automated entry devices, driven by changing customer needs as a result of the pandemic, supported good growth at BEA, and the successful execution of significant road safety contracts drove strong growth at Navtech. Elevator Safety also grew well, benefiting from a strong market in emergency communication.

Growth in a number of other subsectors reflected our companies' ability to respond rapidly to changing customer needs, for example identifying and meeting strong demand from logistics customers for our interlock products in Industrial Access Control, and prioritising technologies supporting the decarbonisation of energy sources in Pressure Management.

Across the sector, the agility of our companies also enabled them to manage ongoing disruption in their supply chains, through a range of initiatives including diversifying supplies, redesigning products and selectively holding higher inventory levels to ensure continued production.

The smaller Safe Storage and Transfer and Fire Suppression subsectors are, respectively, seeing delays to larger infrastructure projects, and weakness in specific markets such as aerospace (partly offset by solid growth in other markets such as clean energy and critical infrastructure).

The sector's revenue performance by region reflected these themes. The UK saw the strongest revenue growth, led by Fire Detection and People and Vehicle Flow, which included the road safety contract mentioned above. Revenue growth in the USA was also strong and broadly spread by sector, with the principal drivers being Fire Detection, logistics within Industrial Access Control, Pressure Management and emergency communication within Elevator Safety. Asia Pacific also grew strongly, with organic constant currency revenue growth across all subsectors, and very strong growth in People and Vehicle Flow and in Industrial Access Control. Overall revenue growth in Mainland Europe was good, although there was a more mixed performance by subsector, with strong progress in Fire Detection and Industrial Access Control, more modest gains in some other subsectors and declines in Safe Storage and Transfer and Fire Suppression. Other regions, accounting for around 7% of sector revenue, saw a decline, principally reflecting delays to some larger infrastructure projects in the Middle East, a change in delivery location for a large customer, and the continuing impact of the COVID pandemic in specific countries.

Profit grew by 8.1% to £146.2m (2021: £135.3m), or by 13.3% on an organic constant currency basis. There was a modest decline in Return on Sales to 22.8% (2021: 23.0%). This reflected increased investment to support future growth, in research and development, which rose to 5.6% of revenue (2021: 5.2% of revenue), and in technology (including ongoing enterprise systems at some of the sector's larger companies), as well as a return of discretionary variable overhead costs. These effects were partly offset by strong overhead control and the effect of the disposal of Texecom, which had a lower margin, in the year. Gross margin remained broadly unchanged compared to the prior year.

There were three acquisitions in the year for an aggregate consideration of approximately £16.5m: the Ramtech group of companies and two small bolt-on acquisitions for Fortress Safety and Argus. In August 2021, Texecom, a UK-based provider of electronic security systems, was sold for a total cash consideration of £65m on a cash and debt-free basis. The impact of acquisitions was a positive effect of 1.3% on revenue and 0.4% on profit, while the disposal of Texecom had a negative effect of 5.2% on revenue and 3.3% on profit. Currency exchange movements had a negative effect of 2.7% on revenue and 2.3% on profit.

## Ramtech

### Acquiring new technologies to grow

Several high-profile fires in recent years have highlighted the importance of fire safety on building sites. In response, governments and regulators around the world are introducing higher safety standards in construction.

A wired fire system can take months to plan and install and, depending on the design of the building, there are often things you need to work around. Even when works get underway, there can be unexpected issues that delay the schedule and increase the cost. These might range from changes to the building that weren't included in the original plans, to external factors, such as the availability of other contractors and tradespeople, and occupants who wish to remain on site during installation. Wireless fire detection and alarm devices offer a quick, and cost-effective solution to many of these challenges.

This has created new market and growth opportunities for wireless fire detection, which is especially suited to the construction industry. The systems are simple to set up and install and can raise alerts in real time, helping to protect lives and assets.

This is the type of niche market that Halma invests in – a regulated sector, offering long-term growth potential, and aligned to Halma's purpose. In August 2021, Halma acquired Ramtech, a UK-based wireless fire detection business that adds new capabilities to Halma's portfolio of Safety businesses. Ramtech provides wireless solutions for temporary sites, primarily in construction, as well as in leisure and industrial environments.

"Due to the opportunity of growth in our market segment, we were keen to expand geographically, take our business into aligned vertical markets and develop our product portfolio. Joining Halma helps us realise those ambitions and empower more customers to save lives, protect assets and gain insights through our industry-leading innovative wireless solutions."

**Andy Hicks,**
Managing Director, Ramtech

The addition of Ramtech, alongside Argus and Apollo, strengthens Halma's presence in the fire detection market, and provides opportunities for the companies to collaborate and learn from one another.

# Increasing demands on life-cr resources

**1. Recycle**
Mixed aluminium is collected for recycling.

**2. Grade**
The SpeedSorter™ grades the aluminium with speed and precision.

**3. Reuse**
Aluminium is sorted and ready for recycling.

* https://www.european-aluminium.eu/media/2931/2020-05-13_european-aluminium_circular-aluminium-action-plan_executive-summary.pdf


## Aluminium is one of the most popular production materials on the planet.

It is strong yet lightweight, making it ideal for everything from canning drinks to building consumer electronics. However, producing new aluminium is highly energy-intensive, and manufacturing methods leave a large carbon footprint.

Aluminium is an infinitely recyclable material. Recycling scrap aluminium takes up to 95% less energy than producing new aluminium. This means a much smaller carbon footprint for manufacturers and consumers alike, as well as lower costs.

The consumer demand for goods containing aluminium is growing each year. As governments impose more environmental regulations on mining, and as consumer demand shifts to more sustainable options, the race is on to find quick and efficient ways to recycle the aluminium that is already in circulation, rather than manufacturing it from new.

Recycling aluminium is a process that demands speed and precision. Ocean Insight, a company that specialises in optical sensing technology to analyse light, has designed a new device that offers both. Its SpeedSorter™ quickly and accurately sorts scrap aluminium into its distinct types before it can be taken away to be melted down and recycled. The SpeedSorter™ uses Laser-Induced Breakdown Spectroscopy, which allows it to quickly determine the chemical composition of each aluminium scrap object and communicate the result to a sorting system. Separation of aluminium from different metals is easily performed in milliseconds. This means the aluminium is separated and sorted at speed, and is then ready to go back into circulation.

Ocean Insight's technology is one of many in the Halma group that is delivering an innovative solution to protect our planet's resources. As resources become scarcer the demand for such technologies represents a long-term trend that is set to keep growing for decades.

**39 million**

tonnes of $CO_2$ emissions could be saved each year worldwide by recycling aluminium*

**$217 billion**

Size of the global metal recycling market*

Ocean Insight

## Our markets

**Optical Analysis**
World-class optical, optoelectronic and spectral imaging systems that use light to analyse materials in applications including life sciences, bioprocessing, food safety, research, and industrial process control.

**Water Analysis and Treatment**
Systems that assist communities and businesses around the world to sustainably improve water quality and availability.

**Environmental Monitoring**
Technologies that detect hazardous gases and analyse air quality, gases and water to monitor the quality of our environment and ensure that our resource infrastructure operates efficiently.

# Environmental & Analysis

**Samantha Jacobson**
Systems Engineer, Ocean Insight

Samantha is working on Ocean Insight's SpeedSorter™, which sorts aluminium in milliseconds.

Strategic Report

"The Environmental & Analysis sector's long-term growth is underpinned by growing global efforts to address climate change, waste and pollution, rising demand for life-critical resources, and increasing environmental regulations."

# Environmental & Analysis

Technologies that monitor the environment, ensure the quality and availability of life-critical resources, and analyse materials in a wide range of applications.

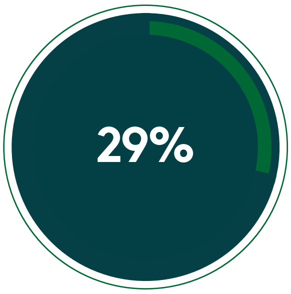
## Highlights

Strong revenue and profit growth of 24.5% and 23.3% respectively, on an organic constant currency basis

All subsectors and all regions delivered double digit revenue growth

Five acquisitions made in the year, and a further acquisition completed since the year end

**% of Group turnover**




**Revenue***

£442.9m

+22.6%

**Adjusted operating profit**

£109.8m

+23.0%

* includes inter-segment sales

### Sector overview and growth drivers

The Environmental & Analysis sector is focused on growing a safer, cleaner and healthier future by improving the quality and availability of life-critical natural resources such as air, water and food and by delivering high-technology solutions in a wide variety of end markets based on our digital, optical and optoelectronic expertise. The sector's valuable solutions are technically differentiated through strong application knowledge, supported by high levels of customer responsiveness.

The sector's long-term growth is sustained by rising demand for life-critical resources, the impact of climate change, increasing environmental regulations and worldwide population growth with rising standards of living. It is underpinned by our ability to design, develop and manufacture innovative, high-technology detection and analysis solutions with applications in a wide range of sectors. These include water and waste water management and treatment (including water utilities); gas analysis and detection; food, beverage, medical and bio-medical; communications; research and science; and a variety of industrial markets.

The increasingly urgent need to address climate change is creating new opportunities in many of the sector's markets. It is driving new policies globally, including national, state and city initiatives to meet Net Zero commitments through energy transition and sectoral decarbonisation plans, as well as plans to increase adaptation and resilience. Combined with the biodiversity crisis and an increasing focus on plastics and waste, it is also driving new regulatory initiatives to preserve life-critical resources. These include initiatives such as, in the UK, Ofwat's investigations into wastewater treatment and internal sewer flooding to prevent environmental degradation. These and similar initiatives are creating growing long-term opportunities for our companies to help their customers, for example, to prevent emissions, detect leaks and analyse air and water quality, and to support new technologies to address these issues, such as renewable energy and storage, sustainable food systems and mobility in cities.

### Performance in the year

The Environmental & Analysis sector delivered a very strong performance, driven by a recovery in customer orders as the effects of the COVID pandemic eased, and benefiting from its agility in executing these orders in spite of supply chain disruptions. Growth was broadly spread, with all subsectors and all regions delivering double digit revenue growth.

Revenue of £442.9m (2021: £361.1m) was 22.6% higher, and up 24.5% on an organic constant currency basis. Acquisitions (net of disposals) contributed 1.6% to revenue growth. The sector's growth was led by a strong recovery in gas detection within Environmental Monitoring, reflecting higher activity (including some larger contracts) as the effects of the pandemic abated, and an increasing customer focus on protecting the environment and scarce natural resources. This also supported greater demand within Water Analysis & Treatment, although revenue in clean water leak detection was lower, given an absence of large project tenders from UK utilities.

Within Optical Analysis, photonics also performed strongly, as it continued to benefit from increasing demand for technologies that support the building of digital and data capabilities.

By region, the USA accounts for nearly half of the sector's revenue, and reported the strongest organic constant currency growth, driven by further growth in photonics within Optical Analysis, and in gas detection, which benefited from post-pandemic recovery and large new customer orders in the second half of the year. Asia Pacific also grew strongly, benefiting from customer demand for products supporting new fuel cell technology, from investment in talent to support the development of gas detection businesses, and from recovery in the pharmaceutical and beverage markets. Mainland Europe reported strong growth on an organic constant currency basis, driven by good performances in Water Analysis and Treatment, and also benefited from acquisitions, notably those of Sensitron, Orca and Dancutter. Strong growth in Africa, Near and Middle East was mainly attributable to a post COVID recovery in the oil and gas sector, which benefited our gas detection companies. The UK reported the slowest growth given lower order intake in clean water technologies from UK utilities, although this was partly offset by a larger contract win in waste water infrastructure and the acquisition of Anton Industrial Services within gas detection.

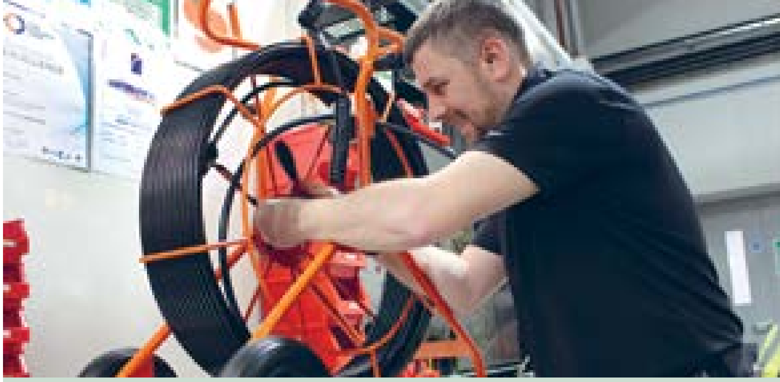
Profit grew by 23.0% to £109.8m (2021: £89.3m), or by 23.3% on an organic constant currency basis, and Return on Sales was marginally higher at 24.8% (2021: 24.7%). This reflected a reduction in gross margin as a result of product mix offset by continued strong overhead control. While there was a reduction in R&D expenditure as a percentage of sales from 5.7% to 5.1%, this was in part driven by product mix, and absolute expenditure on R&D increased to £22.8m (2021: £20.6m).

There were five acquisitions in the sector during the year, and a further acquisition, of Deep Trekker, was made shortly after the year end. This good momentum reflected the investment made in a dedicated M&A team, as part of the new Environmental & Analysis sector team, and the increasing ability of our individual companies to make bolt-on acquisitions to enhance their technological capabilities and market reach. The acquisitions made in the year were (all considerations were in cash and are given on a cash and debt-free basis):

- Anton Industrial Services, Crowcon's UK flue gas analyser distribution partner, for £1.9m;
- Sensitron S.R.L., an Italian gas detection company, for €20.1m (approximately £17.1m), as a standalone company in the sector;
- Dancutter A/S, a Danish designer and manufacturer of trenchless pipeline rehabilitation equipment, for €17.6m (approximately £15.0m), for Minicam;
- Orca GmbH, a German manufacturer of ultraviolet disinfection systems, for €8.1m (approximately £7.0m), for the UV Group of companies; and
- International Light Technologies, a leading developer of technical lighting sources and light measurement systems, for US$26.3m (approximately £19.4m), for Ocean Insight.

Since the year end, there has been one further acquisition in the sector, Deep Trekker, of C$60.0m (approximately £36.6m), which will be a stand-alone company. Deep Trekker is a market-leading manufacturer of remotely operated underwater robots used for inspection, surveying, analysis and maintenance.

Acquisitions (net of disposals) had a positive effect of 1.6% on revenue and 3.5% on profit. Currency exchange movements had a negative effect of 3.5% on revenue and 3.8% on profit.



## Minicam Group

**Acquiring adjacent technologies to grow**

The UK's wastewater network was transformed in the 19th Century to improve sanitation and this investment led to a dramatic improvement in public health. While the UK population has since tripled, the network has struggled to keep up with the rise in demand. When facing the challenges of maintaining a Victorian-era sewer network with the additional challenges of climate change and urbanisation, water companies are under increasing pressure to find smart, cost-effective solutions.

Trenchless technologies, like Cure-in-Place-Pipe (CIPP), are a far less disruptive and more cost-effective means of maintaining the wastewater network than digging up roads to replace pipes. The technology works by running a new lining into old pipework from existing access points, without the need for digging holes. The new lining is then cured and made watertight. CIPP is used to maintain and extend the life of wastewater networks, reducing blockages and preventing leakage. Maintaining the ageing infrastructure also reduces the environmental contamination caused by leakage and overflows. The market is valued at over $2bn annually and growing at over 7% each year, driving even more demand for the right equipment and specialist application knowledge.

Already successful in the wastewater inspection market, Minicam has been growing fast for several years. Its ambition is to become a global leader in inspection and maintenance solutions. To help accelerate this growth, Halma supported Minicam to acquire Dancutter in June 2021 to form the Minicam Group. Dancutter manufactures robotic equipment that is deployed inside pipes, used for cutting and reopening connections after relining operations, and cleaning and maintenance.

"Dancutter is an expert in robotic lateral cutting solutions and a natural addition to Minicam's inspection products. They broaden our product portfolio into maintenance and rehabilitation, offering a wider range of solutions to our shared customers. The ease of use and robustness of their products as well as their team ethos and company culture are also totally aligned with the values that have made Minicam successful, and we were delighted to welcome them to the group."

**Tom Davies,**
Managing Director, Minicam Group

This is a great example of Halma's active portfolio management, enabling Minicam to acquire new technologies and specialist capabilities to help grow a safer, cleaner, healthier future for everyone, every day.

# Increasing demand for health

## Worldwide, about 140 million women give birth every year.

Tragically, however, approximately 1 million new-born babies die within the first 24 hours and every day 810 women die from pregnancy- or childbirth-related complications, according to the World Health Organisation.

Most maternal and neonatal deaths are avoidable. During the delivery process, electronic fetal monitoring and other traditional technologies provide raw data. But it is up to clinicians – who may be managing multiple complex births – to make manual calculations before they can interpret the data and recognise those warning signs, many of which can be subtle.

PeriGen provides Artificial Intelligence-based software solutions to enhance the delivery of care during childbirth. 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. It detects abnormalities during the birthing process and immediately notifies the clinicians in charge about problems, helping to improve timely and appropriate medical interventions.

PeriGen has recently combined its AI technology with a remote monitoring platform which enables clinicians to monitor mothers and babies across multiple facilities from a central location. This remote clinical service helps to bridge the gap in care for large health systems, community hospitals and rural areas, for hundreds of patients at a time, across multiple sites. Ultimately, this will improve the level of care provided to mothers and babies where there isn't local access to healthcare during birth. A global health initiative led by a prominent US healthcare institution introduced this technology in a regional hospital in central Africa. Over the subsequent six months the rate of babies dying during labour was reduced by more than 80% (from 1 in 253 births to 1 in 4,095 births) with no increase in the caesarean rate.

This is just one example of how a Halma company's life-saving technology is addressing the rising demands for global healthcare, to grow a healthier future for everyone, every day.

**140 million**

Women give birth every year globally

**$6.8 billion**

Size of the global neonatal healthcare market

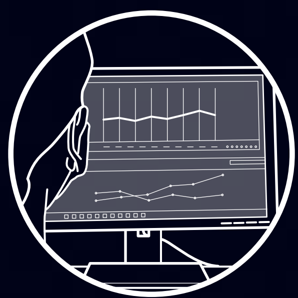
PeriGen
Advanced Perinatal Systems

# care

**1. Monitor**
Electronic fetal monitoring tracks mother and baby's vitals.

**2. Early warning**
PeriWatch Vigilance® recognises any abnormal patterns and notifies clinician.

**3. Prevent**
Mother delivers baby safely.



## Our markets

**Life Sciences**
Technologies and solutions to enable in-vitro diagnostic systems and life-science discoveries and development.

**Healthcare Assessment & Analytics**
Components, devices and systems that provide valuable information and analytics to understand patient health and enable providers to make decisions across the continuum of care.

**Therapeutic Solutions**
Technologies, materials and therapies that enable treatment across key clinical specialities.

# Medical

**Bobby Powell**
Engineering Technician, SunTech

Bobby is soldering components for a blood pressure monitor.

"The Medical sector's long-term growth is supported by increasing demand for better healthcare as populations grow and live longer, as the focus on patient-centred care delivery grows, and as more people live with long-term illnesses."

# Medical

Advanced technologies and digital solutions to improve healthcare.

## Highlights

Double-digit revenue and profit growth of 13.0% and 10.5% respectively on an organic constant currency basis

Successful response to variations in customer demand and to continuing operational challenges

Five acquisitions completed in the year

**% of Group revenue**


**Revenue***

£442.3m
+19.1%

**Adjusted operating profit**

£99.5m
+15.0%

* includes inter-segment sales

### Sector overview and growth drivers

The Medical sector is focused on growing a healthier future by enhancing the quality of life for patients and improving the quality of care delivered by healthcare providers. We serve niche applications in global markets providing critical components, devices, systems and therapies which are embedded in the standard of care. We look for markets where our products and technologies are critical to the function or management of care, for example cataract surgery or cardiac monitoring. We also often participate in niches where there is a connection between medical conditions and chronic illnesses, thereby driving potentially higher rates of demand on a sustained basis.

The sector's long-term growth is supported by demographic trends, technological innovation, and aspirations to improve the standard of care and increase efficiency.

The global population is expected to reach nearly 10 billion by 2050, an increase of around 2 billion from current levels, and the proportion of the world's population aged over 60 is forecast to increase from 12% to 22%. This is expected to lead to an increased prevalence of chronic conditions, driving demand for diagnosis and treatment of a wide variety of long-term illnesses. These factors are key growth drivers for our Therapeutic Solutions businesses, given their presence in the ophthalmic surgery device, respiratory therapy and bone replacement markets.

Technological innovations are also driving growth. They are increasing the capabilities of healthcare professionals to prevent, diagnose and treat conditions. They are also helping healthcare providers to improve the standards of care and increase efficiency, including by treating more people remotely through telemedicine. These innovations are enabling better, earlier and faster diagnosis and treatment of patients, providing healthcare providers with new tools to tackle the backlog of conditions caused by the COVID pandemic. At the same time, new products and services are enabling them to provide more healthcare for less, and improving hygiene compliance. These factors are strong growth drivers for our diagnostics businesses, and also for businesses such as PeriGen, in helping to prevent complications during childbirth, and CenTrak, with its real-time location services which improve safety and efficiency in healthcare facilities.

Globally, we also see rising demand, from both patients and healthcare providers, for improvements to the quality and responsiveness of healthcare services. The COVID pandemic has shown the importance of robust healthcare systems and the long-term benefits of investing in the health of populations. It is still too early to predict the eventual outcomes of the pandemic on healthcare spending, but increased utilisation of assets and rising demand seem likely to support increases in the future.

From 16 June 2022, the sector has been renamed Healthcare, to reflect the breadth of these growth drivers, and our wider aspiration to support patient diagnosis and treatment, as well as healthcare providers in improving the delivery of patient-centred care.

### Performance in the year

The sector delivered a strong performance. Revenue of £442.3m (2021: £371.3m) was 19.1% higher, and up 13.0% on an organic constant currency basis. Acquisitions contributed 10.1% to revenue growth. Overall, sector companies successfully responded to variations in customer demand and to continuing operational challenges in their supply chains, in labour markets, and in their ability to access customer premises. All but three sector companies delivered double digit growth as a result of strong increases in customer demand as the effects of the COVID pandemic abated and medical systems began to normalise.

There was double digit revenue growth across all major regions. The USA accounts for half of the sector's revenue. There was good growth in the region on an organic constant currency basis, reflecting increased customer demand and a strong order book. On a reported basis, there was also a benefit from recent acquisitions, including PeriGen. A small number of companies which had seen very strong demand through the COVID pandemic saw reduced customer demand, and there was also some impact from continued delays to elective surgeries.

Mainland Europe and Asia Pacific grew strongly, principally reflecting recovery from the effects of the pandemic. The UK saw very strong growth, particularly in ophthalmology, and also benefited from the acquisition of Static Systems in the prior year, to reach just under 10% of sector revenue. Other regions, which represent a small percentage of sector revenue, grew more modestly.

Profit grew by 15.0% to £99.5m (2021: £86.6m), or by 10.5% on an organic constant currency basis, and Return on Sales was 22.5% (2021: 23.3%). This included a substantial increase in R&D expenditure to £26.9m, representing 6.1% of revenue (2021: £18.8m; 5.1% of revenue), given an intensification of new product development and new product launches in the year. It also reflected the allocation of the full cost of a sector team following the creation of a separate team for the Environmental & Analysis sector. These effects were partly offset by an increase in gross margin as most sector companies successfully managed pressures resulting from supply chain disruptions, and by ongoing strong overhead control.

There were five acquisitions in the sector during the year. These comprised PeriGen, which will be a new standalone company in the sector, and four bolt-on acquisitions to enhance the capabilities of existing sector companies. The acquisitions were:

- PeriGen, whose advanced technology protects mothers and their unborn babies during childbirth, was acquired for a cash consideration of US$57.3m (approximately £40.1m) on a cash and debt-free basis;
- Assets and intellectual property associated with RNK's digital stethoscope, for Riester, for a consideration of US$3.0m (approximately £2.1m);
- Meditech Kft, a Hungarian manufacturer of ambulatory blood pressure monitors and ECG Holter devices, for a maximum total consideration of €5.7m (approximately £5.0m), which will be integrated with our SunTech business;
- Infinite Leap, a healthcare consulting and services provider for real-time location technologies, which will enhance CenTrak's capabilities. The cash consideration was US$30.8m (approximately £22.9m). There are additional contingent earn-out considerations of up to an aggregate maximum of US$17m (approximately £12.9m); and
- Clayborn Lab, a provider of custom heat tape solutions, for an initial cash consideration of US$4.5m (approximately £3.3m) with an additional earn-out consideration of US$1.5m (approximately £1.1m).

Acquisitions had a positive effect of 10.1% on revenue and 8.9% on profit. Currency exchange movements had a negative effect of 4.0% on revenue and 4.4% on profit.

## SunTech

### International growth through acquisitions

The number of people living with hypertension has doubled globally since 1990 and today one in three people are affected by the condition.

Ambulatory Blood Pressure Monitoring (ABPM) allows healthcare providers to assess blood pressure during a patient's daily routine, instead of when sitting nervously in the doctor's office. This provides more accurate readings over a longer period, enabling clinicians to make better informed decisions. National health authorities across the world are starting to use blood pressure measurements to catch potential cardiovascular diseases at an earlier stage, so accuracy is critical.

As a market leader in motion tolerant blood pressure measurement, SunTech's technology provides valuable diagnostic information that other monitoring systems are incapable of measuring. SunTech had been looking to expand into Europe and Meditech was the natural choice. Founded in 1990 in Budapest, Hungary, Meditech has established itself as a European market leader in ABPM. SunTech's relationship with Meditech goes back many years, with Meditech manufacturing SunTech's first ABPM product, the Oscar.

Meditech has a deep knowledge of blood pressure monitoring and additional expertise in the measurement of heart activity. Their specialist regulatory knowledge of the European market will also help SunTech expand its international reach and deepen its application knowledge. SunTech, with Halma's help, can also accelerate Meditech's growth with expansion of global market access and new innovations.

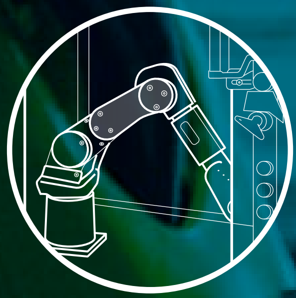
"As we have grown to know the team at Meditech, we were highly impressed with their talented leadership, and we believe that by acquiring them we have added significant commercial, R&D, operational and regulatory capabilities to the combined group."

**Rob Sweitzer,**
President, SunTech Medical

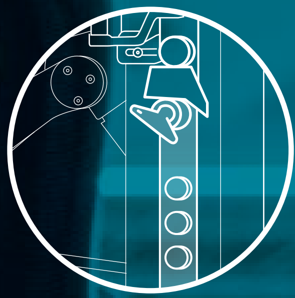
Together, SunTech and Meditech will use their expertise in ABPM to bring new innovations to the market, improving the diagnosis and management of hypertension worldwide. Their combined impact is helping towards a key World Health Organization target: to reduce the global prevalence of hypertension by 33% between 2010 and 2030.

# Increasing health, safety and environmental regulation

**1. Hazard**
Dangerous machine needs maintenance.



**2. Process**
Worker follows interlocking sequence to safely shut machine's power.



**3. Protected**
Safe access is provided so worker can fix machine.



## It's a sobering fact that more than 7,600 people die each day from work-related accidents, according to the International Labour Organization.

Many of the accidents are down to human nature, where people put the urgency to fix a problem – especially when it's holding up expensive production processes – ahead of their own safety.

Global safety regulations are designed to help address this by establishing common standards for safe machine operation. But even in heavily regulated markets, there are opportunities to improve the standards to help protect workers – and this is where Fortress plays a role.

Fortress designs and manufactures customised access solutions that help protect employees working in hazardous environments. Its interlocking products ensure that workers follow a clear process when accessing dangerous machinery, with the release of access keys in a safe sequence. Fortress' products protect thousands of workers from harm every day.

Fortress has representatives on many global machine safety standards committees. This allows Fortress to keep up with changing market requirements as technology advances, advise on new safety regulations and helps Fortress develop new products that meet the new standards. Fortress also uses this knowledge to provide tailored training for its customers and employees to ensure that machinery is safely operated.

Safety regulations like these are key long-term growth drivers for many Halma businesses. As regulations continue to increase throughout the world, the need for our companies' specialist solutions that meet these high standards are becoming even more in demand.

# $1.5 billion

Global industrial safety market size for interlocks

# 7,600

Daily work-related deaths

**FORTRESS**

1

## Positive impact through purpose-aligned growth

Having a positive impact is at the heart of our Sustainable Growth Model. We aim to deliver value to all our stakeholders through the consistent and sustainable delivery of strong growth, high returns and the positive impact from our products and services.


Our approach to sustainability – both social and environmental – has our purpose and our DNA at its core and is integrated into our Sustainable Growth Model.

The first way in which we deliver positive impact is by growing in line with our purpose – providing our products and services to create a safer, cleaner and healthier future for everyone, every day.

This purpose-aligned growth drives our positive impact over the long term and enables us to contribute across multiple dimensions of sustainability.

Examples and discussion of our purpose-aligned growth are integrated throughout this Annual Report and Accounts.

Through purpose-aligned growth, we contribute towards multiple UN Sustainable Development Goals (SDGs), including four that are highly aligned with our purpose, products and services.

Discover more examples of our positive impact at www.halma.com and see our example positive impact metrics on page 85.

### Relevant SDGs


2

## Amplifying positive impact with our Sustainability Framework

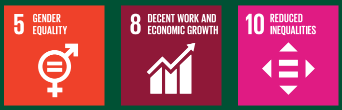
Our Key Sustainability Objectives

### Diversity, Equity and Inclusion

**Objectives**

Working towards a fairer future for everyone, every day and ensuring our businesses can thrive and be sustainable in the long term.

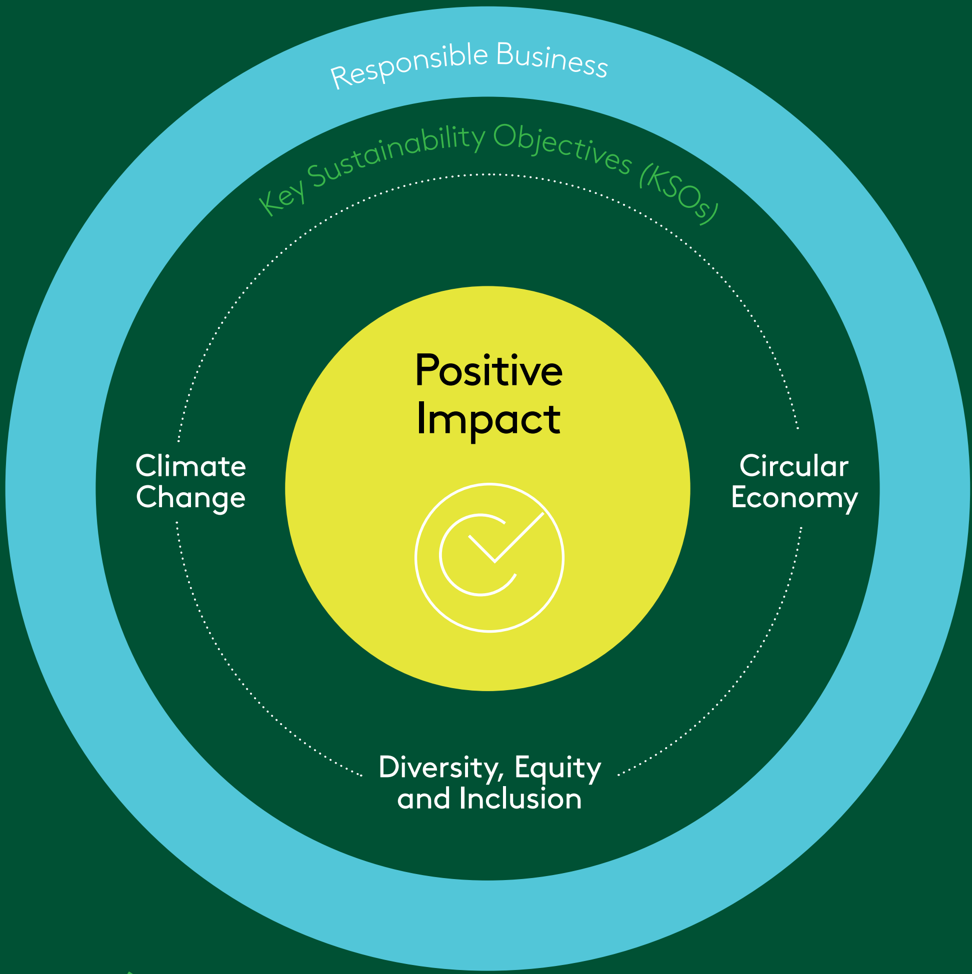
### Relevant SDGs




### Key goals

— All Halma company boards to be within a 40-60% gender balance range by 31 March 2024

p74 Find out more about Diversity, Equity and Inclusion




Purpose-aligned growth drives our positive impact and approach to sustainability, but we know we also need to consider how we create, deliver and support our products and services, and our impacts through our own operations and our entire value chain.

At Halma, our Sustainability Framework, shown on this page, is designed to amplify the positive impact we deliver through our purpose-aligned growth. By prioritising three key areas that are linked to our purpose, our companies and our operations, we have established what we refer to as our Key Sustainability Objectives (KSOs).

By setting stretching objectives, goals and targets for these Key Sustainability Objectives over time, we are confident we can significantly amplify the positive impact that comes from our growth while reducing our negative impact. These Key Sustainability Objectives are also supported by the policies and metrics we consider essential to being a Responsible Business.

p80 → Read more about our Sustainability Framework, how we determined our Key Sustainability Objectives, and our approach to Responsible Business



## Circular Economy

**Objectives**

Designing out waste and pollution and incorporating reuse and recycled materials within products where feasible.

**Relevant SDGs**


p76 → Find out more about Circular Economy

## Climate Change

**Objectives**

Addressing climate change in terms of both the opportunities and risks it presents and by minimising our own greenhouse gas emissions.

**Relevant SDGs**


**Key goals**

- Scope 1 & 2:
  - Net Zero by 2040
  - 1.5-degree aligned interim 2030 target
- Scope 3: understanding baselines

p79 → Find out more about Climate Change

UV disinfection technology on a food processing belt


Limotec provides equal opportunities to marginalised groups

1

## Positive impact through purpose-aligned growth

Positive Impact

### Delivering value to society

Halma's UV Group, part of the Environmental & Analysis sector, makes the world a safer, cleaner, and healthier place though the application of UV technologies. Within their fast-growing food and beverage market, UV is becoming a technology of choice to improve hygiene as it avoids the use of chemicals and is proven to be effective against all known microorganisms.

By reducing bacteria and improving shelf life, UV technology reduces food waste and delivers significant economic, social, and environmental benefits to the food processor, retail outlets and to the consumer. Avoided food waste results in lower $CO_2$ emissions, water consumption, waste disposal impacts and economic losses.

Halma acquired Orca GmbH, a German manufacturer of UV disinfection systems, for approximately £7.0m during the year ended 31 March 2022. Using third party data sources and reasonable assumptions, we estimate that the use of Orca's products in the German meat processing industry delivers over £4m of annual economic benefit per annum, based on over 2,500 tonnes of avoided food waste. Extrapolating this to Europe and all food sectors, the value to society from UV disinfection could reach over £100m per annum.

"Food waste could never be more topical than today. Not just its environmental impact, but with increasing costs and limitations on supplies, technologies that reduce food waste are not just a growth opportunity but an obligation".

**John Ryan, Managing Director, UV Group.**

Halma's UV Group of companies provide solutions worldwide and is made up of Hanovia Ltd, Berson BV, Aquionics Inc and Orca GmbH.

2

## Amplifying positive impact with our Sustainability Framework

Diversity, Equity and Inclusion

### Building inclusive businesses

Many people with disabilities continue to be overlooked in the workforce. Halma company Limotec, a Belgian-based designer and manufacturer of fire and gas detection systems, is helping to change that. In a partnership that stretches back over a decade, Limotec is working with WAAK, an organisation in Belgium that helps those with disabilities access the workplace.

Limotec first started by outsourcing simple assembly work to WAAK. It later expanded to employing differently abled people on site at Limotec where they are responsible for the assembly of gas and fire detection panels. Limotec ensured they were welcomed and included and were paid the same as other Limotec employees. They enjoy the same employment opportunities as everyone else and deliver the same quality outputs.

As well as full-time employment and financial security, Limotec provides these staff members with a sense of belonging and acceptance, a testament to the culture of inclusion Halma aspires to in all its businesses.

"My father was disabled and was unable to work and I saw how much this affected him. Giving people who are otherwise marginalised in terms of employment and other opportunities, a chance to feel valued and equal, is very fulfilling."

**Jan Herreman, Managing Director of Limotec.**


Hydreka's cleaning and repair facility in Lyon, France


Fortress will use recycled aluminium in its flagship product



## Circular Economy

### Giving products multiple lives

Gartner, a global research firm, estimates that by the end of this decade supply chains will become waste-free*. This trend means that creating circular business models will become a necessity for businesses rather than an option. Several of Halma's companies are already extending the lifetime of their products with the aim to reduce waste as part of their operations.

Hydreka, a Halma company based in Lyon, France, develops technology that remotely monitors water networks to protect the environment using digitally connected, self-powered and low-energy sensors. The company also has a unique business model, offering a rental service, which keeps its products in service for longer as they can be returned and reused.

Hydreka has the largest rental fleet of water monitoring equipment in France and today it accounts for around a third of their revenue. Offering their products as a service gives Hydreka's customers the flexibility to meet their individual needs. When the products are returned, they are cleaned, repaired, and recalibrated ready for the next customer. This maximises the lifetime use of each product and eliminates unnecessary waste, contributing to the circular economy.

This innovative approach has opened up new possibilities in how national water networks are managed. The sensors are reused by multiple customers over their lifetime, and because they can beam back data remotely, they also have a lower carbon footprint, as there is less inspection and maintenance required, resulting in less travel to site. The added benefit is that the equipment itself runs on extremely low power, reducing costs further. The combined effect is a much smaller carbon footprint than traditional monitoring practices, and a positive contribution to the circular economy.

*Gartner https://www.gartner.com/en/documents/3956095

## Climate Change

### Reducing our carbon footprint

Fortress, a safety solutions business based in Wolverhampton, UK, is focused on becoming a leader in sustainability in its industry and has been looking at ways to reduce its carbon footprint.

The team realised that a big part of its environmental impact comes from the manufacturing and shipping of its products to customers globally.

Fortress prides itself on the robustness of its products, as customers need them to work in rugged industrial environments which are subject to lots of wear and tear. Many of its products are made from an alloy of zinc, which is extremely heavy and difficult to recycle. The team set about finding a more sustainable solution that would reduce the company's carbon impact and pass on carbon savings to its customers too.

Fortress knew that changing the material to a more sustainable metal could have a huge impact. Moving to a recycled material that was also lighter to ship would deliver a significant carbon saving.

The team began designing a new casing for their flagship Amgard product range using recycled aluminium. It is a lighter metal that, crucially, is 100% recyclable forever. After rigorous testing to ensure it met Fortress's high safety standards, they have designed a new aluminium casing that is 90% lighter than the original and just as durable. Fortress predicts that the new aluminium products will save over 360,000kg of $CO_2$ every year.

Fortress will now manufacture a far more sustainable product, reducing the environmental impact of its product and its shipping, and passing on carbon savings to its customers.

# Maintaining strong stakeholder relationships is essential to Halma's long-term sustainable growth and the fulfilment of our purpose.

## Section 172 Compliance statement

The Companies (Miscellaneous Reporting) Regulations 2018 require that Directors explain how they have had regard to the matters set out in section 172(1)(a) to (f) (S.172(1)) of the Companies Act 2006 when performing their duty to promote the success of the Company. Throughout the year, while discharging their S.172(1) duty, the Directors have acted in a way that they considered, in good faith, would be most likely to promote the success of the Company for the benefit of shareholders, and in doing so had regard, amongst other matters, to:

- The likely consequences of any decision in the long term.
- The interests of the Company's employers.
- The need to foster the Company's business relationships with suppliers, customers and others.
- The impact of the Company's operations on the community and environment.
- The desirability of the Company maintaining a reputation for high standards of business conduct.
- The need to act fairly as between members of the Company.

The Board also considered the interests of a wider set of stakeholders including its operating companies, acquisition prospects and business partners. This section of the Report sets out details of our key stakeholders, how we have engaged with them throughout the year and the outcomes of these engagement methods. Examples of how the Directors discharge their S.172(1) duty when taking principal decisions during the year are set out on page 117.

The Board recognises that it has a duty to act in the best interests of the Company for the benefit of its shareholders, as well as considering other stakeholder interests. When making key decisions, the Board considers the factors set out in the Section 172 Compliance statement and additional factors such as:

- how the decision fits with our purpose.
- the impact on our people, processes and performance.
- the impact on our environmental and social aims and targets.
- the effect on our external stakeholders, including customers and suppliers.
- the need to maintain high standards of business conduct.
- the value created for our shareholders.

### Our people

Halma's workforce is key to delivering our purpose and strategy and we are committed to developing and attracting high quality talent and building leadership teams which are diverse, effective and engaged. We recognise the importance of identifying, nurturing and developing talent and foster an inclusive and collaborative culture, underpinned by our DNA.

Due to our decentralised operating model and large geographic spread, we have chosen to apply an alternative method of workforce engagement to those prescribed within the UK Corporate Governance Code, as we believe this to be more fitting with our structure and culture, as described on page 115. By engaging at a company-level we are able to establish a more authentic and regular dialogue between the operating board and the workforce, which provides the workforce with a 'voice' in the boardroom of their company, and reporting up via our Divisional Chief Executives and independent workforce concern channel, provides the Board with good insight on culture and concerns that are raised.

We promote collaboration and knowledge sharing within our workforce through our social and communications platform, HalmaHub, a valued tool which enables employees to keep up-to-date with the latest news across the Group, to collaborate with colleagues and to share knowledge and experience across companies. We now have over 6,000 employees across 25 countries using HalmaHub, with more than 362,000 learning actions taken throughout the year.

Halma is committed to improving Diversity, Equity and Inclusion across the Group and has recently approved an updated Board Diversity Policy (see page 126). We met the Change the Race Ratio target of at least one ethically diverse Board member and one Executive Board member by December 2021 and have seen an increase in ethically diverse leaders in senior roles from 16% at the end of March 2021 to 20% at the end of March 2022. We have made significant progress on gender diversity at the senior level over recent years and our work to improve gender diversity at all levels has led to us setting a gender balance target for our operating company boards (see page 70 for further information). In April 2022, we held our first event focused on Black inclusion and representation, which was recorded and shared with our leaders across the Group. For FY23, we will include gender balance targets into remuneration for senior leaders and operating company Managing Directors.

We conduct an annual Group-wide employee engagement survey. The results of the survey are shared with the Board and provides them with valuable insight into the culture of the workforce and issues that matter to them. This year, we were pleased that 85% of our workforce chose to participate in our Group-wide employee engagement survey, with an engagement score of 76% (see page 70).

During the year we implemented a significant improvement to our pension offering for our UK employees, with a transition to a Defined Contribution Master Trust and an enhanced employer contribution structure. We have also met our commitment to pay the Real Living Wage across all UK operations with effect from 1 June 2022, with the aim of assisting those colleagues impacted by inflationary pressures and the cost-of-living crisis.

The availability of wellbeing support was extended through a new European Employee Assistance Programme, dedicated to help tackle workplace and mental health issues.

### Our companies

Our decentralised model places our companies close to their end markets, under the management of their own board of directors, which empowers entrepreneurial action. Our companies are key stakeholders, which collectively deliver our organic growth and are vital to the success of our growth strategies. We are able to grow our companies by providing them with access to financial support, knowledge, expertise and investment opportunities, whilst they are able to retain their autonomy, identity and brand, allowing them to unlock their full potential.

Our Board and the Directors engage and communicate with our companies through business reporting, site visits, presentations and the Accelerate CEO conference, which ensures alignment of the development and performance of the companies with Halma's strategic priorities and culture. Additionally, the Board regularly receives sector and company updates directly or via the Group Chief Executive and sector presentations are scheduled into the annual Board agenda.

Our next Accelerate CEO conference will be held in October and will provide the opportunity for our Directors, including the Chair and non-executive Directors, to engage informally with our company leaders.

During the year, we supported the development of our companies' products via our Functional Networks. We have also accelerated planned technology investments that will modernise ways of working for our companies and support growth in the medium term.

### Customers and suppliers

Developing strong relationships with our suppliers is key to the operational success of our business and ensures that we have agility to develop new and market competitive solutions to meet our customers' needs, who play an essential role in ensuring the sustainability of the Group. By delivering our products and services to the end market, where they serve to protect and improve the quality of life, our customers play a pivotal role in the fulfilment of our purpose.

Our Executive Board and Divisional Chief Executives work closely with both our major customers and key suppliers to ensure that we offer and develop innovative solutions using our technology and deep application, and to ensure that we continue to deliver the best products and services for our customers and have the infrastructure in place to respond to market developments. The Divisional Chief Executives report back to the Board periodically on significant supplier contracts and arrangements, and the Board maintains oversight of potential supply chain issues and mitigations.

The Board is mindful of the need for transparency in supply chains and we encourage our companies to build responsible, resilient and sustainable supply chains, see page 84. We have a number of policies in place which our companies must comply with, and we encourage our suppliers to operate in accordance with our own Code of Conduct. The Board annually reviews and approves our Modern Slavery Act statement and we worked with STOP THE TRAFFIK, a UK-based charity which works to disrupt and prevent human trafficking, to map the modern slavery risk within our supply chain, the results of which have been used to identify and mitigate key areas of risk.

Due to our decentralised operating model, our companies work closely with their customers, which fosters close partnerships and promotes open two-way communication and dialogue. Whilst we promote open communication, where any customer or supplier feels the need to report a potential concern in confidence, our established whistleblowing policy extends to both our customers and suppliers and we utilise a third-party whistleblowing service, where any concerns can be raised in confidence and, where permitted by law, anonymously (see page 129). The Board, and where concerns relate to potential financial misconduct or fraud, the Audit Committee, reviews the nature of reports made through the confidential reporting channel to ensure that they are properly investigated under the direction of the Company Secretary.

During the year we invested in our innovation and digital growth programmes to explore new ways of providing value to customers through digital products and we supported our suppliers by encouraging our companies to pay promptly, which we monitor via our payment practices reporting.


## Engagement in action: Fortress Investor site visit

We were delighted to be able hold our first site visit since the pandemic began for investors and analysts at Fortress in the UK in April 2022. The event was attended by approximately 40 external guests, as well as our Executive Board members and other senior leaders.

Fortress is part of our Safety sector and designs and manufactures interlocks to protect life in hazardous working environments, serving customers globally in a variety of markets. Its heritage dates back to 1974 and it became part of the Halma group in 1987, delivering an impressive Compound Annual Growth Rate of 13% over the last five years. Fortress has a strong focus on sustainability and is exemplary in demonstrating Halma's cultural genes and DNA, and delivering our sustainable growth strategy.

The day was hosted by Fortress Managing Director, Jo Smith, and included comments from Group Chief Executive, Andrew Williams, and Safety Sector Chief Executive, Wendy McMillan. The audience were able to hear of the significant opportunities for growth in Fortress' markets and how Fortress is addressing these through its competitive agility, its focused approach to its markets, and its digital strategy.

Interactive breakout sessions were held on Fortress' sustainability strategy, its Safety Services training business, and on how it manages innovation. A tour of the factory floor and manufacturing facilities provided further insights to investors. Wider members of the Fortress workforce were given the opportunity to meet and interact with attendees, including the Executive Board members.

The day was well received by attendees and the Company appreciated the positive feedback that was provided. Presentation materials, alongside a short video were made available to those that were unable to attend the event on our website at www.halma.com.

"Yesterday's event epitomises what to expect from a Halma group company. The Fortress management team are excelling in our view and demonstrated how they continuously find incremental revenue opportunities and improve returns, with ESG at the heart of their strategy."

**Investec**

### Acquisition prospects and business partners

A key aspect of our sustainable growth strategy is through acquisitions and venture partnerships and our companies and sector M&A teams work continuously to build relationships with businesses that could become an acquisition prospect or a strategic business partner. We provide an attractive solution to small and medium sized businesses by providing Growth Enablers which can help take their business to the next level, whilst retaining their autonomy and identity.

Our Executive Board are in dialogue with our business partners and will meet or engage with management at potential acquisition targets as part of the due diligence process. The Board receives regular reports on M&A prospects, which allows for considered discussion and facilitates their decision-making process.

We have continued to develop external partnerships, including making minority investments through our Halma Ventures programme. We also completed 13 acquisitions across our three sectors throughout the year and disposed of one business.

### Society and community

Our purpose of growing a safer, cleaner, healthier future for everyone, every day drives every decision that we make. We have a duty to conduct business in a responsible and sustainable way that aligns with our purpose, our organisational genes and cultural genes, and supports the communities in which we operate.

Climate change and, more broadly, sustainability has been a key focus for the Board this year, with the introduction of the new Listing Rule requirements under Listing Rule 9.8.6R(8). The Board has received updates from our Head of Sustainability on the work undertaken to ensure that we could report against the new requirements, which included additional, externally facilitated, training on the Task Force on Climate-related Financial Disclosures (TCFD) and climate change. We have embedded our Sustainability Framework and Key Sustainability Objectives (see page 74) and have set sustainability targets into remuneration. The Board regularly reviews the Group's portfolio of companies to consider how our businesses and their products align with our purpose.

We have continued to fundraise and provide technology and support on the ground for our second Group-wide charitable campaign, Water for Life, in partnership with the international non-profit organisation WaterAid. Over the last two years, Halma has donated £200,000 to the campaign and, to date, we have also raised more than £125,000, through employee-led efforts, see page 70. In response to the conflict in Ukraine, we supported the humanitarian relief effort in Ukraine by raising and matching employee donations and providing online guides to help support our colleagues. Additionally, during the year, our companies donated more than £200,000 to local charities and causes.

### Investors and debt holders

Shareholders and lenders provide the financial liquidity we require to operate, and are key beneficiaries in the value that we create. As investors in our business, we are committed to transparent and open engagement with them.

We maintain an annual programme of investor publications and key engagement initiatives include investor roadshows, retail investor events, site visits and capital markets days, Annual General Meeting, publication of the full and half year results and publication of our Annual Report and Accounts. Additionally, the Chair is accessible to shareholders and will invite the Company's largest equity shareholders to meet to discuss the annual results and any other significant matters. Following the announcement and subsequent appointment of our new Chair, Dame Louise Makin, in 2021 a series of introductory and follow up meetings were held with our major shareholders throughout the year.

The Head of Investor Relations, Head of Sustainability, the Company Secretary and Group Treasurer maintain an ongoing dialogue with shareholders, investor bodies, financial analysts and our lenders regarding financial, operational, risk and environmental, social and governance issues and provide regular reports to the Board on these interactions.

The Board recognises the value of engaging with all of our investors and gaining a diverse selection of shareholder and stakeholder views from a range of geographies. This year, we have engaged with a wide range of global investors, including those from the UK, the USA, Canada, Australia, Asia and the Middle East, as well as hosting three events focused on private investors and instigating a regular series of meetings for smaller, underserved UK institutions and UK-based private client brokers of both large, small and non-holders.

In total, we have held approximately 200 investor meetings during the year (c.40% with UK investors, c.25% with North American investors, c.20% with Continental European investors, and the remainder with investors outside these regions) and have held approximately 15 meetings with investors to specifically focus on Halma's sustainability plans, providing valuable feedback in shaping our approach. We also held a series of consultations with major shareholders on executive remuneration, see page 134.

During the pandemic, company site visits for analysts and investors were put on hold. However, we were pleased to be able to reinstate these shortly after year end with a site visit to Fortress Safety in Wolverhampton in April 2022, where investors were able to see Halma 'in action'.

We also refinanced our syndicated revolving credit facility shorty after year-end. The new facility remains at £550m, and matures in May 2027, with two one-year extension options. In addition, we completed a new Private Placement issuance of £330m in May 2022, which consists of Sterling, Euro, US Dollar and Swiss Franc tranches and matures in July 2032, with an amortisation profile giving it a seven year average life.

**Jennifer Ward**
Group Talent, Culture and Communications Director

## "Our leaders continued to demonstrate their agility"

Our people are the driving force of our business. They are vital to our continued success and the long-term sustainability of our model. Guided by our purpose and DNA, their commitment to supporting a fairer and sustainable future for all came into even sharper focus this year.

Our leaders continued to demonstrate their agility and resilience, adapting to new ways of working as the impact of the pandemic changed expectations around how we work. They acted quickly and decisively to look after their employees' wellbeing while continuing to serve their customers and make a positive impact on the world through their life-saving technologies. Despite the ongoing economic and human impacts of the pandemic and the Ukrainian crisis, our strong culture and our agile, decentralised model have allowed us to continue to drive a high level of engagement and commitment in our workforce.

### Engaging employees across the globe

Each year we measure employee sentiment through our global engagement survey. In 2022 we continued to have a high response rate of 85% and achieved an engagement score of 76%. Although these were slightly down on the prior year, they continue to show a strong overall performance compared to 2020. We have retained most of the improvements gained since that year, an achievement considering the impacts of COVID-19 on our leaders and their teams. An encouraging trend is that 78% of employees continue to be proud of their company's response to the pandemic. It is also reassuring that in tough times we have been able to sustain our progress on an inclusive work environment where different views and perspectives are valued, and colleagues are treated fairly and with respect. This has seen an improvement of five per cent since 2020, testament to our efforts on Diversity, Equity, and Inclusion (DEI).

Another way we have been engaging our people is through our purpose-driven campaign, Water for Life. This global initiative has seen Halma's technologies and expertise tackling the issue of water accessibility and quality, as well as safeguarding water for vulnerable communities in India. Over the past year, 80% of our companies have been engaged in awareness-raising activities and through fundraising from colleagues globally, we have raised more than £125,000 to date, in addition to the £200,000 already pledged by Halma.

### Building a culture of inclusion & belonging

As a diverse group of more than 7,000 people working in companies across the world, we understand the power of inclusion in helping us deliver our purpose. We have continued to benefit from our DEI initiatives across all levels of the organisation and doubled down on our commitments, setting clear accountabilities for senior leaders and aligning our actions across the company in several areas.

This year we focused on two priorities: gender and ethnicity. In July 2021 Halma appointed its first female Chair, and as at 31 March 2022 women represented 50% and 60% of the Board and Executive Board respectively. In recognition of this effort, we are proud to have been named for the second year as a Best Practice Leader in the European Women on Boards Gender Diversity Index, ranking second highest for absolute share of women in leadership positions among 668 European companies.

The year has also shown marked improvement in our gender balance at other levels in our organisation. 55% of our graduates – Halma Future Leaders – are women. At the company board level, we have seen female representation increase from 22% last year to 26% this year, supporting our target for all our company boards to be within a 40% to 60% gender balanced range by 31 March 2024. We are encouraged by the progress our companies are making in attracting and promoting senior women leaders and challenging biases and stereotypes that limit women's career opportunities. For FY23, the remuneration for our senior leaders will be linked to performance against gender balance at the operating company level as well as the progress towards achieving our energy productivity goals. This change reinforces our commitment to achieving our wider sustainability ambitions, in line with our Key Sustainability Objectives.

Recognising the transparency and accountability that pay gap reporting brings in driving greater equality in our workplace, this year we are once again voluntarily disclosing the gender pay gap for all employees of Halma in the USA and the UK – our two largest regions – as at 31 March 2022. We are pleased to be publishing a mean Gender Pay Gap figure that has reduced to 20% compared to 26% last year.

The existence of a pay gap in our business is primarily a consequence of more men than women holding senior, and therefore higher-paid, roles. However, it is encouraging to see that our commitment to build an inclusive culture in all parts of our organisation is having an impact on helping to reduce the gap as evidenced by the good progress made since last year, which was the first time we published the pay gap figure. Our global programmes aimed at supporting women across different roles, functions, and geographies of our business are already helping and will continue to help reduce the gender pay gap. The nature of the calculation means the gap will fluctuate year on year and while we have made progress compared to the 2021 baseline position, we expect that addressing the gap will take time.

We are committed to doing more to close the gap globally, not just in the UK and the USA. Our global initiatives, such as our Halma Future Leaders Programme, our global parental leave policy and our Future of Work philosophy are already making a difference. Our companies have also used remote and agile working to create more flexibility and opportunities for our people, enabling greater gender parity in caring responsibilities and working patterns.

The introduction of a DEI metric focused on addressing the gender balance at our company leadership team levels is a strong commitment that will not only have a positive impact on female talent recruitment and retention but will also help to close the overall pay gap with more female representation at this level.

The pay gap data provides us with a robust baseline to measure our progress against, and we will also look to publish our ethnicity pay gap in line with our commitment to the Change the Race Ratio campaign. This will be made possible by the rollout of workforce management software next year that will connect all our companies' payroll data and will enable us to do more detailed reporting across a number of different dimensions.

Our focus on improving ethnic diversity is also paying dividends. At Board level, we will continue to meet the Parker Review target this year as well as the Change the Race Ratio target of at least one racially diverse member at the Board and Executive Board level by the end of 2021. Moreover, 20% of our senior leaders and 13% of our Halma Future Leaders are from an ethnically diverse background.

We know we need to do more at every level. We have started to deliver on our commitment of conducting listening sessions to understand the experiences of Black colleagues and celebrating Black leaders and talent in our organisation. In April 2022, we held our first event focused on Black inclusion with leaders across the business. Having an honest dialogue about our differences is one of the ways we are empowering change and accountability across the organisation.

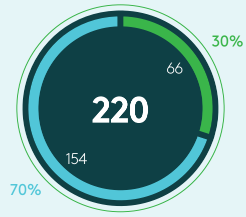
We are encouraged to see a growing focus on DEI across all dimensions and nurturing belonging for people of all backgrounds. An example of this is Belgium-based Limotec which is sponsoring disability inclusion see page 64. This, along with other examples, is testament to the culture of inclusion Halma aspires for all its businesses.

## Our Diversity

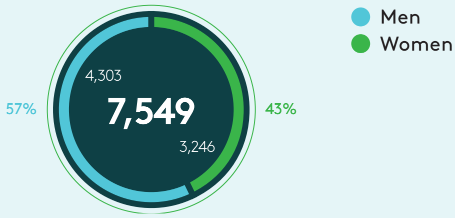
Figures at 31 March 2022

**Board of Directors[1]**

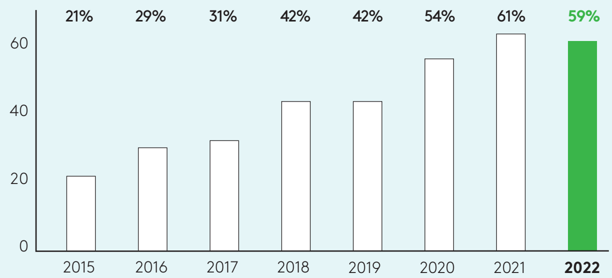

**Senior Management[2]**



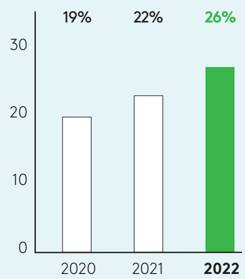

**Other employees**



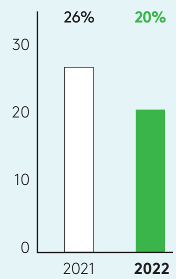

**% Women on plc and Executive Boards**




**% Women on company boards**




**Gender Pay Gap[3]**




1 Includes non-executive Directors
2 Defined as Executive Board members who are not appointed to the Halma plc Board, Divisional Chief Executives and Directors of our companies.
3 Mean Gender Pay Gap for all US and UK employees


## Water for Life: a collective fundraising effort

Over 5,000 employees from across our companies have engaged with our global campaign Water for Life in partnership with WaterAid. Together they have built awareness of the importance of water quality while raising funds to provide access to clean water to people in northern India. Despite the challenges of the pandemic, the companies have come up with creative and fun ways to engage their employees and raise funds.

Medicel, based in Switzerland, challenged its people to bike to work, setting a 2,500km target which represented the distance to Halma's offices in Amersham, UK. The team surpassed this, cycling over 3,300km and raising over CHF 1,400. SunTech created a museum of water-related objects in their office in North Carolina. Firetrace, based in Arizona, US, held a bean-bag tossing event, which helped raise money and provided a great team-building experience.

It is not just led by companies though. Chloe Hunter and Kiera Bennett (pictured left) from Minicam Group, challenged themselves to skydive from 15,000ft and raised nearly £600 in sponsorship.

Through our people's collective efforts we have raised £125,000 so far, on top of the £200,000 already pledged by Halma, and we are aiming to reach £400,000 in total by the end of 2022.

### Health and safety

Looking after our people so that they can thrive and help Halma be successful and achieve its purpose, is fundamental to our business. The Group's Accident Frequency Rate for the year was 0.09. While it is relatively low, it is higher than last year and we continue to promote a culture where all accidents are preventable and should be avoided. There were no work-related fatalities in FY22 or in prior years and details of recorded injuries during the year and the prior four years in are the graphs opposite.

### Fostering employee wellbeing

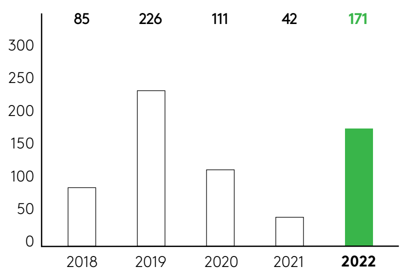
We want to enable our people to perform at their best. We know our employees can only play a full part at work and in the communities in which they live if they feel safe, healthy and fulfilled.

As we enter the third year of the pandemic, a new employment contract has emerged with employees prioritising wellbeing and sustainability. Halma's purpose to grow a safer, cleaner, healthier future for everyone, every day puts us in a good position to deliver against these rising expectations and needs.

During Mental Health Awareness Week in May 2021, we piloted a new peer-learning programme, equipping nearly 200 managers with the tools and resources to support positive mental health in the workplace and to recognise when those around them may need help. We also launched a Wellbeing & Inclusion community on Halma Hub, our internal collaboration and learning platform, with resources on mental health, managing anxiety, and mindfulness. There have been more than 4,900 learning events to date with nearly 900 employees engaging with the resources.

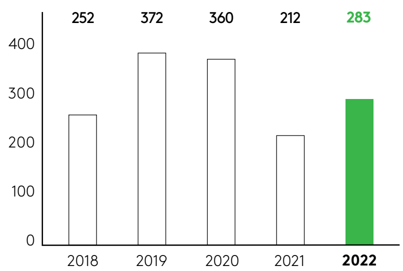
**Days lost to preventable work injuries***

**171**




**Total recorded injuries to all employees**

**283**




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

In more recent months, we have seen with growing concern the unfolding humanitarian crisis in Ukraine. As a group of life-saving technology companies, we are driven by a clear purpose. At the core of this is a deep respect for human rights. In response to the crisis, we are supporting our employees' wellbeing and contributing to the aid effort. This has included matching employee donations to the International Committee of the Red Cross and providing online guides on how to support colleagues with empathy and compassion. We also expanded our Employee Assistance Programme to our employees in the European Union which offers a safe and confidential space for staff to speak to specialists to tackle workplace mental health issues, at no cost.

**Talent development and professional growth**

Developing our people and equipping our leaders with the skills to manage and lead high-performing, inclusive teams is a priority. During the year we focused on designing new programmes, blending face-to-face and online learning. We resumed in-person programmes, attended by more than 80 leaders, and reached 800 employees through 4,250 online courses during the year. To prepare employees to take on company board roles, we launched a new programme for high-potential talent. Furthermore, we ran a new facilitated inclusive leadership training for all our senior leaders to help them understand the major challenges to inclusion and become active advocates for others.

Our future success depends on investing in talented people. It is a core part of Halma's DNA and this year we saw this brought to life. Our Halma Future Leaders Programme (HFL) aims to see graduates on one of our company boards within seven years of joining the programme. At 31 March 2022, there were 11 former HFLs sitting on company boards. In December 2021 we saw our first appointment of an HFL alumni as the Managing Director of Netherlands-based Sofis. Reflecting the strong pipeline of talent we have within Halma, and our commitment to develop our talent, we promoted three Divisional Chief Executives (DCE) to Sector Chief Executive roles – two of whom are women. We also promoted two former company Managing Directors to DCE.

Although it has been another challenging year for everyone, our people have once again lived the purpose and brought to life Halma's DNA. They have responded with agility and integrity, looking after each other, their customers and their suppliers. I would like to thank them all for their continued dedication, hard work and commitment in everything they do.



## Opening the conversation about Black inclusion

**It takes all of us working together to accelerate racial diversity in business. This year we hosted a candid discussion about the realities of racism and structural inequalities that the Black community faces.**

The panel discussion, called "Black Inclusion Matters", was held in April 2022 in Florida, and brought together a number of Halma leaders who shared their stories about Black inclusion and the challenges they still face. The discussion was recorded and shared with all company boards to encourage every leader to think differently about how they can contribute to building inclusive businesses for everyone, and help increase representation of Black talent across all our companies.

# Diversity, Equity & Inclusion

**Why is Diversity, Equity & Inclusion important to Halma?**
Diversity, Equity & Inclusion (DEI) significantly benefits the global economy and creates a fairer future for everyone, every day. At Halma, we believe that building inclusive businesses is not only the right thing to do but is fundamental to achieving our purpose. We know that diverse teams perform better and will ensure our businesses can thrive and be sustainable in the long term. This is why we have made DEI one of our key sustainability objectives, alongside Climate Change and the Circular Economy.

**Relevant SDGs**


**Key goals**
— All Halma company boards to be within a 40 – 60% gender balance range by 31 March 2024

**Our approach**
Halma is a diverse group of businesses. Our companies are based all over the world, from US to China to Australia, with customers in over 100 countries. They range from hi-tech software companies to hardware companies, working in different sectors and serving many different markets. They each have a unique culture and bring their own perspectives to enable them to be the best they can be.

In addition to this geographic diversity, we recognise that we need to make progress to build more inclusive businesses, where people from all backgrounds feel like they can belong. We have made good progress on gender diversity at the Halma leadership level over the past few years, and our plc Board and Executive Board are now 50% and 67% women respectively. At the company board level we have also seen female representation increase from 22% to 26% this year in line with our target. As an example, see how CenTrak, page 97, is increasing the diversity of its board.

We are committed to increasing racial and ethnic diversity in our senior leadership and also throughout our organisation. In March 2022, the Board updated its Diversity Policy to commit to maintaining at least two ethnically diverse Directors on the Board, which goes beyond the target recommended by the Parker Review.

We are also a signatory to Change the Race Ratio, a campaign set up by senior business leaders in the UK to accelerate racial diversity on company boards. At the Group level, we have met the first commitment recommended by Change the Race Ratio of at least one racially diverse Board member by the end of 2021. We have also taken action at the Executive Board level, with one racially diverse Executive team member joining in September 2020. At the next level down our goal is to have improvement year on year by insisting on more diverse candidate lists for open roles. We have increased the number of senior leaders (plc, Executive and Divisional Chief Executive) who are from an ethnic diverse background from 16% at the end of March 2021 to 20% at the end of March 2022. We have also held our first listening session focused on Black Inclusion, which you can read more about on page 73. Recognising the importance of data transparency, in the coming year, we will look to publish our ethnicity pay gap. This will be made possible by the rollout of workforce management software enabling us to do more detailed and robust reporting.

Our approach to diversity, equity and inclusion will continue to evolve as we support our companies to become more inclusive. We are constantly looking at new ways to enable our companies to diversify their recruitment, broaden their hiring practices and embed benefits such as flexible working and parental leave to attract a more diverse range of talent.

**Targets**
We have set our companies the target of achieving gender balance on their boards between 40 – 60% by the end of March 2024.

Our companies are also setting their own diversity, equity and inclusion targets within their KSO Action Plans. We are aware that this is a journey, and we will continue to prioritise and support increasing our gender and ethnic diversity on all leadership teams across the Group.

26%

**company board members are women (FY21: 22%)**

## Key FY22 activities

### Group support

We know that diversity, equity and inclusion require active leadership and commitment from all levels of the organisation. To enable this, senior leaders participated in a four-month leadership programme to support them in building inclusive leadership skills.

We have also provided a global parental leave programme for all companies in the Group, supporting new parents irrespective of gender or sexual orientation.

A new Future of Work philosophy supporting flexible working and less travel has been introduced. We have encouraged our companies to develop their own version to support their people and provide a more flexible working environment as new ways of working continue to evolve.

We organised our first open and honest dialogue about Black inclusion. This panel event brought together a diverse group to discuss issues around Black representation in our businesses, and how we can start to work together to acknowledge the barriers and start to overcome them. The conversation was shared with all company boards to watch and then discuss what actions they pledge to take as a team.

### Company initiatives

Many of our companies are already taking action or setting goals around our Diversity, Equity and Inclusion KSO.

Apollo is providing new Talent Acquisition training material to leaders, with information on diversity and unconscious bias. The company is also ensuring that recruiting agencies do not share candidate salaries with them, to help prevent the perpetuation of lower female salaries as women change jobs.

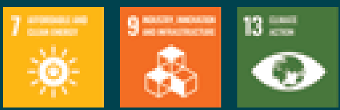
Fortress has introduced a new four-day week shift pattern for its shop floor workers. This has resulted in record numbers of applicants for these shifts from more diverse backgrounds, as employees enjoy the benefit of greater flexibility and better work-life balance.

# Climate Change

### Why is Climate Change important to Halma?

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

### Relevant SDGs



### Key goals

- Scope 1 & 2:
  - Net Zero[1] by 2040
  - Reduce emissions by at least 42% by 2030 from 2020 baseline[2] (aligned with 1.5 degree trajectory)
- Scope 3: understanding our baselines

### Our approach and transition plan

| Products, services and future growth | Reducing our own emissions | |
|---|---|---|
| | **Scope 1 & 2** | **Scope 3** |
| Efforts to address climate change are long-term growth drivers for Halma.<br><br>*We're empowering our companies to pursue opportunities to contribute to the Net Zero transition and support adaptation efforts.* | These emissions are under our direct control and are a small portion of our total footprint.<br><br>*We've got targets in place to reduce emissions and reach Net Zero.* | These emissions are not under our direct control and contribute most of our total footprint.<br><br>*We're currently estimating our baseline to set appropriate targets.* |

### Products, services and future growth

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

As a group of companies operating in varied market niches, there are many ways in which our companies can address this growth driver. Some illustrative, but not exhaustive, examples are set out in the following table. Many companies may take more than one of these approaches.

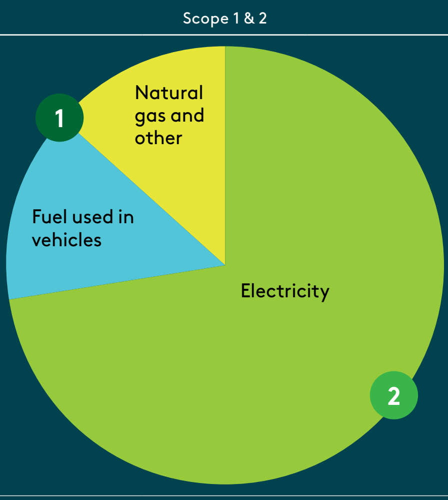
In line with our business model, we enable our companies to respond to climate-driven opportunities in their markets in an agile, entrepreneurial way.

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

Read more about our climate-related opportunities, risks, and responses, in our TCFD disclosures on pages 89 to 95.

## Reducing our own emissions – Scope 1 & 2
### Our targets and progress

Key emission sources (FY20 baseline)




| | | | |
|---|---|---|---|
| **Key target** | Net Zero[1] by 2040 | | |
| **Key milestones** | Science-based target: reduce emissions 42% by 2030[2] | Achieve 80% renewable electricity by 2025 | At least 4% annual energy productivity improvements[4] |
| **FY22 performance** | 35% reduction | 42% renewable electricity | N/A[5] |
| **Our progress assessment** | On track | On track | N/A |

Full details on how we define and calculate our targets, our baseline, and our year-on-year performance, are shown in our TCFD disclosures on pages 89 to 95.

Our Net Zero, interim 2030 and renewable electricity targets are aligned with guidance from the Science-based Targets Institute (SBTi). We will reach Net Zero by reducing emissions as much as is feasible before using carbon removal instruments, and our 2030 target is an absolute measure aligned with the non-sector specific 1.5-degree emissions pathway[3]. We have also introduced a target to achieve at least 4% annual energy productivity improvements[4] which is reflected in executive remuneration from FY23 (see page 135 of our Remuneration Committee Report).

Our progress towards our Science-based Scope 1 & 2 target since FY20 reflects significantly increased renewable electricity purchases, particularly among some of our US-based companies who are among our highest energy consumers. It also reflects lower business travel than prior to the pandemic, ongoing energy efficiency measures, and improvements in our companies' operations.

During FY22, approximately 43%[6] (FY21: 35%[6]) of our UK electricity and gas consumption was from REGO-certified renewable tariffs or on-site generation. This reflects progress made towards the ambition we set in FY20 to move all our UK sites to REGO-certified renewable electricity and gas by the end of calendar year 2022 as well as the phasing of new renewable contracts and the impact of UK-based acquisitions and disposals.

# 42%
Renewable electricity[6]
FY21: 15%

# 35%
Reduction in Scope 1 & 2 emissions from our baseline

1 Market-based calculation of Scope 2 emissions. Please see text below the table on page 77 for information on how we define Net Zero.
2 From FY20 baseline, market-based calculation of Scope 2 emissions.
3 This target has not been verified, as SBTi verification requires our target to include Scope 3. More information on our progress towards setting Scope 3 targets is on the next page, and more information on how we will use carbon removal instruments is on page 83 of the Sustainability Report.
4 Revenue/energy consumed. Given limited historic data, this target was set using the EP100 initiative minimum commitment and will be reviewed on an ongoing basis to ensure it remains stretching.
5 We will report on this newly-set target in FY23.
6 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 the current period.

### Our key levers to reach Scope 1 & 2 Net Zero by 2040

Our Scope 1 & 2 emissions profile is fairly simple, consisting of three key emission sources as shown on the previous page. At approximately 18 $ktCO_2e$ in our FY20 baseline year, our emissions are relatively small compared to the FTSE 100 average.

Our companies are setting their own targets and actions over the next months as part of their KSO Action Plans, and our strong organic and inorganic growth means that the Group is likely to be differently constituted by 2030 and 2040.

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

Group:

- Governance, resources, support, sharing platforms, challenge
- At 2040 and thereafter, counterbalance any residual emissions with carbon removal instruments (after emission reductions to as close to zero as possible)

Companies:

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

We currently don't expect that we will need to make significant capex or opex investments over the short-medium term to meet our Scope 1 & 2 goals. We expect the largest challenges to our Scope 1 & 2 decarbonisation plan to arise from:

- The fact that most of our premises are leased rather than owned
- Contracts and suppliers managed at the individual company level

More information on our key levers, including our renewable electricity strategy and our approach to offsets, are included on pages 82 to 83 of our Sustainability section.

### Key FY22 activities

Our progress this year has been driven by on-going and new company-led initiatives. These have been supported by improving awareness, engagement and education through our Sustainability Network and Climate Change Working Group, as well as the companies' focus on creating their KSO Action Plans.

These initiatives include renewable electricity purchases and various energy efficiency and operational improvement initiatives. For example, one of our largest companies completed their transition to a 100% electric forklift fleet. Increasing company demand for clean energy has driven our renewable electricity to 42%[6] from 15%[6] in the prior year.

## Reducing our own emissions – Scope 3

### Our targets and progress

| | Scope 3 |
|---|---|
| **Key emission sources (FY20 baseline)** | Currently expected to be supply chain (including transportation), and potentially, depending on the outcome of further analysis and estimation, emissions in use. |
| **Key commitment** | We recognise the need to work towards Net Zero across our entire value chain. |
| **Key milestones** | Complete estimated baseline during FY23 and subsequently set appropriate long term and interim targets. |
| **FY22 performance** | Initial estimation exercise completed. Next steps include estimating in-use emissions and ensuring the estimated baseline is appropriately robust for disclosure. |
| **Our progress assessment** | We are continuing to develop comprehensive data to complete our Scope 3 footprint baseline. |

We have reported Scope 3 data on air travel, business travel, waste and energy-related emissions for a number of years (as shown on page 86 of the Sustainability section). During FY22, we carried out an exercise to estimate our baseline FY20 emissions for the remaining relevant Scope 3 categories.

This exercise requires more time, due to the diversity of the Group's products and services, end markets, use cases, and supply chains.

As expected, our work so far indicates that purchased goods and services, including transport, is a significant emissions category. Except for emissions from the use of our products, which requires more work to quantify, no other emission categories appear to be significant when compared to purchased goods and services.

Our next steps are to:

- Carry out further work to quantify in-use emissions and prepare for disclosures.
- Investigate appropriate Net Zero/interim Scope 3 targets and action plans.

### Key FY22 activities

Many of our companies have already started tackling their Scope 3 emissions.

For example, a number of our companies are aiming to reduce transportation and supply chain emissions by incorporating different materials into their products. Several of our companies are considering how components can be near-sourced or packaging revised to reduce transport emissions.

We have introduced a new Group-wide company car policy that incentivises electric vehicle purchases by companies and employees. Many companies are beginning to install electric vehicle chargers to encourage reductions in employee commuting and business travel emissions, alongside initiatives such as cycle to work schemes.

# Circular Economy

## Why is Circular Economy important to Halma?

The majority of our negative impacts arise within our wider value chain, and are often embedded in the design of our products and services. Introducing circular economy principles to improve how we operate, design and produce products allows us to reduce negative impact and open up opportunities for further purpose-aligned growth.

## Relevant SDGs

## Our approach

| Individual company KSO Action Plans | Support from Group |
|---|---|
| Diverse goals, targets and approaches to transitioning to more circular practices | Resources, education, tools, direction, support, sharing platforms |

Collectively, our approximately 45 companies provide a diverse set of products and services into a wide variety of markets. Our products range from long-life, low-volume diagnostic and environmental sensing assets, through customised products and high-volume fire and other detectors, to single-use medical devices and pressure management bursting discs.

Our companies are generally involved in the final stages of manufacturing and assembly of products. Therefore, a large proportion of our environmental and social impacts are embedded in our supply chains. These can be difficult to tackle through direct supply chain engagement, in part because our companies tend to be relatively small compared to their suppliers and customers and are often many steps removed from the impacts deeper within their supply chains.

**55%**

**Recycled e-waste**
**(FY21: 50%)**

In addition, impacts such as emissions, waste and plastics can be embedded in the design of our products. Our focus on the circular economy therefore helps us to address these impacts.

Our diversity means that our approach to circular economy will be equally broad and encompassing, with each of our companies utilising different principles and selecting different priority areas to suit their contexts.

## Targets

Our companies are setting their own circular economy goals within their KSO Action Plans. We therefore expect to develop Group-level targets where relevant after identifying common themes and ambitions within the KSO Action Plans. We will also challenge the level of ambition as part of this process where necessary.

## Key FY22 activities

### Group support

To support our companies to develop their KSO Action Plans, we provided education on relevant circular economy principles and how these could apply in Halma businesses, and encouraged them to start considering waste, packaging, product design and collaboration with suppliers and customers.

We've also enabled companies to collaborate and share questions and successes through the Sustainability Network and a Circular Economy Working Group. Recognising that traditional life cycle analysis may not be a good fit for many of our small companies and diverse products, we are investigating whether simple, decision useful product life cycle analysis tools may exist that could be used across our companies, alongside our work to develop Scope 3 baselines.

### Company initiatives

Many of our companies are already taking action around our Circular Economy KSO. Examples include:

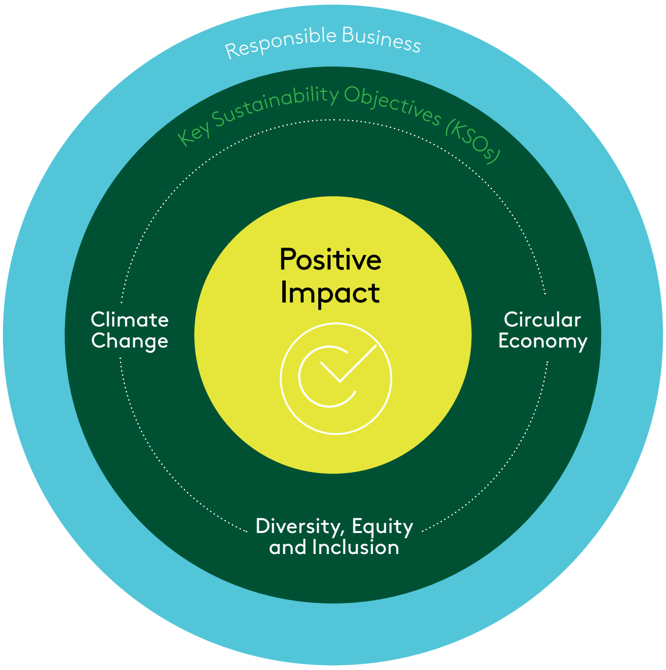
| Waste & packaging | Products |
|---|---|
| Several companies have purchased cardboard shredders to convert incoming packaging waste into onwards packaging material to replace bubble wrap.<br><br>Some companies are targeting moving to 100% recycled packaging material.<br><br>Others are experimenting with different packaging design to reduce single use plastic waste.<br><br>One of our companies shared detailed waste audit tutorials, helping other companies identify and assess their key waste streams. | Embodying the Halma DNA and entrepreneurial spirit, several technical directors from across Halma companies have formed a group to investigate how to incorporate circular economy principles into new product design processes.<br><br>Alongside this, a number of companies are already working towards incorporating recycled and recyclable materials into their product designs.<br><br>Please see the case study on page 82 for another example from our company Cosasco. |

## Our approach to sustainability

### Amplifying our positive impact from purpose-aligned growth

Our purpose drives every business decision we make. It is at the heart of our Sustainable Growth Model, in which the value we create comes from the combination of our growth, returns and our positive impact.

We primarily increase our positive impact through continued purpose-aligned growth, as illustrated by our example positive impact metrics on page 85, the case studies on pages 64 to 65, and at www.halma.com/our-impact. We use our Sustainability Framework to amplify this positive impact and reduce the negative impact from creating and delivering our products and services.




## Our Sustainability Framework

Our Group is made up of around 45 autonomous mostly small-to medium-sized companies. We recognised that we needed to help our companies prioritise the time and resources they were spending on sustainability. Therefore, we introduced our Sustainability Framework in 2021.

### Our Key Sustainability Objectives

Our Sustainability Framework prioritises our three Key Sustainability Objectives (KSOs) – Diversity, Equity and Inclusion, Climate Change, and Circular Economy. These are the sustainability areas which are highly aligned to our purpose, where we can deliver the largest reduction in negative impact or the greatest amplification of positive impact, and which are most important and relevant to our internal and external stakeholders.

Our three KSO topics were chosen in 2021 following an initial, informal assessment of the strategic materiality of various sustainability-related issues and impacts arising in our wider value chain and across our companies. More details on the process we undertook is available at www.halma.com.

This informal assessment recognised that our environmental impacts (including energy and water usage, emissions to air and water, and waste production) within our operations are relatively low compared to other manufacturers. This is due to our fairly low capital-intensity manufacturing processes and operations that tend to be geographically close to our end markets. However, the environmental impacts within our wider value chain are likely to be significantly larger, leading to our focus on circular economy and Scope 3 GHG emissions.

By setting ambitious objectives and stretching targets for these KSOs, we can significantly amplify the positive impact that comes from our purpose-aligned growth. We set out details of our current targets and our progress during the year for each KSO within this Annual Report, as shown in the diagram below. We will disclose additional targets as our approach matures and evolves.

Diversity, Equity and Inclusion

see pages 74 to 75

Climate Change

see pages 76 to 78

Circular Economy

see page 79

### Responsible Business

These KSOs are supported by the policies and metrics that we consider essential to responsible business conduct, which are outlined on pages 82 to 84.

The Responsible Business section of our Sustainability Framework covers issues which relate to other areas of corporate social responsibility, compliance, or risk reduction.

We expect these areas to be of lower materiality or be material but already well managed by our companies compared to our KSOs. As a result, while we will continue to develop and maintain compliance against appropriate policies, procedures and standards, and to report our progress where relevant, we do not expect to develop ambitious targets in these areas.

### Sustainability governance and execution

At the start of FY23, our Group-level sustainability governance structure is as follows:

- Our Board is responsible for guiding and approving our Sustainable Growth Model, which includes consideration of sustainability issues and oversight of climate-related risks and opportunities. Please see pages 113 and 117 in The Board's application of the UK Corporate Governance Code Principles section for details on how the Board considered sustainability issues during the year.
- The Board delegates operational accountability and leadership of our Sustainable Growth Model, including delivering on our sustainability agenda, to the Group Chief Executive.
- Sustainability is led by our Group General Counsel & Chief Sustainability Officer, who has principal responsibility for our sustainability activities and policy. She is a member of the Executive Board and a standing invitee at the Board.
- Our Group General Counsel & Chief Sustainability Officer chairs the Sustainability Management Committee (SMC). The SMC is a cross-functional team of Group and Sector representatives which provide direction and oversight of our sustainability initiatives and implementation of our Sustainability Framework.

Please see our TCFD disclosures on pages 89 to 95 for further information on our specific climate-related governance structures.

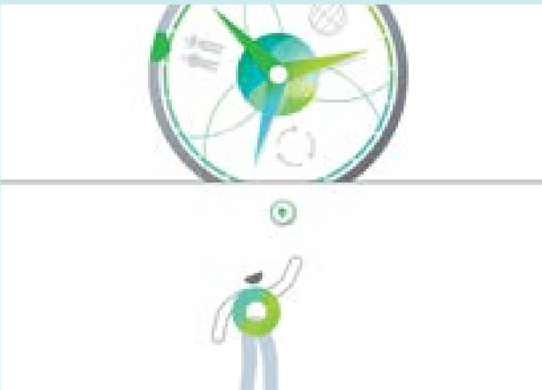
We have a highly decentralised business model that places our operational resources close to our customers through locally-managed, autonomous companies. Our approach to sustainability across the wider group aligns with this decentralised business model.

Each of our companies has a local board member who is responsible for sustainability and for developing their company's "KSO Action Plan". The KSO Action Plans will outline each company's objectives and goals for each KSO, within the context of the Group's overall goals and ambitions. These KSO Action Plans will be integrated into each company's strategic plan going forward.

At a Group level, we provide sustainability resources illustrating best practice and a range of sharing platforms and external sources of inspiration to support the companies in delivering their strategic plans. These include our Sustainability Network, chaired by one of our Divisional Chief Executives (DCEs), which brings together the local board members to share ideas and best practice.

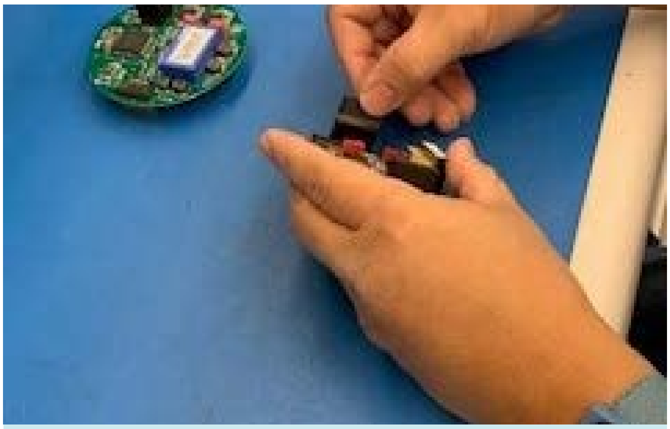
### Sustainability-linked remuneration

Halma's purpose and DNA, as well as our focus on long-term sustainable growth, underpin our approach to sustainability and provide motivation and incentive for our companies' leadership teams to achieve their KSO-related goals. In addition, from FY23, progress towards two of our KSOs – Climate Change and DEI – is reflected in executive remuneration. More details are available in the Remuneration Committee Report on page 135.



## Bringing our Key Sustainability Objectives to life for our companies

**This year, we produced an animation for our companies, explaining our KSOs and encouraging them to set ambitious goals and engage with their workforce on these topics.**



## Increasing repair rates

**Each of our companies will apply circular economy principles to their products and processes in a way that makes sense for their context. A small but creative example is from Cosasco, one of our US-based safety businesses.**

Cosasco receives a small number of bespoke electronics boards from customers for rework each month. Prior practice had been to dispose of these and send out new boards.

Considering circular economy principles, Cosasco asked their technicians to spend 15 to 30 minutes attempting to repair the boards instead. The technicians are able to repair two thirds of the boards and harvest components for re-use from boards that cannot be fixed.

The cost of their labour and parts is approximately half of the total cost of sending out new boards. As well as the waste and cost savings, the process has led to development and engineering improvements that have improved quality and reduced the number of boards needing to be reworked.

## Responsible Business

### Environment

We encourage our companies and their suppliers to improve energy productivity, reduce water consumption, waste and emissions and, in terms of materials, to reduce or make more efficient use of them. Focusing on our Key Sustainability Objectives (KSOs) will help us limit our key environmental impacts including energy consumption, GHG emissions and hazardous and other waste production.

All Group companies are encouraged to undertake an ISO 14001 environmental management accreditation, where warranted. For the year to 31 March 2022, based on available data reported by our companies, we estimate that approximately 17% of the Group's sites, contributing approximately 22% of revenue, were covered by an ISO 14001 accreditation.

### Climate Change

Pages 76 to 78 of our Climate Change Key Sustainability Objective section and our TCFD disclosures on pages 89 to 95 set out our approach to climate change, including risks, opportunities and our progress on estimating our Scope 3 emissions. Pages 77 to 78 set out our Scope 1 & 2 key emission sources, targets and milestones, and the key levers (at a company level and at the Group level) that we intend to use to reach these targets and milestones before 2030 and before 2040. Pages 86 to 87 set out our detailed emission reporting.

This section contains additional detail on some of the key Scope 1 & 2 levers that are relevant to investors. As set out on page 78, these key levers include:

- Improving energy productivity
- Purchasing and generating renewable electricity
- Moving majority of vehicle fleet to zero-carbon
- "Electrifying everything" and pursuing low/zero carbon heating

***Renewable electricity strategy***

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

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

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

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

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

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

**Water**
Water conservation is a key issue for some of our stakeholders. We have a two-year partnership with WaterAid to provide funds and raise awareness around access to water, sanitation and hygiene (see the box on this page and on page 72 for more information).

However, our water usage is not a material environmental impact for Halma, and overall we have low levels of water withdrawals compared to peers. In addition, while we have limited visibility over water consumption within our supply chain, we believe that taking actions towards our Circular Economy KSO will reduce this over time. There are already various water-conservation procedures and activities in place at a number of companies, including measures such as installing water efficient taps and low-flow toilets, monitoring water usage and setting usage targets.

In the prior year, we identified 17 and 25 sites which operate in areas of 'extremely high (>80%)' or 'high (40-80%)' baseline water stress, respectively, according to the World Resources Institute's Water Aqueduct water risk atlas tool. Sites were defined as manufacturing, testing or R&D sites, or Hubs and Group Head Offices employing more than 50 people. Following a period of focus on introducing our KSOs during FY22, we are requesting these sites to carry out a WWF Water Risk Filter assessment during FY23. The companies will be requested to include a water management plan within their KSO Action Plan on a voluntary or mandatory basis depending on the result of this company-level impact and risk assessment.

**Society**
Our positive role in society is underpinned by our DNA, and by specific policies and initiatives that are outlined in the Our policies and procedures section on pages 103 to 104. We have identified Diversity, Equity and Inclusion as a key societal issue in which Halma can have a strong positive impact, and our progress on this Key Sustainability Objective is outlined on pages 74 to 75 and on page 124 of the Nomination Committee Report. Our positive role in society is also supported by our work towards building responsible, resilient and sustainable supply chains, as outlined further on the following page.


Credit: WaterAid/Anindito Mukherjee

## Ensuring safe water for the world's most vulnerable communities

**Through our Water for Life campaign, in partnership with WaterAid, we are helping to raise awareness of the global challenge of bringing clean water to some of the 2.2 billion people without access to safe supplies.**

The two-year campaign, now in its final year, is focused on providing safe and clean water to people living in vulnerable communities in northern India, where much of the groundwater is contaminated with arsenic.

Our water-testing technologies and support on the ground is providing a reliable source of safe water for thousands of people. Halma company Palintest is at the forefront of this effort, already enabling nearly 500 drinking water sources to be tested for a number of dangerous contaminants. The company is supplying a further 18,000 arsenic tests to protect villagers like 62-year-old Devanti Devi (pictured), who lives in India's infamous "Arsenic Belt", where high levels of arsenic in the groundwater are poisoning the local population.

**Product quality and safety**
Our operating companies have a strong focus on product quality and safety. Given the significant diversity of types of products and end markets, responsibility for complying with relevant product safety and quality requirements and obtaining relevant accreditations and certifications sits with the local, legally constituted company boards. The Group Chief Executive's review on pages 14 to 19 gives an overview of how our companies have managed risks associated with supply chain challenges during the year.

For the year to 31 March 2022, based on available data reported by our companies, we estimate that approximately 60% of the Group's sites, contributing approximately 70% of revenue, were covered by an ISO 9001 quality management accreditation.

**Suppliers**
Our manufacturing model is decentralised and allows us to operate close to our suppliers, which helps to mitigate various risks within our supply chain. We encourage our companies to build responsible, resilient and sustainable supply chains, and we expect our suppliers to endeavour to reduce environmental impacts where relevant, including reducing energy use, GHG emissions, pollutants to water and air, and water usage, and to consider reuse and recycling of resources consumed by their businesses. These expectations are included in our Environmental Commitment Statement that is available on our website at www.halma.com.

We encourage our suppliers to operate with the high ethical standards that are set out in our Code of Conduct, and set standards for our suppliers, which include requiring all suppliers who contract on our standard business terms to comply with anti-corruption, anti-bribery and anti-slavery laws (including the Modern Slavery Act).

During the year, we purchased a Group-wide license that enables our companies to onboard their suppliers onto EcoVadis, a leading sustainability rating and engagement platform. EcoVadis ratings can help our companies measure their key suppliers' performance across a wide range of metrics and identify ways that they can champion positive activities, collaborate to improve performance, reduce emissions, and benefit wider society.

We are piloting the EcoVadis platform with several of our companies and our approach is currently based on voluntary participation by our companies and their suppliers. We intend to use the learnings created by this pilot to encourage additional companies across the Group to onboard their key suppliers.

As we continue our work around assessing Scope 3 emissions linked to our supply chain, our companies may also look to survey our key suppliers, request them to submit primary data, and work with them where appropriate to help reduce their emissions.

**Modern slavery**
Each of our company boards is responsible for managing modern slavery risk within their own operations and supply chains and may take varying approaches, such as supplier due diligence, questionnaires and the use of terms and conditions, according to their specific circumstances. For example, BEA, one of our largest companies, visits and audits key suppliers, with whom they have ongoing business, between every four months and two years depending on total spend, to review working and labour conditions and worker safety.

As outlined above, we expect that the EcoVadis platform rollout will give additional support over time, particularly to our smaller companies, as they continue to manage modern slavery risks going forward. Within the EcoVadis labour and human rights theme, suppliers are assessed against all aspects of their treatment of their people – including a requirement to provide evidence of how they guard against modern slavery.

Additional information, including a link to our Modern Slavery Act Statement with more information on our modern slavery risk assessment and approach, can be found in the Our policies and procedures section on pages 103 to 104 and on www.halma.com.

**Conflict minerals**
We recognise that conflict minerals are a significant issue for the electronics industry as a whole.

Our companies are responsible for managing their own supply chains, which includes complying with conflict mineral due diligence requests from their customers where applicable, supported by Group guidance to do so. A number of our companies already confirm that their supply chains are conflict mineral-free, including a number of our largest companies. Historically, we have not collated data on these policies or procedures centrally.

## Example positive impact metrics

These metrics give some examples of the positive impact we deliver through our products and services, particularly where we contribute towards one of our four highly-aligned UN Sustainable Development Goals (SDGs) (SDG 3 *Good health & well-being*, SDG 6 *Clean water & sanitation*, SDG 9 *Industry, innovation & infrastructure* & SDG 11 *Sustainable cities & communities*), or our Key Sustainability Objective-related themes of climate change and circular economy. These metrics are approximate estimates and do not reflect associated negative impacts that are discussed throughout this report.

| Our impact[2] | | Applicable SDGs |
|---|---|---|
| **Broad revenue alignment with highly-aligned SDGs** | Approximately **two-thirds** of our revenue continued to contribute towards the broad aims of four SDGs that are highly aligned to our purpose and our products and services.[1] | 3 Good health and well-being; 6 Clean water and sanitation; 9 Industry, innovation and infrastructure; 11 Sustainable cities and communities |
| **Providing diagnostics and monitoring** | We supply more than **1 million** diagnostic products per year, for blood pressure monitoring, ophthalmology, and other vital signs monitoring. | 3 Good health and well-being<br>TARGET 3.4 |
| **Helping improve health outcomes** | Our products support more than **7 million** surgeries per annum, including those to treat preventable blindness. | 3 Good health and well-being<br>TARGET 3.4 |
| **Making roads safer** | We make roads safer, with our road safety technology being used on more than **3,000km** of highways. | 3 Good health and well-being<br>TARGET 3.6 |
| **Conserving water** | Our products are used to monitor more than **110,000km** of water pipelines. With UK water pipeline leakage estimated at around 8,500 litres per kilometre per day[3], our products help conserve **billions** of litres of water per year. | 6 Clean water and sanitation; 13 Climate action<br>TARGET 6.4 GOAL 13 |
| **Making water safer** | We enable over **200 million** water tests and supply more than **5 million** water quality tests to partners working in international relief and development annually. | 6 Clean water and sanitation; 3 Good health and well-being; 11 Sustainable cities and communities<br>TARGET 6.1 TARGET 3.9 TARGET 11.5 |
| **Ensuring urban environments and public spaces are safer** | Our fire detection products protect buildings with an aggregate area of more than **5,000** square kilometres. | 11 Sustainable cities and communities; 8 Decent work and economic growth<br>GOAL 11 TARGET 8.8 |
| **Protecting lives** | Our gas sensor products protect the safety of more than **250,000** people every day. | 11 Sustainable cities and communities; 8 Decent work and economic growth<br>GOAL 11 TARGET 8.8 |
| **Keeping workers safe** | Our interlock products protect workers' safety in more than **40,000** manufacturing and other facilities. | 8 Decent work and economic growth<br>TARGET 8.8 |
| **Supporting the energy transition** | We protect more than **10,000** wind turbines by supplying over 23,000 fire suppression systems. | 7 Affordable and clean energy<br>TARGET 7.2 |
| **Delivering value to society through cataract surgery** | More than **£600m** per annum of estimated economic value attributable to our cataract surgery technology.[4] | 3 Good health and well-being<br>TARGET 3.4 |
| **Supporting mothers and babies** | We monitor more than **500,000** births per year, helping caregivers identify and manage trends that could be dangerous to mother and baby during childbirth. | 3 Good health and well-being<br>TARGET 3.1, 3.2 |

1 Our website sets out the UN's targets and indicators that sit beneath these four SDGs that are most relevant to Halma. We describe and calculate our impact and revenue alignment with the broad principles of the four SDGs as follows:
– SDG 3 – Halma's technology helps to diagnose and treat disease earlier and more accurately; to improve road safety; and to reduce water and air pollution. Revenue is included from medical companies (excluding CenTrak and Static Systems which focus on hospital communications, logistics and efficiency) and our vehicle flow company.
– SDG 6 – Halma's products and services help to ensure access to clean drinking water; to ensure efficient and effective wastewater treatment; and to maintain robust water and wastewater networks, minimising leakage and maintaining pressure. Revenue is included from our water analysis and treatment companies.
– SDG 9 – Halma is continuously developing innovative technologies to increase industrial efficiency and safety, and safety in public places. In addition, Halma's growth strategy provides a major opportunity to help our customers with the challenges of automation and digitisation. We do not currently measure applicable revenues.
– SDG 11 – Halma's technology makes cities safer, through fire protection, elevator safety products, and products and services addressing safety in public spaces, including enhancing road safety. Halma's environmental and analysis technology helps to promote cleaner cities, ensure clean drinking water, and monitors gaseous emissions and the treatment of wastewater. Revenue is included from our fire, elevator safety, people flow and gas detection companies.

2 These metrics are approximate estimates, based on best available data and a number of management assumptions about usage of our products. They are only updated for significant changes which are not expected to occur on an annual basis. The key assumptions are set out on our website at www.halma.com.

3 Source: Water UK; England and Wales, April 2019 to March 2020.

4 Estimated in 2021 based on various positive impacts attributable to Medicel's cataract surgery technology including avoided disability years, lost income, medical costs etc. Please see full case study details at www.halma.com/our-impact.

## Sustainability data

### GHG emissions and energy use data

| Emissions from (tonnes of $CO_2e$): | | 2021/22[1] (current year) | 2020/21[1] (comparative year) | 2019/20[1,2] (baseline year) |
|---|---|---|---|---|
| **Scope 1:** Combustion of fuel and operation of facilities[3] | UK and offshore | **1,537** | 1,600 | 1,965 |
| | Global (excluding UK and offshore) | **2,914** | 2,794 | 3,191 |
| | **Total** | **4,451** | **4,394** | **5,156** |
| **Scope 2 (Location-based):** Electricity, heat, steam and cooling purchased for own use | UK and offshore | **1,897** | 1,785 | 2,028 |
| | Global (excluding UK and offshore) | **8,619** | 8,606 | 10,720 |
| | **Total** | **10,516** | **10,391** | **12,748** |
| **Scope 2 (Market-based):** Electricity (net of market instruments), heat, steam and cooling purchased for own use | UK and offshore | **1,516** | 1,505 | 1,991 |
| | Global (excluding UK and offshore) | **5,693** | 8,922 | 10,915 |
| | **Total** | **7,209** | **10,427** | **12,906** |
| **Total gross Scope 1 & Scope 2 emissions (Location-based)** | **Total** | **14,967** | **14,785** | **17,904** |
| **Total gross Scope 1 & Scope 2 emissions (Market-based)** | **Total** | **11,660** | **14,821** | **18,062** |
| **Energy consumption in MWh used to calculate above emissions** | UK and offshore | **17,920** | 16,463 | 18,042 |
| | Global (excluding UK and offshore) | **36,108** | 34,015 | 42,428 |
| | **Total** | **54,028** | **50,478** | **60,470** |
| **Scope 3 (calculated categories):** Business air travel, Well to Tank, grey fleet (private and hire cars used for business), waste and wastewater generation, water withdrawal | UK and offshore | **2,183** | 1,100 | 4,191 |
| | Global (excluding UK and offshore) | **8,987** | 5,489 | 13,525 |
| | **Total** | **11,170** | **6,589** | **17,716** |
| **Total gross emissions (Location-based)** | **Total** | **26,137** | **21,374** | **35,620** |
| **Total gross emissions (Market-based)** | **Total** | **22,830** | **21,410** | **35,778** |
| Intensity measure – tonnes of total $CO_2e$ gross emissions per £m of revenue (Market-based)[4] | **Total** | **14.8** | 16.0 | N/A |

1 Our Scope 1 & 2 (market-based) GHG emissions for the year ended 31 March 2020 form the baseline for our Science-based target to reduce our Scope 1 & 2 emissions by 42% by 2030. Therefore, given the acquisitive nature of Halma, we expect to regularly recalculate our base year for the structural change trigger of acquisitions and disposals, and have chosen to apply an 'all-year' approach. This means that we have recalculated our current year, comparative period and 2020 baseline figures to include full year emissions for acquisitions made during 2022, 2021 and 2020, and to remove all emissions relating to Fiberguide and Texecom, which were sold during 2021 and 2022 respectively. Prior to setting our Science-based target, we did not adjust our current or baseline figures for acquisitions and disposals. The base year recalculation for structural change trigger in 2022 decreased our previously reported 2020 total Scope 1 & 2 emissions by approximately 2% (location-based) and 3% (market-based) and our previously reported 2021 total Scope 1 & 2 emissions by approximately 1% (location and market-based). We do not recalculate Scope 3 emissions for acquisitions and disposals.

2 Regular review of data is carried out to ensure accuracy and consistency. This review led to changes in the prior year to our 2020 baseline figures for Scope 1 & 2 emissions, including corrections to our previous calculation methodology for location-based Scope 2 emissions, geographical intensity measures and minor corrections for new or revised data. In addition, we presented market-based methodology for Scope 2 emissions for the first time.

3 Included in this Scope are GHG emissions from direct fuel combustion at our sites, refrigerants, and from fuel use in our company-owned or leased vehicle fleet.

4 Prior to 2021, we did not show market-based Scope 2 emissions. In that year, we presented our intensity measure for both the historic location-based and new market-based methods. In line with our science-based target, which is calculated using the market-based approach, we have now transitioned to showing our intensity measure based on the market-based method. We have recalculated our comparative 2021 intensity measure for the impact of 2022 acquisitions and disposals. We do not show a recalculated intensity measure for our 2020 baseline.

As a quoted company incorporated in the UK, we comply with all mandatory energy and carbon reporting regulations. 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 and 2 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 reported on emissions from Scope 1 and 2 emissions sources and selected Scope 3 emissions sources (business travel by air, in employee-owned cars and hire cars, Well to Tank emissions, and emissions from waste and wastewater generation and water withdrawals). During the year, we have commenced an initial estimation exercise for other Scope 3 categories.

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). Examples of energy efficiency measures undertaken during the year by our companies included changes to operating procedures, transitions to LED lighting, installing additional insulation, and upgrades to more energy efficient equipment and premises. Our emissions across all Scopes were impacted in the prior period by the COVID-19 pandemic, and our increase in Scope 3 emissions in FY22 reflected the impact of a partial recovery in air and grey fleet business travel as pandemic restrictions eased.

Emission factors were sourced from the UK Government's GHG Conversion Factors for Company Reporting 2021 and the International Energy Agency's Emissions Factors (2021 edition). For our Scope 2 market-based calculations, we used residual emission factors where available from the Reliable Disclosure Organization (RE-DISS 2020 edition). Further information about our basis of preparation for all sustainability data can be found on our website at www.halma.com.

### Water and waste data

| $m^3$ | 2021/22 | 2020/21 |
|---|---|---|
| Total water withdrawals[1] | **106,123** | 83,436 |
| Water withdrawals in water scarce areas[2] | **55,350** | 37,474 |
| Total water withdrawals per £1,000 revenue | **0.070** | 0.063 |
| Total water discharge | **100,739** | 75,071 |

1 Water is withdrawn from and discharged to municipal/third party sources, with the exception of one facility which utilises a ground water source (not located in a water-scarce area). The amount withdrawn from ground water is estimated to be approximately 1% of total water withdrawal.
2 Defined as manufacturing, testing or R&D sites, or Hubs and Group Head Offices employing more than 50 people, operating in areas of 'high (40-80%)' or 'extremely high (>80%)' baseline water stress, according to the World Resources Institute's Water Aqueduct Water Risk Atlas Tool.

| | 2021/22 | | | 2020/21 | | |
|---|---|---|---|---|---|---|
| metric tonnes | **Recycled[1]** | **Non-recycled** | **Total** | Recycled[1] | Non-recycled | Total |
| Solid waste (non-hazardous) | **1,977** | **3,670** | **5,647** | 1,485 | 3,050 | 4,535 |
| Solid waste (hazardous) | **32** | **11** | **43** | 35 | 9 | 44 |
| Electronic waste | **14** | **11** | **25** | 8 | 8 | 16 |
| % total solid waste diverted from landfill | | | **35%** | | | 33% |
| Total solid waste production per £1,000 revenue (kg) | | | **3.7** | | | 3.5 |

1 Approximately 325 (FY21: 233) metric tonnes of non-hazardous solid waste and 2 (FY21: 9) metric tonnes of hazardous solid waste included within the Recycled total were incinerated with energy recovery.

| $m^3$ | 2021/22 | 2020/21 |
|---|---|---|
| Total liquid waste (hazardous) | **143** | 181 |
| Total liquid waste (non-hazardous) | **395** | 440 |

We significantly changed our methodology for collecting and reporting our water and waste data in 2021. Total figures are based on available source data and estimated if appropriate where source data is not available. In particular, both actual and estimated data at the company-level is limited for all types of solid and liquid waste, and therefore the figures shown are likely to be under-estimated. We expect to continue to improve these disclosures going forward. Data prior to 2021, compiled under the previous methodology, as well as further information on our basis of preparation for this data, can be found at www.halma.com. Water and waste data includes data from acquisitions relating to the period after their acquisition date, and excludes data from disposals made during the year due to a lack of available data up to the date of disposal.

**Response to the Sustainability Accounting Standards Board (SASB)**

The US-based SASB sets out sustainability reporting standards for various sectors. The following table summarises our responses to those disclosures against which we are currently able to report under the sector-specific standard for Electrical & Electronic Equipment. We will continue to review our reporting and where we can improve against SASB disclosures. Disclosures which are either not relevant to our business, or against which we do not currently report, are not shown below.

| Topic | Metric | SASB Code | Our response | |
|---|---|---|---|---|
| | | | 2022 | 2021[4] |
| Energy Management[1] | 1) Total energy consumed | RT-EE-130a.1 | **45,925 MWh** | 46,000 MWh |
| | 2) Percentage grid electricity | RT-EE-130a.1 | **68%** | 68% |
| | 3) Percentage renewable | RT-EE-130a.1 | **33%** | 13% |
| Activity metrics | Number of employees[3] | RT-EE-000.B | **Average of 7,522 globally** | Average of 7,120 globally |
| Hazardous Waste Management | Amount of hazardous waste generated, percentage recycled | RT-EE-150a.1 | **Please see waste disclosures in the table above. Approximately 70% (FY21: 60%) of solid hazardous waste disclosed was recycled[2]** | |
| Business Ethics | Description of policies and practices for prevention of: (1) corruption and bribery and (2) anti-competitive behaviour | RT-EE-510a.1 | **Please see the Our policies and procedures section on pages 103 to 104** | |
| | Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption | RT-EE-510a.2 | **£nil or not material** | |
| | Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behaviour regulations | RT-EE-510a.3 | **£nil or not material** | |

1 Measured in MWh not GJ. (1) includes gas, electricity and fuel consumed for heating and other machinery. It excludes fuel for business travel and therefore will not reconcile with the figures disclosed in the SECR-compliant GHG emissions table. (2) and (3) are calculated as a percentage of (1) and (3) includes renewable gas, and therefore will not reconcile with other renewable energy figures disclosed in this report.
2 Hazardous waste is defined in accordance with the legal or regulatory framework applicable within the country/jurisdiction where the waste is generated, or if this is not available, in accordance with the EU Waste Framework Directive. Percentage recycled excludes incineration with energy recovery.
3 Please see Note 7 to the Accounts for full disclosures on employee numbers.
4 These comparative figures are as reported in the prior year, and are not recalculated for the impact of acquisitions and disposals made in the current year.

## Where to find additional sustainability-related policies, information and data

The following table indicates where additional sustainability-related information and data can be found within this Annual Report, where information is not contained within the Sustainability section above.

| Topic | Annual Report Section | Pages |
|---|---|---|
| **Workforce** | | |
| — Diversity and inclusion<br>— Gender pay gap<br>— Real living wages<br>— Health and Safety, mental health and wellbeing<br>— Employee engagement<br>— Flexible working<br>— Training and development | Our Key Sustainability Objectives<br>Our people and culture<br>Our stakeholders | 74 to 75<br>70 to 73<br>66 to 69 |
| — Health and Safety policy<br>— Diversity and inclusion policy<br>— Equal opportunities policy<br>— Code of Conduct | Our policies and procedures | 103 to 104 |
| **Social responsibility** | | |
| — Water for Life global purpose-driven campaign | Our stakeholders<br>Our people and culture | 66 to 69<br>70 to 73 |
| — Whistleblowing policy<br>— Modern Slavery Act statement<br>— Human Rights and Labour Conditions policy<br>— Data Protection and Privacy policy<br>— Competition Law and Competition Compliance Manual<br>— Conflict Minerals policy<br>— Anti-Bribery and Corruption policy | Our policies and procedures | 103 to 104 |
| **Environment** | | |
| — Environmental policy<br>— Environmental commitment statement | Our policies and procedures | 103 to 104 |
| **Governance** | Governance sections | 106 to 159 |
| **Taxation** | Note 9 to the Accounts | 194 to 195 |

**Key takeaway**
Our purpose – to grow a safer, cleaner, healthier future for everyone, every day – drives every decision we make. It underpins how we will support the low-carbon transition and address the physical consequences of climate change.

We believe we have multiple climate-related opportunities within niche markets with long-term growth drivers. Organic and inorganic opportunities to grow our products and services arise as customers and economies transition to Net Zero and increasingly adapt to the physical consequences of a warming climate.

We expect these opportunities to range from supporting energy transition technologies, detecting GHG emissions and contributing to energy efficiency, to addressing increasing water scarcity and the impacts of extreme weather.

We are taking action to reduce our contribution to climate change within our operations and, where we can, influence our wider value chain. In addition, we are cognisant of the potential risks related to climate change and are continually improving our response to these risks as set out within this report.

## Introduction

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 opportunities for Halma. Alongside this, climate change presents potential transition and physical risks for Halma. However, as set out further in this report, on balance we believe that pursuing potential climate-related opportunities for Halma, which are highly aligned with our purpose and long-term growth drivers, should be the focus of our strategic response.

We are committed to supporting and promoting the Net Zero transition, to helping our customers address the consequences of climate change, and to taking action to reduce our own climate impact.

Our disclosures are consistent with the Task Force on Climate-related Financial Disclosures ('TCFD') recommendations and the 11 recommended disclosures as required by the new Listing Rule. This is our first report since the TCFD recommendations became mandatory for our Group, and we will continue to improve our disclosures over time as indicated within this report and as best practice develops. We have not yet fully quantified all categories of Scope 3 emissions. While we don't currently expect our Scope 3 emissions to represent a significant risk to the viability of our business model, we are working on quantifying our baselines and expect to be able to disclose these in our next Annual Report.

## Governance

Halma has a highly decentralised business model which delivers real competitive advantage. We place our operational resources close to our customers through locally-managed, autonomous companies.

Our 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. This allows for fast decision-making, and minimises bureaucracy. Further details of our management structure, including the connections between the management structure and the Board governance structure, are set out in The Board's application of the UK Corporate Governance Code Principles section on page 111. The following page and the diagram below shows how our climate-related governance sits within this business model.

**Halma's climate-related governance structure**

**Board oversight**

***Board***

- 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, the Board:
  - reviews management's Group-level assessment of climate-related opportunities and risks;
  - reviews our performance against our sustainability framework and our climate change-related targets (including, during FY22, our progress on Scope 3 measurement and our Scope 1 & 2 targets); and
  - approves any new or amended climate-related targets (including, during FY22, our new FY25 renewable electricity target and new annual energy productivity target).
- The Board also reviews additional information on relevant climate-related opportunities and risks for all standalone acquisition opportunities, and regularly receives a report on sustainability, including our Climate Change Key Sustainability Objective.
- We do not currently expect major financial investments to be required to meet our Scope 1 & 2 Net Zero targets over the short-medium term. Any additional major investments would be reviewed and approved by the Board where these meet relevant financial criteria.
- To ensure the Board can provide appropriate challenge from an informed point of view, they received a TCFD-focused training session from an external advisor during FY22. The Board also benefits from the expertise of one of their members, Jo Harlow, who is a Board member of Chapter Zero, the UK Chapter of the World Economic Forum's Climate Governance Initiative.
- During FY22, the Board completed a self-assessment on their climate-related knowledge and skills to inform future development and training sessions.

***Audit Committee***

- The Audit Committee has responsibility for approving our overall TCFD disclosures as part of the Annual Report and Accounts process.

***Remuneration Committee***

- During FY22, the Remuneration Committee approved the inclusion of climate-related targets in executive remuneration, as set out in our Remuneration Committee Report on page 135.

**Management's role**

***Sustainability Management Committee (SMC)***

The SMC:

- is responsible for identification and management of climate-related opportunities and risks at the Group level;
- meets at least quarterly, and their decisions and activities are relayed to and reviewed by the Executive Board and Board via the SMC Chair, our Group General Counsel and Chief Sustainability Officer;
- brings together a cross-functional team of Group and Sector representatives; and
- has upskilled on climate-related risks, opportunities and scenarios through their TCFD-related work with advisors during the year.

***Sector Chief Executives***

The Sector Chief Executives are responsible for identifying and pursuing opportunities at the sector level. Sector-level risks are not captured separately, but are captured within the Group risk overview.

***Company boards***

- The company boards are responsible for identifying and managing climate-related opportunities and risks at the company level.
- This reflects our decentralised structure, where company boards are close to their markets and are empowered to make strategic decisions within Halma's framework.
- During FY21, climate change was recognised as a formal growth driver for the Group, raising the profile of climate-related opportunities at the company level.
- During FY22, each company board appointed a director responsible for sustainability, who is tasked with ensuring climate-related issues are incorporated into board discussions.

## Strategy

Like all businesses, Halma is exposed to potential transition and physical risks associated with climate change. These are outlined in detail on page 93, as well as our current assessment of their potential impact and associated mitigating activities and factors in place. However, given the potential scale of climate-related opportunities, our strategic response is primarily focussed on developing and pursing these opportunities over the short to medium term.

**Our climate-related opportunities and their impact on our businesses, strategy and financial planning**

We believe that in aggregate, climate-related product & market opportunities (both organic and inorganic) will become significant for the Halma Group over the medium to longer-term (3-30 years).

Our sustainability strategy is embedded in our growth strategy and many Halma companies are well positioned to support the low-carbon transition, as well as potentially providing adaptation services as physical impacts of climate change worsen. The effort to combat climate change is a long-term growth driver for the Group, as are increasing levels of regulation as governments and regulators look to accelerate climate mitigation and adaptation efforts.

This assessment is supported by our top-down qualitative scenario analysis, which has identified multiple potential organic and inorganic climate-related product and market opportunities within our existing Environmental & Analysis and Safety sector strategies. These include new products and technologies as well as greater demand for existing product lines.

We already have significant revenue exposure to areas where we expect to see incremental climate-related opportunities under our 1.5 degree "Steady Path to Sustainability" scenario and the IEA's Net Zero scenario.

Steadily expanding climate-related regulations under 1.5 degree scenarios would be expected to support and potentially accelerate or amplify multiple opportunities across our sectors. In addition, our sector and M&A teams are continually assessing various climate-related opportunities, given that climate change is one of our long-term growth drivers (see our long-term growth driver case study on pages 42 to 43).

A small selection of potential opportunities, where Halma already has a market presence, are described in the table below. The table is not exhaustive and may not represent the individual opportunities which are likely to become most significant over time. This is due to the bottom-up nature of both the investigation and pursuit of opportunities within our autonomous and agile business model. Given Halma's dual organic and inorganic growth strategy, potential opportunities to participate in the Net Zero transition could be highly varied both in terms of the scale of the opportunities, and the cost of accessing them.

**Our strategic response to climate-related opportunities**
Our approach to climate-related opportunity identification and pursuit reflects our Sustainable Growth business model (see pages 20 to 27).

Our companies and sectors autonomously identify and pursue those opportunities most relevant to them. We have talented people throughout the organisation seeking and pursuing opportunities, coupled with the autonomy and agility of individual companies that enables them to rapidly take advantage of opportunities. Our R&D and capital expenditure budgets are set from the bottom up, with appropriate challenge from the Group, and at the Group level we can utilise the lever of M&A to capitalise on new climate-related opportunities.

To support our companies and sectors, the Group's strategic response also includes a focus on increasing education and awareness around low-carbon transition and adaptation opportunities across the Group. In addition, at the Group level we consider low-carbon transition and adaptation opportunities in the development of M&A strategies, and explicitly consider standalone acquisitions' level of alignment with the low-carbon transition.

These responses complement the governance structures outlined above to ensure that climate-related opportunities are regularly considered at company board meetings and within strategic planning.

This approach contrasts with a more centralised decision-making, prioritisation and target setting approach for individual or aggregate groups of opportunities, which would not be appropriate within Halma's model. In addition, the opportunities being identified are highly granular, diverse and early stage.

**Our climate-related risks and their impact on our businesses, strategy and financial planning**
Like all businesses, Halma is exposed to both transition and physical climate risks. During FY22, we assessed the potential significance of eight risk categories identified in FY21, as shown in the table on page 93. The risk areas were identified based on greatest relevance to Halma's business. A workshop-based, qualitative scenario analysis (as outlined later in this section) was then performed for each of these risks, assessing the underlying causes and potential impacts for Halma, as well as reviewing any related precedent examples.

Our analysis concluded that there are no significant individual risks arising in the short to medium term (0-10 years). Over the longer-term (10-30+ years), we identified physical and transition-driven supply chain impacts as potentially having the highest impact on the business.

Nevertheless, our business model is expected to be resilient to climate-related risks, and highly exposed to climate-related growth opportunities. Our resilience stems from our highly diverse portfolio and decentralised, agile and supportive business model which enables our companies to respond quickly to changing markets and events. In addition, we are confident in our ability to provide products and operate in sectors expected to thrive in a low-carbon economy.

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 relevant principal risks, as shown on pages 98 to 101 in the Principal risks and uncertainties section. In particular, our 'Natural Hazards including Climate Change' principal risk incorporates the potential impact of physical climate risks on supply chains and operations as well as wider risks around natural hazards and pandemics.

The table on page 93 shows the eight risks assessed, along with potential directional impacts and mitigating actions that we are pursuing. Risks shaded in blue were assessed to be the most potentially impactful.



**Halma's potential climate-related opportunities**

| 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). |
| 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 and analysis products, as well as new markets. | |

Our risk assessment reflects a number of key mitigating factors. These include:

— the diversification of the Group's products, markets, geographies and first tier supply chain;
— the Group's low exposure to oil and gas (FY22: estimated at less than 5% of revenue) and other highly exposed markets, and active diversification from oil and gas exposure already underway;
— the inherent resiliency in the agility and responsiveness of our companies and Group, enabled by our business model, as evidenced by our recent responses to COVID-19 and ongoing supply chain challenges;
— our asset-light model with operations close to our customers and relatively low Scope 1 & 2 emissions (compared to the FTSE 100);
— our sales into regulatory-driven markets with pricing resilience; and
— our Sustainable Growth Model and overall commitment to the low-carbon transition as well as our developing climate-related governance structure and mitigating actions planned and in place (including our Climate Change and Circular Economy Key Sustainability Objectives as set out on pages 74 to 79).

In particular, we expect minimal impact to our financial position and performance from our Scope 1 & 2 Net Zero transition and commitments because:

— we do not currently believe that we have financially significant carbon intensive "legacy assets", we largely lease our buildings, and more than two thirds of our baseline Scope 1 & 2 footprint relates to electricity consumption. Therefore, we do not expect to have significant operational assets at risk of early impairment;
— our vehicle fleets are small and we expect to meet our commitments by replacing these with electric models at end of life; and
— our direct energy requirements and Scope 1 & 2 emissions are relatively immaterial. Therefore, we expect to be able to absorb the impact of any significant price rises for renewable energy certificates or other instruments required to meet our targets as our companies transition to longer-term/lower-cost renewables.

In addition, at 31 March 2022 we subjected balance sheet items to detailed review against our climate-related risks, including goodwill, acquired intangible assets, PP&E and provisions. As an example, we sensitised forecast cash flows from a small number of cash generating units that are exposed to the fossil fuel economy and/or heavy industry, and reviewed owned and leased buildings with material net present values for physical climate risk exposure. As set out in Notes 11 and 20 to the Accounts, there were no indicators of impairment identified or adjustments made as a result of these reviews.

As set out in the Risk and opportunity management section of these disclosures, we will 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. In particular, we expect to reassess the potential significance of transition-related supply chain risks as we gain a fuller picture on our Scope 3 emissions and targets over the coming 12 months.

### Scenario analysis

During FY22, we identified and assessed climate-related opportunities and risks using the three high-level, qualitative, narrative scenarios shown in the table below. Further detail on the process followed is given in the table on page 94.

| Scenario | IPCC alignment[1] | Approx temp increase (2100) | Key narrative points |
|---|---|---|---|
| Steady Path to Sustainability | SSP 1/ RCP 2.6 | 1.5 degrees | — Globally co-ordinated decarbonisation efforts from the early 2020s through to net zero emissions by 2050. |
| Late Policy Action | SSP4/ RCP 4.5 | 2 degrees | — 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 degrees | — Extremely limited decarbonisation efforts leading to strongly increased physical climate risks. |

1 Indicates alignment with the relevant Representative Concentration Pathways (RCPs) and Shared Socioeconomic Pathways (SSPs) which feed into the International Panel on Climate Change (IPCC) assessment report process.

In addition, when investigating individual low-carbon and adaptation opportunities in more detail, we have also utilised publicly available data, including quantitative data, from the following sources:

— IEA (Net Zero 2050 and Stated Policies Scenarios).
— Network for Greening the Financial System (Net Zero and Stated Policies Scenarios).
— IPCC (AR6 Climate Change 2021: The Physical Science Basis).

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

### Halma's climate resilience

As explained above, our initial assessment shows that our business strategy is expected to be resilient to climate-related risks, and highly exposed to climate-related growth opportunities.

Nevertheless, the "late policy action" scenario creates the largest potential challenge for Halma over the medium-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 increasing momentum and commitments to a Net Zero future among governments, businesses and other stakeholders – all of which support Halma's future growth.

## Risk and opportunity management

The Risk management and internal controls section on pages 96 to 97 sets out our overall Risk Management system in which climate-related opportunities and risks are identified and managed within both the "bottom-up risk assessment" and the "top-down principal and emerging risks" frameworks.

This section highlights the key aspects of the risk management process relating to climate risk, as well as our standalone Group-level climate risk assessment carried out in FY22.

### Time, impact and likelihood

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.

## Halma's potential climate-related risks

| Risk type | Halma risk category & description | Potential impacts | Key actions |
|---|---|---|---|
| Transition (Market, Reputation, Technology, Policy and Legal risks)<br>*These risks are particularly relevant under the "Steady Path to Sustainability" and "Late Policy Action" scenarios assessed.* | Supply chain: Increased costs (including from carbon pricing) and constrained material/component availability resulting from the low-carbon transition. | — Increased costs<br>— Revenue disruption | — Our companies continue to manage their supply chains, supported where appropriate by our Group growth enablers<br>— 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. | — Decreased valuation or reduction in available capital<br>— Increased costs or business model changes | — Continued commitment to transparency in our reporting |
| | Products and markets: Changing user needs, end markets, regulation and increased product innovation requirements. | — Decreased organic profit growth<br>— Inefficient capital allocation | — Our company boards continue to consider their strategic response to climate risks and opportunities |
| | M&A and portfolio strategy: Imperfect information around the pace, scale and direction of low carbon transformation within sectors, an unmanageable pace of change, and under or overvaluation of targets. | — Decreased inorganic profit growth<br>— Inefficient capital allocation | — Our Executive Board and M&A teams consider climate risks for all standalone acquisitions<br>— All M&A is approved by the CEO and, if over £10m, by the Board |
| | Skills, talent and information: New skills, knowledge and information required to adapt to climate change and pursue low-carbon opportunities. | — Disrupted organic and inorganic profit growth | — Our dedicated group sustainability team continues to upskill and educate our companies on climate related matters |
| | Regulatory environment: Complex or fragmented regulatory landscapes leading to barriers to entry to markets, restricted availability of materials or restricted ability to sell existing products. | — Increased costs<br>— Increased risk of regulatory non-compliance<br>— Disrupted organic and inorganic profit growth | — We continue to monitor the evolution and impact of changing regulations on our companies and Group |
| Physical (Acute and chronic impacts)<br>*These risks are particularly relevant under the "Fossil fuelled growth" scenario assessed.* | Supply chain disruption: Increasingly severe extreme weather events could reduce availability of materials and components and/or interrupt transportation and logistics. | — Increased costs<br>— Revenue disruption | — Our companies continue to manage their supply chains, supported where appropriate by our Group growth enablers |
| | Operational interruption: More severe and frequent extreme weather events could interrupt operations and restrict availability of key resources and accessibility of sites. | — Increased costs<br>— Revenue disruption | — Our companies remain focused on understanding any risks which may impact their operations |

Potential impacts are directional only. Given our diversified and decentralised business model, we do not believe that any of these climate-related risks shown are likely to have a significant impact on the business over the short-medium term and our business model is expected to be resilient to climate-related risks. Within this context, risks shaded in blue were assessed to be the most potentially impactful over the longer-term.

We use financial materiality (as set out on page 161) to make decisions about the potential significance of risks and opportunities and the appropriate level of detail to include in our TCFD disclosures, considering proportionality with the rest of the Annual Report. We assess this on a "net basis" after consideration of mitigating factors or actions in place.

### Halma's risk management time frames

| | | |
|---|---|---|
| Short term | 0-3 years | Annual strategic planning process & viability assessments. |
| 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. |

### Top-down and bottom-up climate risk processes

The Group's existing risk management process enables bottom-up, climate-related opportunities and risks to be captured. As set out in the Risk Management and Internal Controls section on pages 96 to 97, companies 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.

At this stage, however, we do not expect that our mostly small-to medium-sized companies will be sufficiently educated and equipped to fully capture and manage transition and physical risks, particularly over the medium-to-longer term. For example, the companies do not currently utilise climate scenario analysis.

However, because of the decentralised and diversified nature of Halma (we have around 45 companies operating in highly diverse markets, none of which contribute more than 10% of Group revenue) 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.

For our first year of TCFD reporting we have concentrated on identifying and assessing the significance of potential climate-related opportunities and risks, using scenario analysis, at the Group level. Going forward, the continued identification, assessment and management of these Group-level risks is integrated into our principal risk process, and we will be improving our bottom-up climate risk processes.

| Year | Top down – Group-level principal risk & opportunity process | Bottom up – company, function and sector-level risk and opportunity management process |
|---|---|---|
| FY 21 | High-level risk and opportunity workshopping with Executive Board, DCEs & M&A leads. | N/A |
| FY 22 | Detailed top-down scenario analysis-driven risk profiles were developed by the Sustainability Management Committee (SMC), including a qualitative, directional indication of impact[4]. Both existing and potential emerging regulatory requirements under various scenarios were considered.<br><br>The SMC discussed risk appetite in relation to climate related risk and identified a number of key actions. The risk descriptions and actions identified by the SMC were incorporated into the principal risk process as modifiers to a number of existing principal risks, as set out in on pages 98 to 101 of the Principal risks and uncertainties section.<br><br>The Environment & Analysis (E&A) and Safety sectors' current strategies were reviewed to identify potential climate-related opportunities. These sectors were prioritised for review during FY22, with the Medical sector to follow in FY23, due to their high alignment with the Net Zero transition and climate adaptation. | Added "low-carbon transition risk" category to existing risk management process.<br><br>Companies were encouraged, through engagement with the Sector Chief Executives and Divisional Chief Executives, to consider climate-related opportunities during the FY22 strategic review. This formed part of their consideration of long-term growth drivers, which from FY22 included efforts to address climate change. |
| Future activities | Implementing initial actions identified through the principal risk process and continuing to expand our opportunity identification process.<br><br>Continued management of current risks by SMC through ongoing reviews and annual principal risk process.<br><br>Refresh qualitative scenario analysis and risk profiles as needed and on a periodic basis. | Increase education and awareness among our company boards to enable them to identify and assess longer-term climate-related opportunities and risks.<br><br>Incorporate any key climate-related risks, opportunities and actions identified at the company level in annual risk management and strategic review processes. |
| Outcome | Integrated into current risk management process in which principal and emerging risks identified by the plc Board and Executive Board are compared with the bottom-up risk picture to ensure appropriate alignment of risk and execution of risk appetite. | |

## Metrics and targets

Our Scope 1, 2 and selected Scope 3 emissions, measured in accordance with the GHG protocol, are disclosed on pages 86 to 87.

### Scope 1 & 2 targets

While we have not identified our Scope 1 & 2 emissions as a significant risk, we have the following targets in place to reduce our emissions in line with stakeholder expectations, and as part of our response to business model and communications climate-related risk.

| Timeframe | Scope 1 & 2 targets |
|---|---|
| Long term | Achieve Net Zero Scope 1 & 2 GHG emissions[1] by 2040. |
| Medium term | Reduce our global Scope 1 & 2 GHG emissions[1] by 42% by FY30, compared to our FY20 base year. |
| Short term (Scope 2) | Generate or procure renewables for least 80% of electricity demand by FY25. |
| Annual | Increase energy productivity[2] (revenue/energy consumed) by at least 4% annually. |

We will reach Net Zero by reducing emissions as much as feasibly possible before using carbon removal instruments as set out in detail on page 83 of the Sustainability section.

Our 2030 target is an absolute measure aligned with the non-sector specific 1.5-degree emissions pathway from the Science-based Targets Institute (SBTi)[3].

In addition, from FY23, a portion of our management's annual bonus is related to our annual energy productivity target. More information is available in the Remuneration Committee Report on page 135.

We do not currently obtain assurance over our Scope 1 & 2 emissions or our energy productivity metrics, but we are reviewing what level of assurance would be appropriate considering our business and the way we use these metrics.

The table on the facing page contains our current and historic performance against our Scope 1 & 2 targets, and is supplemented by our detailed SECR-compliant GHG emission disclosures on pages 86 to 87 and the fuller narrative discussion about our progress on page 78 of our Key Sustainability Objectives section.

Pages 76 to 78 of our Climate Change Key Sustainability Objective section and pages 82 to 83 of our Sustainability Report set out our key Scope 1 & 2 emission sources, targets and milestones, and the key levers (at a company level and at the Group level) that we intend to use to reach these targets and milestones before 2030 and before 2040.

1 Tonnes $CO_2e$, market-based methodology. Please see text below table and on page 83 of the Sustainability section for details on our definition of Net Zero.
2 Revenue/energy consumed. Given limited historic data, this target was set using the EP100 initiative minimum commitment and will be reviewed on an ongoing basis to ensure it remains stretching.
3 This target has not been verified, as SBTi verification requires our target to include Scope 3. More information on our progress towards setting Scope 3 targets is on page 78.
4 Our 2021 CDP report was prepared before our scenario-based assessment of risks and opportunities was carried out, and will be updated in 2022 to take into account the conclusions of this exercise.

***Investments***
We do not expect significant R&D or capital expenditure investment will be required to achieve our Scope 1 & 2 emissions goals, due to the asset-light nature of our operations and our relatively low absolute emissions. We do not currently believe that we have any financially significant carbon or water intensive "legacy assets". Our R&D and capital expenditure budgets are set from the bottom up, and each company will allocate investment to support the climate portion of their KSO Action plans as required.

**Scope 3 emissions and carbon pricing**
Measuring and managing our Scope 3 emissions is associated with reducing our risk from transition-based supply chain disruption and cost increases, and we recognise the need for us to work towards Net Zero for our entire value chain.

We are currently estimating remaining categories of Scope 3 emissions to enable appropriate disclosures, and, following the completion of that exercise, we will work towards determining appropriate targets. More information on our progress towards measuring and reducing Scope 3 emissions is available in our Climate Change Key Sustainability Objective section on page 78.

**Opportunity metrics**
We do not currently use any central 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.

As our climate governance process evolves and we increase centrally available climate-related information over time, we may be able to disclose other climate-relevant metrics such as taxonomy-aligned revenues.

| Key targets | FY20 baseline | FY21 | FY22 | Commentary |
|---|---|---|---|---|
| **Medium term:** Reduce Scope 1 & 2 emissions 42% by FY30 from FY20 baseline | 0% | -18% | **-35%** | The reduction from our FY20 baseline is largely due to increasing renewable electricity purchases, alongside energy efficiency measures and improvements in our companies' operations (as more fully set out on page 77 of our Key Sustainability Objectives section). FY21 may not have been representative due to the impact of COVID-19. |
| **Short term:** achieve 80% renewable electricity by FY25 | 8% | 15% | **42%** | Bottom-up company-led purchase and generation of renewables has increased our total renewable electricity %. Approximately 8% of this renewable electricity is onsite generation and approximately 92% is local renewable tariffs (largely backed by energy attribute certificates (EACs)) or unbundled EACs. |
| Progress against our new annual energy productivity improvement target for FY23 will be reported in our 2023 Annual Report and Accounts | | | | |

# Managing risk to achieve sustainable growth

### Our approach to risk management

Effective risk management is integral to us achieving our strategic goals and provides a solid foundation from which our businesses can grow.

Whilst there are formal processes as outlined in our framework below, our decentralised business model empowers every employee at Halma to be a risk manager in some capacity; to identify and manage risks and take advantage of opportunities. Our risk awareness culture allows management to make better commercial decisions and maximise the benefits of our decentralised business model.

### Our risk governance framework

The Board has overall responsibility for risk management, including identifying risks, setting the risk appetite and monitoring how risks are being managed in order to ensure Halma can achieve its strategic objectives.

Each company within Halma identifies risks and opportunities as part of their strategic reviews, assesses how these are controlled and whether any further actions are required. A similar exercise is performed at sector and Group level to develop an overall "bottom up" picture of risk for the Group.

For our "top down" approach to update our principal risks, the Director of Risk & Internal Audit meets with each Executive Board member to review and update all risks prior to the updated principal risks being reviewed and approved by the Executive Board as a whole. The Audit Committee reviews the effectiveness of the process and the plc Board then reviews and approves the principal risks and the risk appetite for each risk.

During this process, the "bottom up" risks identified are compared to principal risks to ensure there are no new or emerging principal risks, and horizon scanning for new external risks is also performed. Any actions to improve how we manage our principal risks are captured and tracked to completion in our integrated risk, control and assurance software.

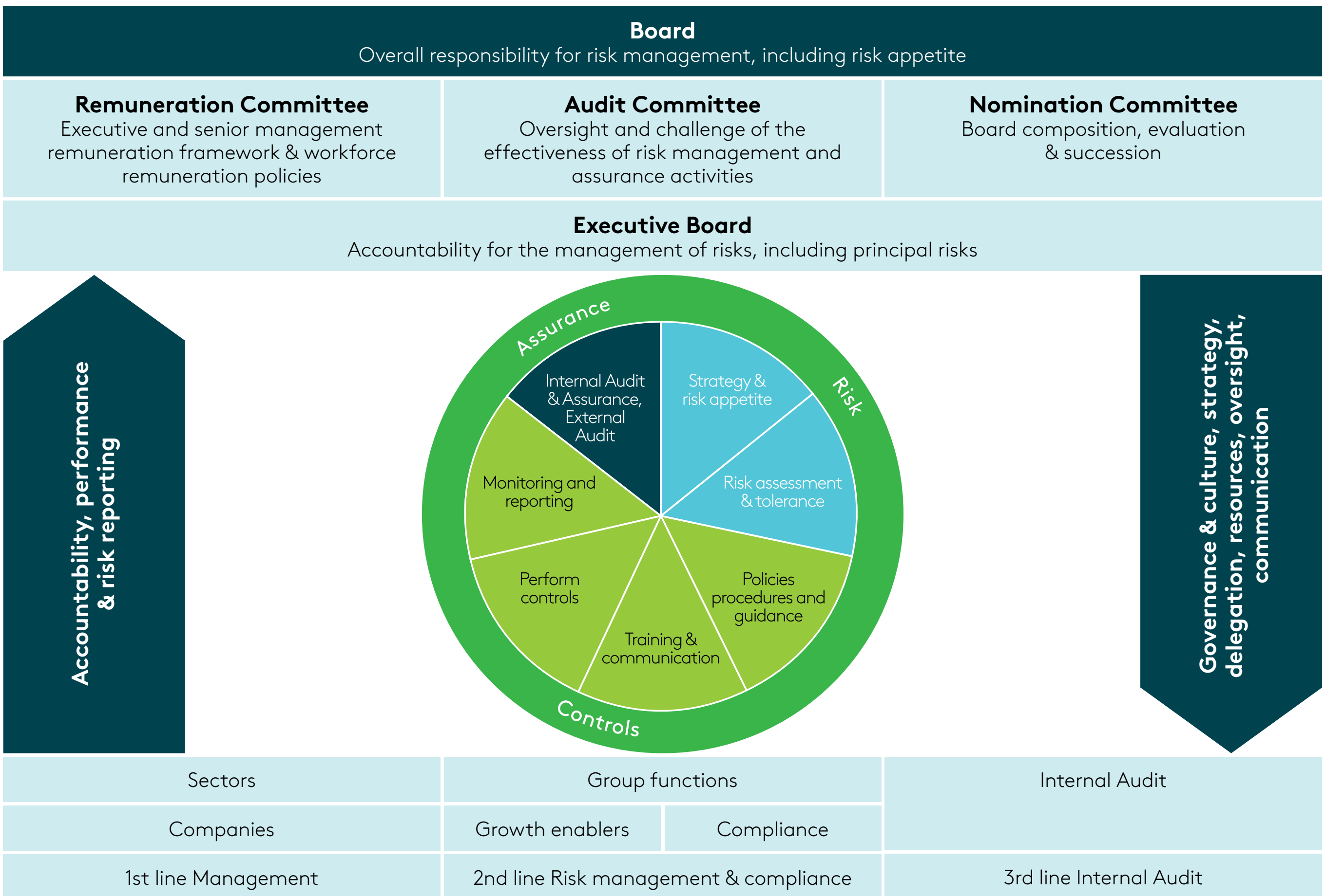
During the year, updates from management to the Board covered all of our principal risks. With the assistance of the Audit Committee, the Board obtained assurance that the Group's risk management and internal control system was operating effectively and that risks were being managed in line with risk appetite. This included updates from Sector Chief Executives and Group function leads on how they manage risk effectively in their sectors or functions, together with independent assurance from Internal Audit, who deliver a risk based audit plan that includes principal risks.

### The building blocks of our internal control framework

The Board has overall responsibility for and oversees our internal controls. As a Group we place significant reliance on Halma companies managing risks effectively to take advantage of opportunities, whilst minimising the risk of control failures. This is an integral part of our decentralised business model with local accountability.

The key things we rely on for our control framework to be effective are:

— Clear accountabilities and delegation of authority within our decentralised business model, plus oversight by the Board.
— Clear policies and procedures for companies for core compliance mandated by Halma.
— Monthly reporting by companies on performance, including risks, with regular oversight by sectors and Group.



- Six-monthly self-certifications by companies on the most critical controls for finance, legal and IT.
- Independent six-monthly peer reviews of companies' reported financial results by other company CFOs.
- Independent risk-based internal audit assurance, including validation of control self-certifications.
- A whistleblowing hotline, available for all employees and contractors.

**Enhancements to how we manage our principal risks**

During our formal and informal reviews and updates of principal risks during the year, there were no changes to the principal risks, although there was some reordering into the order shown in the detailed tables on pages 98 to 101. The Board and our employees in the Group have a continuous improvement focus, including how to identify, evaluate and manage risk better and enable growth. Examples of, and enhancements made, during the last year to our principal risks include:

- *Risk, control & assurance framework*. We documented an overview of our risk, control and assurance framework which articulates what we rely on and how our framework operates effectively within our decentralised business model. This helps to ensure our employees have a clear understanding of our framework and their role within it.
- *Executive Board oversight*. In addition to a full review and update of all principal risks, the Executive Board performed two principal risk deep dives, for financial controls and talent & diversity, to review and challenge how each risk is articulated and managed, including assurance obtained.
- *Talent & diversity*. We transitioned successfully to a new Chair of the Board and two new non-executive Directors joined the Board. We also introduced a diversity, equity and inclusion target for the Board and from 1 April 2022 have introduced a target down to company Managing Director level. See the case study on this page as an example of the progress we are making in this area.
- *Organic growth, Acquisitions & investments*. Given the scale of the opportunity when we split the sectors last year into three sectors, we invested in our sector talent with an additional Sector Chief Executive and Sector Chief Financial Officer. We also increased M&A resource by 50% to provide dedicated resources for each sector to accelerate growth.
- *Cyber*. Work continues on our digital transformation programmes for Finance, legal and IT. The majority of our new Treasury system is now live and our security upgrade programme is continuing.
- *Economic & geopolitical uncertainty*. As a result of the Russia/Ukraine conflict we have taken the decision to cease trading with Russia and have provided £2m which reflects our best estimate of customer bad debt and contract risk. See page 28 in our financial review.
- *Natural hazards, including climate change*. We made good progress on assessing our climate-related risks and opportunities through our work towards reporting in line with the recommendations of the Task Force for Climate-related Disclosures. See our TCFD report on pages 89 to 95 for more information. As part of this work, we updated our principal risk controls and actions to reflect where climate-related physical and transition risks are acting as modifiers and accelerators to our principal risks. We also specifically updated our Natural Hazards risk to reflect how climate change could increase the risk of natural hazards on our operations and supply chain, while recognising, as set out in our TCFD report, that we do not currently believe that climate-related risks in their own right are likely to have a significant impact on our business. In addition, the Board has continued to monitor and adapt to developments due to the COVID pandemic. This included lessons learned exercises and detailed conversations on supply chains. Our companies have continued to adapt and make decisions locally to maintain security of supply chains, for example through diversification of their supply chains or holding increased safety stocks to reduce the risk of supply chain disruption. This is a good example of how our decentralized business model gives us the agility to adapt quickly.
- *Legal compliance*. We continued to invest and enhance our legal expertise by recruiting two Deputy General Counsel to join the Sector Boards. In addition, we refreshed our sanctions and export controls procedures and introduced new software for internal litigation reporting.
- *Financial controls*. Following the UK Department for Business Energy and Industrial Strategy's (BEIS) consultation on corporate reform, we performed a review of our control framework. Ongoing enhancements will take into account future announcements.
- *Liquidity*. We launched a Revolving Credit Facility (RCF) and Private Placement (PP) refinancing prior to year-end. The RCF refinancing of £550m has now been completed and £330m GBP equivalent of PP has been priced and allocated subject to final documentation and funding.

**Emerging Risks**

We consider emerging risks as part of our risk management review process and also as part of everyday management of the business. Whilst there are a number of risks that we identify and manage, currently, none of these are expected to become future principal risks.

## Our focus on talent and diversity in practice – CenTrak

**In the last 18 months, CenTrak has gone through a "culture reset" putting Diversity, Equity and Inclusion (DEI) at the top of their leadership agenda, including improving gender balance.**

Today, 50% of the CenTrak board are women, and there are more women in Engineering roles across their workforce than ever before. To achieve this, they've focused on diverse candidate slates for every leadership role and ensuring people managers complete the Accelerate Inclusion programme (a peer learning DEI offering available to every Halma company) to help identify and mitigate bias in hiring practices.

CenTrak is also striving for greater equality of opportunity through hiring and promoting other underrepresented groups. In fact, 79% of internal promotions during the financial year have been women and/or ethnically diverse employees. Other efforts include hiring military veterans and rehabilitated workers who often have difficulty finding employment.

> "Our purpose as a global organisation is to create a safe and efficient healthcare environment for patients, staff, and their families; and we need people from all backgrounds to ensure we can effectively deliver on this promise."

**David Minning, President & Chief Executive Officer, CenTrak**

## 1. Innovation & Digital

**Risk Owner:** Inken Braunschmidt

**Gross risk level**
High

**Change**
No change ▶

**Risk appetite**
Seeking

**Growth Enablers**

**Risk and impact**

Failing to innovate to create new high-quality products to meet customer needs, or failure to adequately protect intellectual property, resulting in a loss of market share and poor financial performance.

**How do we manage the risk?**

— Product development is devolved to our companies who are closest to the customer.
— Chief Innovation and Digital Officer supports sectors to promote and accelerate innovation by our companies.
— Digital innovation strategy focuses on incubation and acceleration of innovation. Supported by a champions network and partnerships.
— Education of our companies around customer centricity and voice of the customer to feed our innovation and ideation.
— Promotion of active collaboration of ideas and best practices between companies.
— Focus on talent and retention to ensure there is sufficient expertise within the business.
— Review of R&D budgets and projects by sectors to ensure they are being spent most effectively in the markets where we want to participate.
— Halma senior management approval of all large R&D projects to ensure alignment with strategy.
— Companies are encouraged to develop and protect intellectual property.
— Conferences and development programmes help spread ideas and best practice across the Group. Innovation awards reward and encourage innovation.
— M&A activity is targeted to help address innovation and R&D gaps, in line with sector specific initiatives.
— Monitoring of key R&D and innovation metrics to measure positive impact.
— Regular promotion, training and monitoring of agile or lean start-up ways of working in companies.

## 2. Talent and Diversity

**Risk Owner:** Jennifer Ward

**Gross risk level**
High

**Change**
Increased ▲

**Risk appetite**
Open

**Growth Enablers**

**Risk and impact**

Not having the right talent and diversity at all levels of the organisation to deliver our strategy, resulting in reduced financial performance. The increased risk reflects retention risks emerging due to our rapid escalation through the FTSE 100, increased profile and track record of success. This risk includes the talent needed to effectively manage a low-carbon transition.

**How do we manage the risk?**

— Annual Performance and Development Review process for Sector and Executive Board members. Nomination Committee annual review of succession and development plans.
— DE&I strategy in place and targets for Executive Board. Quarterly review of diversity metrics (gender, ethnicity and nationality), used to drive action plans at each level.
— Annual employee engagement survey to provide insight into employee sentiment including alignment between strategy and objectives and clarity to employees about their contribution towards achieving objectives.
— Comprehensive recruitment processes to recruit the best and brightest talent.
— Ongoing climate related talent identification and upskilling.
— Development of talent and diversity across our companies, including development programmes, to give us competitive advantage and ensure we have motivated leaders to deliver our strategy.
— Annual strategic review of sector board and company leadership talent to identify and develop future leaders. Defined competency and potential model used.
— Future Leaders programme to develop graduates.
— Senior Management reward structure aligned with strategic priorities of companies, sectors and Group. Work is continuing in this area to ensure that our reward packages are competitive, reflect our high long-term growth and are benchmarked to market.

## 3. Acquisitions and Investments

**Risk Owner:** Andrew Williams

**Gross risk level**
High

**Change**
No change ▶

**Risk appetite**
Open

**Growth Enablers**

**Risk and impact**

Failing to achieve our strategic growth target for acquisitions and investments due to insufficient opportunities being identified, poor due diligence or poor integration, resulting in erosion of shareholder value. Our three sectors are now aligned according to our purpose and reorganising the sectors enabled us to increase our M&A team by 50%.

**How do we manage the risk?**

— Clear strategy and agile business model that allows us to take advantage of new growth opportunities as they arise.
— Acquisition of companies in our existing or adjacent markets.
— Dedicated M&A Directors with Group Chief Executive, Chief Financial Officer and plc Board oversight, scrutiny and approval of all acquisitions.
— As our companies scale, they are now more able to take on bolt-on acquisitions to accelerate their growth.
— Regular reporting of the acquisition pipeline to the Executive and plc Boards.
— Careful due diligence by experienced staff who bring in specialist expertise as required.
— Strategic transformation plans in place for new acquisitions to seek to ensure they achieve their growth potential.
— Clear process in place to ensure successful integration from a control and compliance perspective.
— Internal Audit review within 12 months of acquisition to review minimum expected controls.
— Post-acquisition reviews are performed for all acquisitions after 12 months to ensure strategic objectives are being met and to identify learnings for future acquisitions.
— Investment framework and model in place to capture process, approvals and oversight for minority equity investments. Lessons learnt review following each investment to improve future processes. Regular review by the Investment Committee.
— A climate related low-carbon transition risk and opportunity review has been built into our standalone M&A process.

**Link to Growth Enablers to support strategy delivery**

- M&A
- Talent & Culture
- Digital Growth Engines
- Strategic Communications and Brand
- International Expansion
- Finance, Legal & Risk
- Innovation Network

## 4. Cyber

**Risk Owner:** Catherine Michel

**Gross risk level**
High

**Change**
Increased ▲

**Risk appetite**
Averse

**Growth Enablers**

**Risk and impact**

Loss of digital intellectual property/data or ability to operate systems or connected devices due to internal failure or external attack. There is resulting loss of information or ability to continue operations, and therefore financial and reputational damage. The continued increase in this risk reflects the growing threat generally from cyber-crime around the world.

**How do we manage the risk?**

- Clear ownership of cyber risk, with Board level expertise.
- Cyber risk policies and procedures in place.
- Halma approved services available to all companies to help them manage their cyber risks.
- Cyber threat reporting every two months for all parts of the Group.
- IT disaster recovery and back-up plans in place, required to be tested regularly.
- Regular online IT awareness training provided for all employees who use computers. Central and local IT expertise.
- Six monthly Internal Control Certifications submitted by companies include the most critical IT controls.
- All employees are required to read and sign up to the IT Acceptable Use policy.
- Periodic assurance reviews by Internal Audit.
- Crisis communications plan and access to cyber expertise should a cyber-attack occur.

## 5. Organic Growth

**Risk Owner:** Andrew Williams

**Gross risk level**
High

**Change**
No change ▶

**Risk appetite**
Open

**Growth Enablers**

**Risk and impact**

Failing to deliver desired organic growth, resulting in missed expected strategic growth targets and erosion of shareholder value.

Whilst the overall gross risk level is unchanged, our companies have been managing supply chain and labour shortage risks and well as inflationary pressures.

The risk includes potential impacts from the net zero transition on our supply chain and operations.

**How do we manage the risk?**

- Clear Group strategy to achieve organic growth targets, supported by detailed company strategies and seven Halma Growth Enablers with Executive Board owners. Clear Halma DNA.
- Sector management ensure that the Group strategy is fulfilled through ongoing review and chairing of companies.
- Regional hubs, for example in China and India, support local strategic growth initiatives for all companies.
- Annual strategic planning and budgeting process with rolling 12 month forecasting and a focus on good P&L and balance sheet control.
- Remuneration of company executives and above is based on profit growth.
- Continued investment in R&D to drive innovation and growth with KPIs monitored at Board level.
- Innovation rewarded through Innovation Awards at leadership conferences.
- Agile business model and culture of innovation to take advantage of new growth opportunities as they arise.
- Potential new acquisitions, partnerships and investments assessed for future organic growth prospects to align to strategy.
- Focus on having the best talent on board to deliver strategy and therefore organic growth.
- Climate-risk and opportunity review processes and governance are in place.
- Ongoing climate related upskilling of company and sector boards to help us manage the low-carbon transition.

## 6. Business Model and its Communication

**Risk Owner:** Andrew Williams

**Gross risk level**
High

**Change**
No change ▶

**Risk appetite**
Open

**Growth Enablers**

**Risk and impact**

Failing to clearly articulate or adapt our business model as Halma grows through exploring and implementing additional or new business models, resulting in missed growth opportunities and erosion of shareholder value.

This risk includes meeting increasing or shifting stakeholder expectations around climate change.

**How do we manage the risk?**

- Clear communication of Halma's business model and any new developments disclosed in the Annual Report and Accounts and at investor events. Regular external and internal communications to reinforce business model understanding.
- Comprehensive expert reviews of existing and potential new markets to identify strategies with significant growth potential.
- Identification of companies with products or markets that would have a good strategic fit for Halma. This includes start-ups, service and software companies that could help accelerate the growth of existing companies.
- Monitoring of market trends, including customer preferences, emerging technologies and competitors.
- Developing collaboration capabilities of every company to take advantage of identified opportunities.
- Post-acquisition monitoring to ensure that the objective for acquiring each business has been achieved and learning opportunities identified.
- Strategic reviews of business model at Board level to consider the strengths and weakness of the existing business model and alternative business models.
- Sector and Executive Boards perform reviews to identify opportunities which may require a new organisational approach.
- Sustainability governance and structure to accelerate action in place.
- Continued development of climate and sustainability-related information available to investors and stakeholders, including TCFD disclosures.

## 7. Economic and Geopolitical Uncertainty

**Risk Owner:** Andrew Williams

**Gross risk level**
High

**Change**
Increased ▲

**Risk appetite**
Cautious

**Growth Enablers**

**Risk and impact**

Failure to anticipate or adapt to geopolitical changes or a recession, resulting in a decline in financial performance and an impact on the carrying value of goodwill and other assets. This risk remains elevated in certain geographies due to the COVID pandemic and also other geopolitical events such as the conflict in Ukraine and USA/China trade relations.

**How do we manage the risk?**

- Diverse portfolio of companies across the sectors, in multiple countries and in relatively non-cyclical global niche markets help to minimise the impact of any single event operating in one market.
- Regular monitoring and assessment of potential risks and opportunities relating to economic or geopolitical uncertainties.
- Identification of any wider trends by the Halma Executive Board that require action.
- Risk managed at local company level and they have the autonomy to rapidly adjust to changing circumstances.
- Financial strength and availability of pooled resources in Group as well as robust credit management processes in place across the Group.
- Operations, cash deposits and sources of funding in uncertain regions are kept to a minimum.
- Knowledge and monitoring of global regulatory requirements.
- Financial warning signs KPIs give earlier indications of potential problems.
- Active reduction of key customer or market concentration through new product and market diversification for both core and acquired businesses.
- Monitoring of any changes in corporate and government investment due to macroeconomic factors.
- Periodic assessment of the carrying value of goodwill and other assets.

## 8. Natural Hazards, including Climate Change

**Risk Owner:** Funmi Adegoke

**Gross risk level**
Medium

**Change**
No change ▶

**Risk appetite**
Averse

**Growth Enablers**

**Risk and impact**

There is a risk we are unable to respond to large scale disasters or natural catastrophes such as hurricanes, floods, fires or pandemics, as well as longer term changes to the climate such as increasing water scarcity and temperatures, resulting in the inability of one or more of our businesses to operate, causing financial loss and reputational damage.

The impact of physical climate change is likely to increase the risks to our operations and supply chain due to increasingly severe and/or frequent weather events.

**How do we manage the risk?**

- Halma operates in end markets with strong long-term growth drivers and lower risks of shocks due to natural hazards.
- Sustainability is a regular agenda item for the Executive and plc Boards.
- A Sustainability Network is in place which raises the awareness of sustainability issues, including climate change, in our companies.
- TCFD compliance work is helping to evaluate the potential impacts of climate-related risks and opportunities and determine the appropriate strategic actions.
- All parts of the Group are required to have business continuity plans in place which are tailored to manage the specific risks they are most likely to face and these are required to be tested periodically.
- The geographical diversity of Halma's companies reduces the impact of any single event and Halma has manufacturing capability in multiple locations which provides flexibility.
- There is a culture of support to affected businesses from other Halma companies if the need arises.
- Group level oversight of IT communications infrastructure.
- A crisis management plan exists to manage communications and the reputational risk for Halma and/or its companies.
- Business interruption insurance is in place where possible and appropriate to limit any financial loss that may occur.
- Climate-risk and opportunity review processes and governance are in place.
- Ongoing climate related upskilling of company and sector boards.

## 9. Product Failure or Non-compliance

**Risk Owner:** Andrew Williams

**Gross risk level**
Medium

**Change**
Increased ▲

**Risk appetite**
Averse

**Growth Enablers**

**Risk and impact**

A failure of one of our products results in serious injury, death or damage to property, including due to non-compliance with product regulations, resulting in financial loss and reputational damage. The risk is increasing due to a trend of increasing regulation and also the current pressures in the supply chain around the world, leading to a greater number of alternative sourcing solutions being required.

**How do we manage the risk?**

- The board of each company is accountable for complying with product regulatory requirements.
- Analysis of market requirements, including safety, are made during a product design phase to ensure compliance with all regulatory requirements and customer needs.
- Companies have strict product development and testing procedures in place to ensure product quality and regulatory compliance.
- Rigorous testing of products during development and also during the manufacturing process.
- Clear requirements for suppliers, including those providing alternative sourcing in the current climate, to ensure safety and quality.
- Checks are performed on product received from suppliers.
- Monitoring of defects and warranty returns to identify any potential safety defect which can then be rectified.
- Traceability of product so that batches can be identified where appropriate.
- Product compliance with regulations is checked as part of due diligence for any acquisition.
- Terms and conditions of sale limit liability as much as practically possible and liability insurance is in place.
- A crisis management plan exists to manage communications and the reputational risk for Halma and/or its companies.

**Link to Growth Enablers to support strategy delivery**

M&A
Talent & Culture
Digital Growth Engines
Strategic Communications and Brand
International Expansion
Finance, Legal & Risk
Innovation Network

## 10. Non-compliance with Laws and Regulations

**Risk Owner:** Funmi Adegoke

**Gross risk level**
High

**Change**
No change ▶

**Risk appetite**
Averse

**Growth Enablers**

**Risk and impact**

We are not fully compliant with relevant laws and regulations, resulting in fines, reputational damage and possible criminal liability for Halma senior management.

**How do we manage the risk?**

- The board of each company is accountable for identifying and monitoring what laws are relevant to their business, including any emerging or changing legislation, and for ensuring commercial legal risks are appropriately managed.
- Group Legal advises on legislative and regulatory changes relevant to the Group as a listed company and that could have a material impact.
- An approved list of legal suppliers exists to ensure our companies can access high quality legal advice directly.
- Group policies, procedures and guidance are in place, setting out the Group's requirements from a compliance and regulatory perspective, and context for the Group's risk appetite.
- All employees are required to sign to confirm that they have read and understood the Halma Code of Conduct.
- Ongoing training and advisory programme for Group and companies.
- Appropriate levels of Group insurance cover are maintained.
- A third party whistleblowing hotline is in place and available for use by all employees and third parties to raise any issues of concern or non-compliance.
- Six monthly Internal Control Certifications submitted by companies include the most critical legal and regulatory compliance controls.
- Deputy General Counsel sit on the sector boards and help facilitate both formal and informal reviews of sector legal and regulatory compliance.
- Thorough legal due diligence and acquisition support process in place.
- Claims and litigation risks are reported by all companies every six months. Material legal issues and risks are reported to and discussed by the plc board every quarter.
- A crisis management plan exists to manage communications and the reputational risk for Halma and/or its companies.
- Periodic assurance reviews by Internal Audit.

## 11. Financial Controls

**Risk Owner:** Marc Ronchetti

**Gross risk level**
Medium

**Change**
No change ▶

**Risk appetite**
Averse

**Growth Enablers**

**Risk and impact**

Failure in financial controls either on its own or via a fraud which takes advantage of a weakness, resulting in financial loss and/or misstated reported financial results.

**How do we manage the risk?**

- Local directors have legal, as well as operational, responsibility as they are statutory directors of their companies. This fits with Halma's decentralised model to ensure an effective financial control environment is in place.
- Group policies, procedures and guidance are in place for expected financial controls.
- Onboarding of new finance teams and members, together with ongoing training of Halma's financial control framework and its implementation.
- Six monthly Internal Control Certifications submitted by companies include the most critical financial compliance controls. These include segregation of duties, delegation of authorities and financial accounts preparation checks.
- Sector and Group Finance teams perform regular reviews of financial reporting and indicators.
- Six monthly peer reviews of reported results for each company are performed to provide independent challenge.
- Periodic assurance reviews by Internal Audit.
- A third party whistleblowing hotline is in place and available for use by all employees and third parties to raise any issues of concern or non-compliance.

## 12. Liquidity

**Risk Owner:** Marc Ronchetti

**Gross risk level**
Medium

**Change**
No change ▶

**Risk appetite**
Averse

**Growth Enablers**

**Risk and impact**

There is a risk that the Group's cash/funding resources are inadequate to support its activities or there is a breach of funding terms.

There continues to be some risk due to the impact of the COVID pandemic but this is being managed effectively at Group and company level.

**How do we manage the risk?**

- A clear financial model and conservative balance sheet strategy exists.
- The strong cash flow generated by the Group provides financial flexibility, together with a revolving credit facility.
- Cash needs are monitored regularly through review of the Group cash position and a 12 month rolling forecast.
- Liquidity forecasts are prepared covering the next three years and are updated and reviewed at least every six months.
- Treasury policy and procedures provide comprehensive guidance to companies on banking and transactions.
- Monthly monitoring of current and forecast covenant compliance.
- All drawdowns and all new or renewed sources of funding are subject to approval by the Chief Financial Officer and Head of Group Treasury.
- The currency mix of debt is reviewed annually, and on acquiring or disposing of a business.

# Viability statement

During the year, the Board carried out a robust assessment of the principal risks affecting the Group, including those that would threaten its business model (as set out earlier in the Strategic Report), future performance, solvency or liquidity. The principal risks and uncertainties, including an analysis of the potential impact and mitigating actions are set out on pages 98 to 101 of the Strategic Report.

The Board has assessed the viability of the Group over a three-year period, taking into account the Group's current position and the potential impact of the principal risks and uncertainties. While the Board has no reason to believe that the Group will not be viable over a longer period, it has determined that three years is an appropriate period. In drawing its conclusion, the Board has aligned the period of viability assessment with the Group's strategic planning process (a three-year period). The Board believes that this approach provides greater certainty over forecasting and, therefore, increases reliability in the modelling and stress testing of the Company's viability. In addition, a three-year horizon is typically the period over which we review our external bank facilities and is also the performance-based period over which awards granted under Halma's share-based incentive plan are measured.

In reviewing the Company's viability, the Board has identified the following factors which they believe support their assessment:

**1**

The Group operates in diverse and relatively non-cyclical markets.

**2**

There is considerable financial capacity under current facilities and the ability to raise further funds if required.

**3**

The decentralised nature of our Group ensures that risk is spread across our businesses and sectors, with limited exposure to any particular industry, market, geography, customer or supplier.

**4**

There is a strong culture of local responsibility and accountability within a robust governance and control framework.

**5**

An ethical approach to business is set from the top and flows throughout our business.

In making their assessment, the Board carried out a comprehensive exercise of financial modelling and stress-tested the model with a downside scenario based on the principal risks identified in the Group's annual risk assessment process. The scenarios modelled used the same assumptions as for the going concern review, as set out on page 158. The base case reflects the latest forecasts and strategic plans of the business. The downside scenario included a reduction in trading for the year ending 31 March 2023 to below levels seen for the year ended 31 March 2022, and also included a significant downside event from the impacts of the Group's other principal risks such as litigation or product failure. For the years ending 31 March 2024 and 31 March 2025 the downside scenario reflects expected base case revenue growth more than halving with the growth rate applied to the 2023 downside scenario revenue. In both scenarios, the effect on the Group's KPIs and borrowing covenants was considered, and significant headroom remained. Based on this assessment, the Board confirms that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period to 31 March 2025.

| Our policies and guidance documents | Description and due diligence processes |
|---|---|
| **Environmental Policy and Environmental Commitment Statement** | Halma's Environmental Policy has been set by the Board, and our Group General Counsel & Chief Sustainability Officer has principal responsibility for coordinating and monitoring the policy. This internal-facing policy includes our Carbon Policy and our Environmental Commitment statement, available at www.halma.com, and sets out our guiding principles and commitments for both internal and external audiences. Our commitments include the continued development of equipment for measuring and monitoring environmental changes and controlling the impact of industrial activities over the long term, as well as our commitment to encouraging all Halma companies to reduce their negative environmental impact through continually improving the efficiency of their production methods and their supply chains. These policies are being reviewed and refreshed in light of our new Sustainability Framework, including as our companies create plans to achieve our environmental Key Sustainability Objectives. |
| **Code of Conduct** | Our culture is purpose-led and one of honesty, openness, integrity and accountability, and is embedded within our Cultural Genes as set out on page 23. We require our employees to act fairly in their dealings with fellow employees, customers, suppliers and business partners. Our Code of Conduct applies to operations owned or controlled by Halma and their officers and employees, and each officer or employee who joins the Group is required to acknowledge that they have read the Code and understood its importance.<br><br>We also expect our external business partners and suppliers to be aware of the Code and apply similar ethical standards in their operations. Each of our companies is responsible for monitoring the standards of their business partners and suppliers. The Code of Conduct aims to ensure that Halma maintains consistently high ethical standards globally, while recognising that our businesses operate in markets and countries with cultural differences and practices. It has been translated into 11 languages, and is issued to all Halma employees and published on our website. |
| **Health and Safety Policy** | Marc Ronchetti, Chief Financial Officer, is the Director responsible for Halma's health and safety compliance. The Group has a strong health and safety record, driven by a deeply embedded culture of safety.<br><br>Our Health and Safety Policy requires businesses to manage their activities in a way which avoids causing unnecessary or unacceptable risks to health and safety and provides clear guidelines for our businesses on managing health and safety risks to ensure a safe work environment. It was reinforced with support and guidance given to our businesses to reflect the particular health and safety issues that arose from the pandemic. We collect details of our worldwide reported health and safety incidents through our central financial consolidation system and the Board monitors health and safety performance at every meeting. We thoroughly review the root cause of any accidents to ensure that we take preventative measures, including further training and education of our employees.<br><br>In line with Halma's autonomous structure, operational responsibility for compliance with local health and safety regulations, including that of suppliers, resides with the board of each operating company. However, we routinely monitor health and safety performance across the Group and companies are encouraged to seek continuous improvement and to promote a strong health and safety culture. Our Policy requires businesses to carry out an independent health and safety review every three years to assess compliance and to ensure that there is a consistent and adequate level of reporting and investigation of health and safety incidents across the Group. In addition, our lead global insurer reviews employee and third-party safety and controls at four to five properties per year as part of their rotational assessments.<br><br>All Group companies are encouraged to undertake ISO 14001 accreditation, where warranted. For the year to 31 March 2022, based on available data reported by our companies, we estimate that approximately 17% of the Group's sites were covered by an ISO 14001 accreditation contributing over 20% of the Group's revenue.<br><br>Our operating companies have a strong focus on product quality and safety. Given the significant diversity of types of products and end markets, responsibility for complying with relevant product safety and quality requirements and obtaining relevant accreditations and certifications sits with the local, legally constituted company boards. For the year to 31 March 2022, based on available data reported by our companies, we estimate that approximately 61% of the Group's sites were covered by an ISO 9001 accreditation contributing approximately 70% of the Group's revenue.<br><br>Based on available data reported by our companies, approximately 15% of the Group's sites are covered by ISO 45001 or BS OHSAS 18001 accreditation, a minimum standard for occupational health and safety management best practice. These sites currently contribute approximately 16% of the Group's revenue and we continue to encourage our companies to certify to the ISO 45001 standard.<br><br>In addition, during the year ended 31 March 2022 approximately 700 employees completed our Group online health and safety training programmes.<br><br>Further information on our Health and Safety performance during the year is available in the Our people and culture section on pages 70 to 73. |
| **Human Rights and Labour Conditions Policy** | Halma's Human Rights and Labour Conditions Policy reflects the core requirements of the Universal Declaration of Human Rights and the Group observes the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, including the conventions relating to forced labour, child labour, non-discrimination, freedom of association and right to collective bargaining.<br><br>Our Group Chief Executive, Andrew Williams, has overall responsibility for ensuring that human rights considerations are integral to the way in which existing operations and new opportunities are developed and managed. Compliance with, and respect for, these fundamental principles are integrated throughout our organisation. Managers and supervisors must provide leadership that promotes human rights as an equal priority to other business issues. All employees are responsible for ensuring that their own actions do not impair the human rights of others, and are encouraged to bring forward, in confidence, any concerns they may have about human rights. The policy is available on our website. |

# Our policies and procedures continued

| Our policies and guidance documents | Description and due diligence processes |
|---|---|
| **Modern Slavery Act Statement** | Halma is committed to conducting its business ethically and in line with all relevant legislation including human rights laws. Halma has published six Modern Slavery Act Statements since September 2016, which detail the progressive steps taken annually to tackle modern slavery and human trafficking. Since the introduction of the Modern Slavery Act, we have worked to raise awareness of this important agenda.<br><br>A detailed guidance note has been provided to all businesses to raise awareness of the Modern Slavery Act and the issue of modern slavery in business and supply chains. Each business is required to consider the potential issue of modern slavery and human trafficking within their business and supply chain. In addition, online compliance training on the Modern Slavery Act has been rolled out to senior management, all subsidiary board members and other relevant employees across the Group. Approximately 500 employees have completed this training during the year ended 31 March 2022. This is an important tool to assist our business management in raising awareness of the issues and understanding their responsibilities in their operations.<br><br>Further information on steps taken during the year in relation to Modern Slavery can be found in our Modern Slavery Act Statement on our website at www.halma.com and in the Sustainability section on page 80. |
| **Conflict Minerals Policy** | One particular area of concern for our customers and other stakeholders is whether certain metals that may originate in conflict zones are included in our products. US Securities and Exchange Commission (SEC) rules require US publicly traded companies to certify whether such conflict minerals, or their derivatives, are contained within their products. In order to assist our customers who are subject to this SEC rule, we have a Conflict Minerals Policy which gives guidance to all companies on how to determine whether any of the four minerals, or their derivatives, classified by the US government as 'conflict minerals' are contained in any product.<br><br>Please also see page 84 of the Sustainability section for additional discussion of Conflict Minerals. |
| **Whistleblowing Policy** | Halma has a Group-wide Whistleblowing Policy which applies to all employees and Halma operations as well as joint venture partners, suppliers, customers and distributors relating to our businesses. While we encourage an open culture where any issues can be raised and handled locally at business level, we recognise that there will be times when it is not appropriate, or a person will not be comfortable raising a concern through line management.<br><br>NavexGlobal, an independent third-party, provides our confidential reporting service to enable any concerned parties, including employees and suppliers, to raise any concerns they may have in confidence, via telephone or web-reporting. Where permitted by law, employees may report anonymously if they wish. Halma is committed to ensuring that anyone raising a concern in good faith is not subject to any victimisation or detrimental treatment.<br><br>Details about the confidential reporting service are available in our Code of Conduct (which is available on our website), our internal HalmaHub and Sharepoint sites, and are prominently displayed on posters within all of our Group and operating company locations.<br><br>All reports are treated confidentially and seen by the Company Secretary. Where appropriate, the review and investigation is undertaken or led by the Director of Risk & Internal Audit or the Talent & Culture Executive for the relevant sector. All reports are appropriately investigated and concluded. The Audit Committee receives details of any reports relating to financial misconduct and the Board receives an overview of reports relating to people and culture. |
| **Anti-Bribery and Corruption Policy** | Halma has a zero-tolerance policy on bribery and corruption which extends to all business dealings and transactions in which the Group is involved. This includes a prohibition on making political donations, offering or receiving inappropriate gifts or making undue payments to influence the outcome of business dealings. Every business records and reports on any gifts, hospitality or charitable donations which exceed the Group policy limits.<br><br>Our policy and guidance in this area is well understood, routinely reviewed and compliance is checked as part of the half year and year-end control process. We also require customers and suppliers who contract on our standard business terms to comply with anti-corruption and anti-bribery laws. Suspected breaches of compliance with this policy can be reported through the whistleblowing reporting service.<br><br>Online anti-bribery and corruption compliance trainings cover senior management, all company board directors and other relevant employees. Approximately 700 employees completed training during the year ended 31 March 2022. |
| **Competition Law and Competition Compliance Manual** | The Group has a policy on Competition Law which is communicated to all company directors and to relevant sales and procurement employees. Our companies must confirm that the relevant people in their business are familiar with the policy as part of the half year and year-end control process. Online anti-Competition compliance training covers senior management, all company board directors and other relevant employees. Approximately 350 employees completed training during the year ended 31 March 2022. |
| **Data Protection Policy and guidance** | Halma has a Group-wide Data Protection Policy and Guidance which requires our companies to comply with six key data protection principles, which are Lawfulness, Fairness and Transparency, Purpose Limitation, Data Minimisation, Accuracy, Storage Limitation and Integrity and Confidentiality.<br><br>The policy also requires our companies to only process personal data where it is necessary and consent has been obtained. The policy requires all companies to have their own Privacy Policy in place which is tailored to their business and local law, relating to the categories of individuals whose personal data they process.<br><br>Privacy Policies and security measures are required to be reviewed at least annually and tested where appropriate. Our companies are also required to ensure appropriate and robust clauses are included in any contracts with third parties where personal data will be disclosed. |
| **Diversity and Inclusion Policy** | Our Diversity and Inclusion Policy sets out our commitment to building inclusive and diverse businesses, and is available at www.halma.com. More information about our commitment and progress on diversity, equity and inclusion can be found in the Our People section on pages 70 to 73. |
| **Equal opportunities Policy** | We are committed to promoting equality of opportunity for all employees and job applicants. We aim to create a working environment in which all individuals are able to make best use of their skills, free from discrimination or harassment, and in which all decisions are based on merit.<br><br>It is a Group policy to not discriminate against staff or candidates on the basis of age, disability, gender, gender reassignment, marital or civil partner status, pregnancy or maternity, race, colour, nationality, ethnic or national origin, religion or belief, or sexual orientation. |

# Non-financial information statement

In compliance with the Non-Financial Reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006, the table set out below, and the information it refers to, is intended to help stakeholders understand our position on key non-financial matters, while the Our policies and procedures on pages 103 and 104 highlights the key processes and outcomes associated with the relevant non-financial policies. The description of our business model can be found on pages 26 to 27 and stakeholder engagement information can be found on pages 66 and 69.

| Reporting requirement | Relevant policies, standards and approaches | Additional information about the impact of our activities, outcome of our policies, non-financial KPIs and principal risks relating to these matters | Pages |
|---|---|---|---|
| Environmental matters | — Environmental Policy[1]<br>— Environmental commitment statement[2] | — Sustainability Section including:<br>— Climate Change and Circular Economy Key Sustainability Objectives<br>— Our approach to sustainability and sustainability governance and execution<br>— Responsible Business<br>— Sustainability Data, including carbon emissions, water and waste metrics<br>— TCFD Disclosures<br>— Risk: Climate Change and Natural Hazards<br>— Non-financial KPIs:<br>— Climate Change | 74 - 95 |
| Employees | — Code of Conduct[2]<br>— Whistleblowing Policy[3]<br>— Health and Safety Policy[1]<br>— Diversity and Inclusion Policy[2]<br>— Conflicts of interest[3]<br>— Inside information[1,3] | — Our People section including:<br>— Health and safety (including metrics)<br>— Employee wellbeing<br>— Employee engagement (including metrics)<br>— Diversity and inclusion (including metrics)<br>— Gender pay gap reporting (including metrics)<br>— Training and development (including metrics)<br>— Our DNA<br>— Risk: Talent and Diversity<br>— Non-financial KPIs:<br>— Accident Frequency Rate<br>— Employee Engagement %<br>— DEI Metric | 70 - 73<br><br><br><br><br><br><br>23<br>98<br>40 - 41 |
| Human rights | — Modern Slavery Act statement[2]<br>— Human Rights and Labour Conditions Policy[3]<br>— Whistleblowing Policy[1,3] | — Sustainability section (including Responsible Business)<br>— Risk: Non-compliance with Laws and Regulations | 80 - 89<br>101 |
| Social matters | — Code of Conduct[2]<br>— Data Protection Policy[1]<br>— Competition Policy[1]<br>— Conflict Minerals Policy[1] | — Our Positive Impact<br>— Sustainability section (including Responsible Business)<br>— Our People section<br>— Business review<br>— Water for Life global campaign | 62 - 65<br>80 - 89<br>70 - 73<br>44 - 59<br>83 |
| Anti-bribery & corruption | — Anti-Bribery and Anti-Corruption Policy[1,3]<br>— Gifts and hospitality[1,3]<br>— Political payments and donations[1,3] | — Risk: Non-compliance with Laws and Regulations | 101 |

1 Available to all employees of Halma and our subsidiary companies. Not published externally.
2 Available both on our website at www.halma.com and to employees of Halma and our subsidiary companies.
3 Included within our Code of Conduct.

The Strategic Report was approved by the Board of Directors on 16 June 2022 and signed on its behalf by:

**Andrew Williams**
Group Chief Executive

**Marc Ronchetti**
Chief Financial Officer

**Cautionary note:** this Strategic Report has been prepared solely to assist shareholders to assess the Board's strategies and their potential to succeed. It should not be relied on by any other party, for other purposes. Forward looking statements have been made by the Directors in good faith using information available up until the date that they approved the Report. Forward looking statements should be regarded with caution because of the inherent uncertainties in economic trends and business risks.

**Dame Louise Makin**
Chair

## "I am pleased to be presenting my first Corporate Governance Report at Halma, for the year ended 31 March 2022. This Report outlines the governance framework within which the Company operates and provides an understanding of how the Principles, set out in the UK Corporate Governance Code 2018, have been applied."

### Board changes

Following a well-planned and executed handover period, I took up my role as Chair on 22 July 2021, when Paul Walker stepped down. Daniela Barone Soares, non-executive Director, and Adam Meyers, Executive Director, both retired from the Board at the AGM on 22 July 2021. We welcomed Dharmash Mistry as non-executive Director in April 2021 and subsequently appointed Sharmila Nebhrajani OBE as non-executive Director in December 2021. I am delighted that we secured Dharmash and Sharmila as Directors as they each bring new and valuable skills and experience to our Board and enhance our diversity. The Board now comprises the Chair, three Executive Directors and six independent non-executive Directors.

### Progress in 2022

Last year, the Board set the following priorities for 2021/22 to:

- engage and leverage the skills and experience of the new Board members, building their understanding of Halma and our businesses and continuing to evolve our strategy.
- support M&A activity that is aligned to our purpose.
- embed sustainability and stakeholder views into Board decision-making.
- develop digital growth metrics to capture data and monitor our progress on connected products and digital services.

I am pleased to report that we have made good progress against all of these priorities, we:

- successfully concluded the onboarding of me as Chair and Dharmash and Sharmila as non-executive Directors. Although visits to our operating companies have been hampered by the pandemic, we have already made plans to visit more companies across the Group over the coming months.
- completed 13 purpose-aligned acquisitions and one disposal during the year and one acquisition since the year-end.
- upskilled the Board on sustainability, considered the risks and opportunities presented by climate change, reviewed the work undertaken and agreed the conclusions for our reporting aligned to the Task Force for Climate Related Disclosure (TCFD) framework.
- reviewed internal metrics to monitor the progress of our companies on their digital journey – capturing revenue data across the digital playing field from pure hardware, through intelligent and connected devices, to IoT and Software as a Service (SaaS) business models.

In addition to the strategic progress that we have made over the year, we continued our drive to improve the gender and ethnic diversity both at a Group and operating company level. We now have Diversity, Equity and Inclusion as a non-financial KPI (see page 41) and have incorporated it as an element of executive remuneration for the next financial year.

Our continuing focus on the positive impact that our products and services make, along with the work undertaken to reduce the negative impact of our operations, has led to further commitments around climate change, as outlined in the Sustainability section (see page 80). We have also added a further non-financial KPI of reduction in our Scope 1 & 2 emissions, and incorporated an annual energy productivity metric into executive remuneration for next year. While Halma has had a clear purpose and sustainability at the core of its business model for decades, we are pleased to have been able to align executive remuneration to two Key Sustainability Objectives (KSOs) as it demonstrates the Board's desire to prioritise and deliver improvements in these important areas.

### Board priorities for 2022/23

The Board's priorities for 2022/23 will be:

— To keep the talent pipeline under review at Executive Board level and one level below.
— Support M&A activity that is aligned to our purpose.
— Further embed sustainability into our business and monitor progress against our non-financial targets and KSOs.
— Re-focus on the Medical sector strategy, following recent changes to the leadership structure.

### Corporate Governance Statement

The Company reports against the Financial Reporting Council's (FRC) UK Corporate Governance Code 2018 (the "Code"), which is available at www.frc.org.uk. The Board has applied all Principles, and complied with all Provisions, in the Code for the year ended 31 March 2022, with the exception of Provisions 36, 37, 38 and 41 for which an explanation is set out in the table below.

### Annual General Meeting (AGM)

Due to the restrictions that were in place at the date of our last Report and the concern for the health and safety of our shareholders, directors and employees, we held a hybrid AGM last year, with minimal attendees in person at the Company's registered office in Amersham, and we encouraged shareholders to join virtually. Our preference has always been to welcome shareholders in person and, for our 2022 AGM, I am pleased to confirm that is what we intend – reverting to a physical meeting in London on 21 July 2022. We did consider the merits of holding a hybrid event again this year but given the extremely low attendance online last year, along with the technological and logistical complexity of such an event, we believe that our retail shareholders and guests value the face-to-face interaction that a physical meeting permits. I welcome the opportunity to meet with our shareholders at the AGM but would also remind all stakeholders that the Directors and company personnel are available throughout the year to answer questions or engage on topics of interest to you. You can contact us via our Investor Relations team and I would also encourage you to sign up for Halma news alerts and access to our webcasts at www.halma.com.

### Conclusion

I hope that you will find the information in this Report helpful in understanding our approach to governance and how we have applied the Principles of the Code. We believe that our organisational structure and governance framework enables our businesses to operate effectively and with agility which means we can continue to deliver value through our growth, returns and positive impact for all our stakeholders.

**Dame Louise Makin**
Chair
16 June 2022

Governance

## Code compliance exceptions

| Code Provision | Non-compliance | Commentary on intended compliance |
|---|---|---|
| 36 | The Remuneration Committee had not developed a formal post-employment shareholding policy covering the full year to 31 March 2022. | Our post-employment shareholding requirement was incorporated into the Remuneration Policy which was approved by shareholders at the 2021 AGM. Accordingly, we will be reporting full compliance with this provision in our 2023 Annual Report.* |
| 37 | Remuneration schemes and policies did not enable the use of discretion to override formulaic outcomes. | This item was incorporated into the Remuneration Policy which was approved by shareholders at the 2021 AGM. Accordingly, we will be reporting full compliance with this provision in our 2023 Annual Report.* |
| 38 | The pension contribution rates for Executive Directors, or payments in lieu, were not aligned with those available to the workforce. | Following a review of UK pension provision, and consultation with employees, the Company moved the trust-based pension plan into a Master Trust from November 2021. As part of this benefits review, employer contributions were increased for the wider UK workforce up to 10.5% (from 4.5% for the majority of employees). The Executive Directors have committed to lower their pension/cash-in-lieu of pension to 10.5% from 31 December 2022. Accordingly, we will be reporting full compliance with this provision in our 2024 Annual Report. |
| 41 | The 2021 Annual Report did not include a description of what engagement had taken place with the workforce to explain how executive remuneration aligns with wider pay policy. | A description of the engagement with the workforce on how executive remuneration aligns with wider pay policy is included within this 2022 Annual Report. Accordingly, we will be reporting full compliance with this provision in our 2023 Annual Report.* |

* while we complied with this provision before the year end, we are unable to report full compliance in this year's Report as we have not complied throughout the full 12-month period to 31 March 2022.

## Board of Directors

### Dame Louise Makin
Chair

**Appointed:** February 2021 (July 2021 as Chair)

**Career and experience:** Louise is an experienced executive and board director, having led businesses across multiple sectors. She was the Chief Executive Officer of BTG plc, the international specialist healthcare company, from 2004 to 2019. Louise led the transformation of the company through a combination of organic growth and acquisitions, and significantly increased its market capitalisation before its sale in 2019. She previously served as a non-executive Director of Premier Foods plc, Woodford Patient Capital Trust plc and Intertek Group plc, and as a director of several not-for-profit organisations. Louise brings a wealth of leadership and international experience to the Board.

**Current appointments:**
Atotech Ltd, non-executive Director

N R

### Andrew Williams
Group Chief Executive

**Appointed:** July 2004 (February 2005 as Group Chief Executive)

**Career and experience:** Andrew joined Halma in 1994 as Manufacturing Director of an operating company, becoming its Managing Director in 1997. He joined Halma's Executive Board in 2002 and was appointed as Group Chief Executive in 2005. Andrew has proven his ability to grow and acquire companies globally while evolving the Group portfolio for sustainable growth and high returns. He brings clear strategic leadership to the Board and has a deep understanding of the operating companies and the Group's stakeholders. He is a Chartered Engineer. Andrew served as a non-executive Director of Capita plc from January 2015 until May 2021.

**Current appointments:**
Cardiff Blues Limited, non-executive Director

N

### Marc Ronchetti
Chief Financial Officer

**Appointed:** July 2018

**Career and experience:** Marc joined Halma in 2016 as Group Financial Controller. He was previously Finance Director of the UK operations of Wolseley plc (now Ferguson plc) and prior to that held various group and divisional roles at Inchcape plc. Marc has gained commercial and financial experience across a range of senior finance and operational roles focused on creating value through actionable insights. Marc qualified as a Chartered Accountant with PricewaterhouseCoopers.

### Jo Harlow
Independent non-executive Director

**Appointed:** October 2016

**Career and experience:** Jo has significant international experience, gained most recently as Corporate Vice President of the Phones Business Unit at Microsoft. She previously worked at Nokia as Executive Vice President of Smart Devices. Before her move into consumer electronics, Jo worked in strategic marketing at Reebok and Procter & Gamble. Jo brings a wealth of expertise to the Board in digital, technology, sales and marketing. She is Chair of the Remuneration Committee at InterContinental Hotels Group plc, and Chair of the Corporate Responsibility & Sustainability Committee, and member of the Remuneration Committee, at J Sainsbury plc. Jo was previously a Member of the Supervisory Board at Ceconomy AG.

**Current appointments:**
InterContinental Hotels Group plc, non-executive Director
J Sainsbury plc, non-executive Director
Chapter Zero, Member of the Board

A N R

### Roy Twite
Independent non-executive Director

**Appointed:** July 2014

**Career and experience:** Roy is Chief Executive of IMI plc, having been appointed to the IMI Board in February 2007. During his career with IMI, Roy has held several senior management roles including Managing Director of IMI Norgren UK (2001), President of IMI Hydronic Engineering (2004), President of Retail Dispense (2007) and President of IMI Precision Engineering (2009) and Divisional Managing Director of IMI Critical Engineering (2011). Roy brings wide-ranging knowledge of the engineering sector along with extensive management and operational experience.

**Current appointments:**
IMI plc, Chief Executive

A N R

### Dharmash Mistry
Independent non-executive Director

**Appointed:** April 2021

**Career and experience:** Dharmash is an experienced technology venture capitalist, entrepreneur and non-executive director. He was formerly a Partner at Balderton & Lakestar, an executive at Emap PLC and worked earlier in his career at The Boston Consulting Group and as a Brand Manager at Procter & Gamble. Dharmash was formerly a founder of blow LTD, which he chaired, and has served as a non-executive Director at The British Business Bank, BBC, Hargreaves Lansdown PLC and Dixons Retail PLC.

**Current appointments:**
The Premier League, non-executive Director
Rathbones Group plc, non-executive Director

A N R

## Jennifer Ward
Group Talent, Culture and Communications Director

**Appointed:** September 2016

**Career and experience:** Jennifer joined the Halma Executive Board in March 2014 and has global responsibility for talent and culture as well as internal and external communications and brand across Halma. Prior to joining Halma as Group Talent Director, Jennifer spent over 15 years leading Human Resources, Talent and Organisational Development for divisions of PayPal, Bank of America and Honeywell. Jennifer brings a wealth of experience to the Board to ensure we secure and develop talent ahead of our growth needs and build a sustainable culture of high performance.

## Tony Rice
Senior Independent Director

**Appointed:** August 2014 (July 2015 as Senior Independent Director)

**Career and experience:** Tony has held senior management positions at a number of UK listed companies, spanning a range of sectors, and has extensive board level experience in companies operating internationally and in regulated industries. He was Chief Executive Officer at Cable & Wireless Communications plc and Tunstall plc and held a number of senior roles at BAE Systems plc. Tony was Chair of Dechra Pharmaceuticals plc and served as a non-executive Director of Spirit Pub Company plc, where he was Senior Independent Director and Remuneration Committee Chairman. Tony brings a wealth of UK listed company experience to his role as Senior Independent Director.

**Current appointments:**
Ultra Electronics Holdings plc, Chair
Whittington Hospital Trust, non-executive Director

A N R

## Committee Membership
**A** Audit Committee
**N** Nomination Committee
**R** Remuneration Committee

Chair of Committee
Member of Committee

## Sharmila Nebhrajani OBE
Independent non-executive Director

**Appointed:** December 2021

**Career and experience:** Sharmila brings extensive private and public sector experience from her executive and non-executive roles in health, media and sustainability. She began her career at PwC, qualifying as a Chartered Accountant, and served with the BBC for 15 years, latterly as Chief Operating Officer of BBC New Media, the division that built the iPlayer. Sharmila was Chief Executive of Wilton Park, an ambassador level role in the Foreign and Commonwealth Office, focused on topics such as global health, climate risk and national security. She has held executive board positions at the Medical Research Council, the Association of Medical Research Charities and the NHS and was appointed OBE for services to medical research.

**Current appointments:**
ITV plc, non-executive Director
Severn Trent plc, non-executive Director
Coutts & Co, non-executive Director
National Institute for Health and Care Excellence, Chair

A N R

## Carole Cran
Independent non-executive Director

**Appointed:** January 2016

**Career and experience:** Carole was Chief Financial Officer of Aggreko plc until December 2017, prior to which she held a number of senior finance roles within that group. Previously, she worked at BAE Systems plc in a range of senior financial positions, which included four years in Australia. Carole commenced her career in the audit division of KPMG where she qualified as a Chartered Accountant. Carole has extensive financial experience and has a strong focus on governance and risk.

**Current appointments:**
Forth Ports Limited, Chief Financial Officer

A N R


1
**Andrew Williams**
Group Chief Executive

See page 108 for biography

2
**Marc Ronchetti**
Chief Financial Officer

See page 108 for biography

3
**Jennifer Ward**
Group Talent, Culture and Communications Director

See page 109 for biography

4
**Funmi Adegoke**
Group General Counsel & Chief Sustainability Officer

Funmi joined Halma's Executive Board in September 2020. She has global responsibility for the Group's legal, risk and compliance affairs, oversees the company secretariat function and has principal responsibility for our sustainability activities.

5
**Inken Braunschmidt**
Chief Innovation and Digital Officer

Inken joined Halma and was appointed to the Executive Board in July 2017 and is responsible for driving Halma's Digital and Innovation Strategy.

6
**Catherine Michel**
Chief Technology Officer

Catherine joined Halma as its first Chief Technology Officer in September 2019. She has global responsibility for fostering the digitalisation of our companies' products and our underlying business operations.

7

**Constance Baroudel**
Sector Chief Executive, Environmental & Analysis

Constance was appointed to the Executive Board in April 2021. She joined Halma as Divisional Chief Executive, Medical & Environmental in August 2018.

8

**Wendy McMillan**
Sector Chief Executive, Safety

Wendy was appointed to the Executive Board in April 2021. She joined Halma as a Divisional Chief Executive in the Safety Sector in February 2018.

9

**Steve Brown**
Sector Chief Executive, Medical

Steve joined Halma in 2015 and was appointed to the Executive Board in November 2021. Prior to his appointment, Steve was Divisional Chief Executive of Halma's Environmental & Analysis Sector, Divisional Chief Executive for the Safety Sector and Managing Director of Apollo, one of Halma's largest companies.

10

**Aldous Wong**
President of Halma Asia Pacific, Adviser to the Executive Board

Aldous was appointed as President of Halma Asia Pacific in January 2022, becoming the senior leader for the region and an adviser to the Executive Board.

Please see our website, www.halma.com, for full biographies.

This section of the Report explains how the Company has applied the Principles set out in the Code.

## A. The role of the Board

The Board's role is to provide entrepreneurial leadership, within a framework of prudent and effective controls, that promotes the interests of the Company over the long term for the benefit of stakeholders. The Board sets the Group's strategic goals and has ultimate responsibility for its management, direction and performance. The Company's Articles of Association set out the Board's powers and the Board has adopted a formal schedule of matters reserved solely for its decision and certain decision-making and monitoring activities are delegated to Board Committees or management committees. A summary of the Board's activities during the year, along with the matters reserved for its decision, is set out on page 113.

As a decentralised organisation, it is critical that Halma's governance and control framework is robust, clearly defined, well communicated and operating effectively. The Board has established three principal Committees (Audit Committee; Nomination Committee; Remuneration Committee) which review and monitor specific areas on behalf of the Board and make recommendations for its approval. Each Board Committee operates under written terms of reference which are approved by the Board and are made available at www.halma.com. The Chair of each Committee reports to the Board on their activities after each meeting and once the minutes have been approved by the Committee, they are circulated to all Board members. Further information on the composition, role and activities of each Committee is set out in the respective Committee Reports.

In addition to the principal Committees, the Board has established three topic-specific Committees, typically chaired by the Group Chief Executive, to which it has delegated certain powers to negotiate, review and administer matters (Share Plans Committee; Bank Guarantees and Facilities Committee; Acquisitions and Disposals Committee).

Three management committees (Executive Board; Sustainability Management committee; Investment committee) have been established to review and make decisions on strategic and operational matters.

The Executive Board, chaired by the Group Chief Executive, primarily develops strategy, monitors progress against the Group's strategic objectives and reviews operational and business performance.

The Sustainability Management committee (formed in 2021), chaired by the Group General Counsel & Chief Sustainability Officer, brings together representatives from central functions and sector teams to co-ordinate sustainability for the Group and oversee the work on climate-related risks and opportunities at a Group level.

The Investment committee, chaired by the Managing Director of Halma Ventures, reviews and approves proposals for strategic minority investments in enterprises that offer Halma access to new technology and capabilities.

A summary of the responsibilities of each Board and management committee is set out on page 114.

### Board meetings

The Board schedules six meetings per year but will meet or pass resolutions, as required, to deal with urgent matters and event-driven items such as acquisitions and trading updates. All Directors receive an agenda and meeting papers in the week prior to the Board meeting. Papers are delivered via an electronic board portal for security and efficiency.

### Board meeting attendance

During the year, attendance by Directors at scheduled Board meetings was as follows:

| Board attendance | Eligible | Attended |
|---|---|---|
| Dame Louise Makin | 6 | **6** |
| Andrew Williams | 6 | **6** |
| Marc Ronchetti | 6 | **6** |
| Jennifer Ward | 6 | **6** |
| Carole Cran | 6 | **6** |
| Jo Harlow | 6 | **6** |
| Dharmash Mistry | 6 | **6** |
| Sharmila Nebhrajani OBE* | 2 | **2** |
| Tony Rice | 6 | **6** |
| Roy Twite | 6 | **6** |
| Paul Walker# | 2 | **2** |
| Adam Meyers# | 2 | **2** |
| Daniela Barone Soares# | 2 | **2** |

* joined the Board on 1 December 2021.
# stepped down from the Board on 22 July 2021.

## B. Purpose, Values and Strategy

Our strategy is powered by our purpose of 'growing a safer, cleaner, healthier future for everyone, every day' and is focused on acquiring and growing businesses in global niche markets, in the areas of safety, health and the environment (further details are set out in the Strategic Report).

Our corporate culture is an essential component of our strategy and is embedded within Halma's DNA through our cultural genes. Our inclusive culture across our operating model brings competitive advantage to the Group and is encapsulated within our Talent & Culture Growth Enabler. It is vital that we protect the unique cultural genes that we have in order to: optimise our organisational genes; grow our business; and deliver on our purpose (see page 23 for more information on Halma's DNA and cultural & organisational genes). It is essential that the Board and executive management act in a constructive and respectful manner, exhibiting the tone that we expect across our Group. We consider that this culture promotes good governance across our companies and empowers people to make good and ethical business decisions. As part of the Board's role to monitor culture, all workforce concerns (that have been raised via the whistleblowing line or through the management chain) are reviewed at each Board meeting, along with updates on previous case investigations and the action that has been taken where reports are founded.

The Group's annual engagement survey results are a good indicator of sentiment across the Group and provide insights at a company and Group functional level. A summary of the survey results is reviewed by the Board and areas for improvement discussed. The results are shared with employees and focus sessions held to discuss the results and gather feedback on areas for improvement, to shape and drive action plans. Employee engagement is one of our non-financial Key Performance Indicators (see page 40 for more information).

Our Group Talent, Culture and Communications Director regularly provides insight and feedback to the Board on Halma's talent pool, development programmes and culture. This is also a key topic at the annual Board strategy meeting and at Nomination Committee meetings.

**Board activities**
A summary of the Board's activities throughout the year, including standing items and matters reserved for its decision, is set out below:

## Strategy, Investor Relations & Communications

- Brand and strategic communications update.
- Results Roadshow feedback.
- Investor Relations updates.
- Strategic Priorities review.
- Digital growth and innovation presentation.

## Financial, Operational & Risk

- Financial and operational performance updates.
- Half Year results, Full Year results and Trading updates.
- Final and interim dividend approval.
- FY23 Budget approval.
- Sector updates and presentations.
- Share Incentive Plan allocation.
- Renewal of Global insurance programme.
- Funding strategy update.
- Principal and emerging risk review.
- Review of Group Internal Controls over Financial Reporting.

## Governance, Compliance & Ethics

- Internal Board and Committee evaluations.
- 2022 Annual Report approval.
- Notice of AGM approval.
- Legal risk review.
- Pensions update.
- Modern Slavery Act Statement approval.
- Annual review of Code of Conduct and key policies.
- Share Dealing Code review and approval.
- 2018 UK Corporate Governance Code compliance review.
- Board Diversity Policy approval.
- Approving the Board's response to BEIS on the white paper on audit and corporate governance reforms.
- Sustainability updates and training.
- Compliance framework review.
- Directors' Duties, UK Listing Rules and the Disclosure Guidance & Transparency Rules refresh.

## Talent & Culture

- Succession planning and talent development review.
- Approval of non-executive Director appointment.
- Approval of non-executive Director and Chair fees.
- Engagement survey results review.
- Approving UK pension benefit changes.
- Reviewing the Parker Review and FTSE Women Leaders Review (formerly the Hampton-Alexander Review) submissions.

## Mergers & Acquisitions

- Approving acquisitions with consideration over £10m.
- Approving the disposal of Texecom.

## Standing Board agenda items

In addition to the Board matters considered above over the past year, at each meeting there are standing items, which include:

- Review and approval of the previous minutes.
- Updates on any new appointments or conflicts of interest.
- Status updates on any matters arising from previous meetings.
- Updates from each Board Committee on the activities considered since the last Board meeting.
- Report from the Group Chief Executive.
- Report from the Chief Financial Officer.
- Investor Relations report.
- M&A pipeline monitoring.
- Health & Safety update.
- Workforce concerns and monitoring culture.
- Legal, Compliance and Governance report.

## Matters reserved for decision by the Board

- Setting the Group's long-term objectives and commercial strategy.
- Approving annual operating and capital expenditure budgets.
- Ceasing all or a material part of the Group's business.
- Significantly extending the Group's activities into new business or geographic areas.
- Changing the share capital or corporate structure of the Company.
- Changing the Group's management and control structure.
- Approving half year and full year results and reports.
- Approving dividend policy and the declaration of dividends.
- Approving significant changes to accounting policies.
- Approving key policies.
- Approving risk management procedures and policies, including anti-bribery and corruption.
- Approving major investments, disposals, capital projects or contracts (including bank borrowings and debt facilities).
- Approving guarantees and material indemnities (not otherwise delegated to the Bank Guarantees and Facilities Committee).
- Approving resolutions to be put to the AGM and documents or circulars to be sent to shareholders.
- Approving changes to the Board structure, size or its composition (following the recommendation of the Nomination Committee).
- Assessing and monitoring the Group's culture and alignment with its purpose, values and strategy.

## Board Governance Structure

**Board**
Sets the Group's purpose and provides strategic leadership to the Group within a framework of robust corporate governance and internal control, monitors diversity, culture and the values that are embedded throughout our business to deliver long-term sustainable growth for the benefit of our shareholders and other stakeholders.

## Board Committees

**Nomination Committee**
- Reviews the size, balance of skills and diversity and composition of the Board and Committees.
- Leads the Board's succession planning and keeps the senior leadership needs of the Company under review.
- Oversees the development of a diverse succession pipeline.
- Oversees the Board and Committee evaluations.

Read more p123

**Audit Committee**
- Monitors the integrity of financial statements, including significant financial judgements or estimates and ensures that the Annual Report is fair, balanced and understandable.
- Oversees the system of internal control and risk management.
- Monitors the effectiveness of the Internal Audit function.
- Reviews external Auditor independence and performance.
- Leads the audit tender process.

Read more p127

**Remuneration Committee**
- Keeps under review the framework and Policy on Executive Director and senior management remuneration (including benefit arrangements).
- Recommends to the Board the design, targets and framework for senior management performance-related pay and share awards.
- Approves service contracts for Executive Directors.
- Reviews workforce remuneration policies and alignment with culture.

Read more p133

**Share Plans Committee**
- Actions and administers share award grants and vestings, following approval by the Remuneration Committee.

**Bank Guarantees and Facilities Committee**
- Agrees and approves arrangements for issuing guarantees, indemnities or other support for bank loans and other financing facilities.

**Acquisitions and Disposals Committee**
- Reviews and approves the final terms and structure of acquisitions or disposals which have been agreed in principle by the Board.

## Management Committees

**Executive Board**
- Develops strategy and monitors operational, financial and non-financial performance – including sustainability matters.
- Drives the strategic priorities across all sectors and functional areas, such as finance; talent, culture and communications; legal and compliance; innovation and digital; technology and IT.
- Leads Group-wide initiatives.
- Reinforces the Group's operational and governance structures and acts as a forum for management decisions.
- Reports back to the Board via the Group Chief Executive.
- Biographical information for each Executive Board member is available on our website at www.halma.com.

**Sustainability Management committee**
- Provides oversight and strategic and operational direction into sustainability-related workstreams.
- Reviews and recommends appropriate sustainability related governance.
- Takes primary responsibility for identification and management of climate-related risks and opportunities at a Group level.
- Reports back to the Executive Board via the General Counsel & Chief Sustainability Officer.

**Investment committee**
- Provides governance, support and challenge to the Halma Ventures team and advises on Group strategy for making minority investments and other opportunities that offer Halma access to new technology and capabilities.
- Reviews and approves investment proposals for up to £10m (being the Group Chief Executive's delegated authority limit).
- Reviews financial performance and strategic value of investments against established criteria and considers the exit or acquisition strategy, as appropriate.
- Reports back to the Executive Board via the Group Chief Executive.

### C. Resources and Control Framework

Our businesses benefit from an autonomous operational structure. In order to maintain oversight and control from a Group perspective, and to obtain assurance over the compliance and control environment, businesses must comply with Halma's suite of financial and non-financial policies and procedures and provide confirmation of compliance with key controls half yearly.

An authority matrix sets out the matters that are reserved for decision by the Board, those that can be approved by the Group Chief Executive and the financial authority that has been delegated to Executive Board members, the Divisional Chief Executives (DCEs) and to company managing directors. This approach ensures that companies have a clear framework within which they can operate and balances autonomy with the need for oversight and control. The connection between the operating companies and the Board governance structure is described below and, for risk management, is illustrated in the risk governance framework on page 96.

Each operating company in the Group has its own board of directors which meets regularly to fulfil its legal duties and to maintain operational and financial management of the company's affairs. Each DCE chairs the operating company board in their subsector portfolio and meets with the Executive Board at least three times per year. The DCEs also provide a written report on the financial and business performance, including areas such as talent, culture, diversity and sustainability, to the Executive Board and Halma's Chair on a regular basis.

The Sector Chief Executives (SCEs) hold regular sector board meetings, attended by the sector's DCEs and finance, legal, talent and M&A leads, which provide a valuable forum for review of sector wide strategy, financial and operational performance, talent & culture, diversity, sustainability, M&A, and legal & compliance.

The Group's policies set out our requirements in the areas of financial reporting and internal control, health & safety, ethics, human resources, IT, data privacy, and legal & compliance. These policies are made available to all employees via a dedicated Sharepoint site. While the Audit Committee has responsibility for reviewing the adequacy and security of the Group's arrangements for employees and contractors to raise concerns about possible improprieties in financial reporting and control, the Board monitors culture and regularly reviews reports and action taken on workforce concerns that have been raised. Halma has appointed NavexGlobal to operate a confidential, multilingual, telephone and web reporting service. All reports are reviewed by the Company Secretary, appropriately investigated and action taken, if required. Workforce concerns are reported and monitored by the Board and any matters of financial misconduct are monitored by the Audit Committee.

### D. Engagement with shareholders and other stakeholders

**Shareholders**

The Board oversees the Company's dialogue with shareholders. The Group Chief Executive and Chief Financial Officer have regular contact with investors and analysts. Reports prepared for the Board by the Head of Investor Relations outline the Company's dialogue with investors and analysts. The Chair is available to meet with shareholders throughout the year and the Senior Independent Director provides an alternative channel for shareholders to raise concerns, independent of executive management and the Chair. The Board attend the AGM which gives individual shareholders the opportunity to engage directly with the Directors and raise questions about the Company. In 2021 we held a hybrid meeting and also allowed shareholders to submit questions by email ahead of the meeting. This year, we will revert to a physical AGM in London and look forward to welcoming shareholders in person. The Company was pleased to be able to host an analyst and investor event, held at Fortress Safety in April 2022, having been unable to hold such an event in 2021 due to the pandemic. A summary of investor and investor body interactions during the year is set out in the Stakeholders section on page 69.

**Employees**

In accordance with the Code, the Board keep under review the methods that it uses to engage with the workforce and continues to believe that none of the three prescribed methods of engagement, set out in the Code, would be the most effective for Halma. Our decentralised operating model and the geographic spread of our companies led us to choose an alternative engagement mechanism which we consider is more fitting with our structure and culture, as described below.

Each operating company has its own legally constituted board of directors which meets on a regular basis. Around one-third of these are UK companies which are subject to the duty to promote the success of the company under section 172 of the Companies Act 2006 and are required to have regard to employee interests and the impact of board decisions on their other stakeholders.

The DCEs chair their sector companies and meet with the Executive Board at least three times per year and with the Halma Board annually. This facilitates regular dialogue on workforce-related matters. We consider that engagement by the local company board with their own workforce, as well as the engagement by the Halma Board through company visits and company events provides an effective platform for clear and open communication with our global employee base. To support this, we have put in place reporting mechanisms such that concerns and feedback raised at the operating company level is fed back into the Halma Board via each company chair. This year, we developed non-executive Director site visit guidance which outlines how Directors might engage with the workforce, particularly below managerial level, during their visit. This guidance includes the recommendation to hold discussions on the alignment of executive remuneration with the wider workforce pay policy. While the pandemic has prevented site visits, the Directors have now resumed their programme of company visits and will feed back their observations to the Board and management, as appropriate.

The SCEs are Executive Board members with operational responsibility for all of our operating companies. They regularly interact with the Halma Board, which ensures that there are close channels of communication with our businesses. There are frequent opportunities for the employee voice to be relayed to the Board via company management, operating company chair reports, Board presentations, site visits, the annual engagement survey and through transparent reporting of workforce concerns raised (directly through management or via the confidential reporting service with NavexGlobal) to the Board.

The Board-level position of Group Talent, Culture and Communications Director demonstrates the importance that the Board place on developing and communicating with our employees to improve engagement and embed our culture across the Group. The results of the annual employee engagement survey are outlined on page 70.

HalmaHub is a mobile-first, social and collaborative platform, which has helped accelerate the pace of innovation across the Group and enhanced our culture of collaboration. Recognising the opportunity to amplify the ambition and impact of Halma's diverse and geographically dispersed businesses, HalmaHub connects over 6,000 employees across 25 countries to share knowledge, skills and ideas every day. This has accelerated the pace of change across the Group and led to the creation of entirely new business models and product collaborations.

The Board strongly believes that its mechanisms for engaging with our workforce are appropriate for our decentralised structure and are an effective means of bilateral engagement. The table below gives a summary of the mechanisms that are in place to facilitate effective engagement with the various groups across our workforce.

| | WORKFORCE GROUPS ENGAGED VIA EACH MECHANISM | | | | |
|---|---|---|---|---|---|
| ENGAGEMENT MECHANISM | Wider Workforce | Central Functions | Operating Company Boards | Sector Board | Executive Board |
| HalmaHub | ● | ● | ● | ● | ● |
| Workforce engagement survey | ● | ● | ● | ● | ● |
| Company and other site visits | ● | | ● | ● | |
| Senior Independent Director | ● | ● | ● | ● | ● |
| Accelerate CEO conference | | ● | ● | ● | ● |
| MD and Functional networks | ● | | ● | ● | ● |
| Operating Company Chair reports | ● | | ● | ● | |
| Halma plc Board, Committee and strategy meetings | | ● | ● | ● | ● |
| Sector Board meetings | | | ● | ● | |
| Executive Board meetings and reports | | | | ● | ● |
| Development, Digital Accelerator and Graduate programmes | ● | ● | ● | ● | ● |

### Other stakeholders

The Board's considers other stakeholder groups in its decision-making and our interaction with key stakeholders is set out on pages 66 and 69 of the Strategic Report.

## Board decision-making

The principal decisions taken by the Board during the year, along with how the Directors considered stakeholder interests when discharging their duties under section 172 of the Companies Act, is set out below.

| Principal Decision and stakeholders considered | Factors considered by the Board | Longer-term considerations |
|---|---|---|
| **Dividend**<br>Shareholders, potential investors, lenders, employees, customers and suppliers. | The financial resources required to execute our strategy, including organic investment needs and acquisition opportunities in line with our Budget; the Group's medium-term rate of organic constant currency growth; maintaining a prudent level of dividend cover and moderate indebtedness; equitable treatment of our stakeholders. | That dividends are consistent with the Company's financial performance and would not be detrimental to the strength of the balance sheet and future sustainable growth. |
| **Capital allocation**<br>Shareholders, potential investors, lenders, employees, customers, operating companies. | The Group's Budget, approved by the Board, sets the allocation of capital to deliver our growth strategy through investment in R&D, capital expenditure, talent and acquisitions. The weighting of each is determined by our strategic priorities over the short to medium term. | Balancing investment for future growth while considering shorter term inflationary cost pressures and political and economic risks. |
| **Acquisitions & Disposals**<br>Shareholders, potential investors/purchasers, lenders, operating companies, vendors of companies, current and future employees and partners, and professional advisers. | The Board considered the detailed acquisition and disposal proposals from the Group Chief Executive which set out the long-term implications of the acquisition or disposal and the effect on Halma's stakeholders. For all acquisitions, the Board balances the financial commitment required against the risks and anticipated return, while considering the strategic fit with our purpose, the opportunities for geographic or market growth (either organic or through further M&A) and the talent and know-how which will be acquired. Disposals are made where they are considered appropriate to ensure purpose-aligned growth which is sustainable in the long term. | Halma's discipline in making acquisitions which are aligned to our purpose and which are in market niches with long-term growth drivers are core to our strategy and are critical to ensure that we can continue to grow sustainably for the benefit of all our stakeholders. Disposals are made where they are in the best interests of Halma but selecting the right purchaser and considering the impact on the workforce are key elements in the process. |
| **Greenhouse Gas Emissions Targets**<br>Shareholders, lenders, employees, operating companies, customers, suppliers, government, society. | The Board recognised the importance of a low carbon economy and the role that Halma has to play in achieving this and were mindful that this is a high priority for multiple stakeholder groups. Accordingly, the Board focused on areas where Halma can make most impact. Last year, climate-related targets were set, in line with the guidance from the Science Based Target Initiative, to reduce greenhouse gas emissions by 42% (from 2019/20 levels) by 2029/30 and targeting net zero Scope 1 and 2 greenhouse gas emissions by 2040. This year, further targets have been set to: generate or procure renewable energy for least 80% of the Group's electricity demand by 31 March 2025; and to increase energy productivity (revenue/energy consumed) by at least 4% annually. | The Board recognises the effect that climate change is having on the natural and business world. While it presents a strategic opportunity for Halma, as a responsible company the Board recognises that the Company must act now to minimise the negative impact from its operations, to ensure a sustainable future for all. Setting targets and monitoring the Group's sustainability performance is an essential part of Halma's philosophy and strategy, which investors and other stakeholders will expect us to report on annually. |
| **UK Pension provision**<br>Employees at UK operating companies, sector and Group level | Following consultation with employees between July and September 2021, the Board approved a proposal to move the UK trust-based defined contribution pension arrangement into a Master Trust – giving employees more options at their retirement, along with better communications, access to advice and modelling tools on their path to retirement. The Board took the opportunity to benchmark UK pension provision for employees and, as a result of this review and feedback from employees across our businesses, agreed a significant uplift to the employer pension contributions offered to employees to 10.5%. To help the lower paid employees, the lowest employee contribution level was reduced from 3.5% to 2% to encourage employees to build a pension and not to opt out of the pension plan on grounds of affordability. Aligned to best practice, from 31 December 2022 the Executive Directors will have their employer pension contributions/cash-in-lieu equalised to the workforce rate of 10.5%. | The Board recognises that our talent is a key part of our success and fairly rewarding employees and keeping benefits under regular review will ensure that we remain competitive. The incremental cost of providing this benefit, combined with our commitment to pay the Real Living Wage from 1 June 2022, was balanced against our longer term needs to attract and retain the best talent and be equitable in our treatment of our valued employees. |

### E. Workforce policies and practices

The Group's policies set out the minimum requirements that we expect in the areas of financial reporting and control, health & safety, ethics, human resources, IT, data privacy and legal compliance. Halma's workforce-related policies and practices are set out in employee handbooks, tailored to meet local law and business needs.

Halma's Code of Conduct is the foundation for our culture as it stipulates the expected behaviours and corporate culture that we require all employees to display. The Code of Conduct provides a plain language summary on anti-bribery and corruption, insider dealing, conflicts of interest, modern slavery & human trafficking and information on how employees can raise concerns via management or the independent third party confidential reporting service, operated by NavexGlobal. Halma's Code of Conduct must be signed by every employee when they join the company and will be signed again periodically thereafter – particularly when there have been significant updates. The Code of Conduct is reviewed annually by the Board and is made available on our website at www.halma.com.

### F. Chair independence and objective judgement

Paul Walker was independent on his appointment as Chair and remained objective in his leadership of the Board up until he stepped down in July 2021. Dame Louise Makin was independent on appointment as a non-executive Director in February 2021 and the Board considers that she remains independent at the date of this Report.

The Chair ensures that no Director or group of Directors dominate Board meeting discussion and that the voice of all Directors is heard and respected. Halma's culture of openness and transparency is apparent in how the Board members interact individually and collectively. The Executives genuinely value the views and challenge that the non-executive Directors bring and the transparent reporting by the Executives ensures that all stakeholder interests can be debated and well-informed, collective decisions made. As part of the induction process, the Company Secretary supported the Chair on Board process and understanding the boardroom dynamics, with the aim of preserving the Board's independent and objective thinking and ensuring that an appropriate level of challenge from the non-executive Directors remains evident.

### G. Board Composition

The Board is currently composed of 10 Directors, each bringing a variety of skills, knowledge and experience, in addition to diverse thinking. With three Executive Directors and seven non-executive Directors (including the Chair), there is a strong independent element to Halma's Board which ensures that the balance of power rests with the non-executive members of the Board.

The Board has reviewed the independence of each non-executive Director and, following an assessment of any relationships or circumstances which are likely to affect a Director's judgement, consider each to be independent of management. While non-executive Directors are not required to hold shares in the Company, the Board believes that any Halma shares held serve to align their interests with those of shareholders and do not interfere with their independence. Tony Rice was appointed Senior Independent Director in July 2015 and is available as an alternative channel of communication for shareholders, independent from executive management and the Chair.

Following the annual Board and Committee evaluations, the Chair, with the endorsement of the Nomination Committee, considers that the Board structure is appropriate for Halma – both in terms of size and the balance of skills and experience.

Biographies of each Director are set out on pages 108 and 109. Board and Executive Board diversity is set out within the Nomination Committee Report.

**H. Board responsibilities and time commitment**
The division of responsibilities for the Directors and the Company Secretary is set out below.

## Chair's responsibilities

### Governance
- Promoting high standards of corporate governance.
- Leading, chairing and managing the Board.
- Ensuring all Board committees are properly structured and operate with appropriate terms of reference.
- Regularly considering the composition and succession planning of the Board and its committees.
- Ensuring that Board and committee performance is evaluated on a regular basis.
- Ensuring adequate time is available for all agenda items and that the Board receives accurate, clear and timely information.
- Ensuring that there is effective communication with shareholders.

### Strategy
- Leading the Board in reviewing the strategy of the business and setting its objectives.
- Promoting open and constructive debate in Board meetings.
- Ensuring effective implementation of Board decisions with the support of the Group Chief Executive.
- Ensuring that the Board manages risk effectively.
- Consulting, where appropriate, with the Senior Independent Director on Board matters.

### People
- Chairing the Nomination Committee.
- Identifying and meeting the induction and development needs of the Board and its committees.
- Developing a strong working relationship with the Group Chief Executive.
- Ensuring a strong working relationship between Executive and non-executive Directors.
- Setting clear expectations concerning the Company's culture, values and behaviours.
- Ensuring effective relationships are maintained with key stakeholders.

## Group Chief Executive
- Providing coherent leadership and management of the Company.
- Developing objectives, strategy and performance standards to be agreed by the Board.
- Providing input to the Board's agenda.
- Providing effective leadership of the Executive Board to achieve the agreed strategic priorities.
- Maintaining an Executive Board of the right calibre and expertise, ensuring that succession plans are available and reviewed annually with the Chair and the non-executive Directors.
- Monitoring, reviewing and managing key risks and strategies with the Board.
- Ensuring that the assets of the Group are adequately safeguarded and maintained.
- Building and maintaining the Company's communications and standing with shareholders, financial institutions and other stakeholders and effectively communicating Halma's investment proposition and purpose.
- Ensuring the Board hears the voice of the wider workforce on company matters and decisions.

## Executive Directors
- Implementing and delivering the strategy and operational decisions agreed by the Board.
- Making operational and financial decisions required in the day-to-day management of the Company.
- Providing executive leadership to senior management across the business.
- Championing the Group's culture and values, reinforcing the governance and control procedures.
- Promoting talent management and diversity, equity and inclusion.
- Ensuring the Board is aware of the view of employees on issues of relevance to Halma.

## Senior Independent Director
- Acting as a sounding board for the Chair.
- Serving as a trusted intermediary for the other Directors.
- Providing an alternative channel for shareholders and employees to raise concerns, independent of executive management and the Chair.

## Independent non-executive Directors
- Contributing independent thinking and judgement and providing external experience and knowledge to the Board's agenda.
- Scrutinising the performance of management in delivering the Company's strategy and objectives.
- Providing constructive challenge to the Executive Directors.
- Monitoring the reporting of performance and ensuring that the Company is operating within the governance and risk framework approved by the Board.

## Company Secretary
- Acting as a sounding board for the Chair and other Directors.
- Ensuring clear and timely information flow to the Board and its committees.
- Providing advice and support to the Board and its committees on matters of corporate governance and regulatory compliance.

**Time commitment**

Director availability and time commitment to the Company is essential for a properly functioning Board and no issues have been experienced during the year. In addition to the scheduled and ad hoc Board and Committee meetings, all Directors are expected to attend the Annual General Meeting and the annual strategy meeting. Non-executive Directors are also encouraged to attend our Accelerate CEO conference (which was held virtually in 2021 due to the pandemic) and undertake operating company visits, both of which are mandatory for the Executive Directors.

The Board must approve all significant external appointments prior to any Director accepting the position. Our appointments policy permits Executive Directors to accept one external appointment, provided that it is beneficial to the Company and the development of the individual. The Board must be satisfied that it does not present a conflict of interest with the Group's activities or require a significant time commitment which could interfere with the performance of their executive duties.

For non-executive Directors, the number of external directorships is an important consideration when recruiting and a preferred candidate must reassure the Nomination Committee that they can allocate sufficient time to the role (around 20 days per annum is anticipated plus additional time if they Chair a Committee) before they are recommended for appointment.

Prior to the Board's approval of an additional role, an assessment is made of the combined time commitment required by their existing roles plus that required in the new role. If there is any concern over the time available to fulfil their role at Halma, the Board would not approve the appointment. However, where Directors are rotating off or re-balancing their portfolio of roles, consideration will be made of the sequence and timing of the roles and a pragmatic approach (as opposed to an absolute numerical limit) is taken in respect of any potential over-boarding concerns, whether temporary or otherwise. All Directors are subject to an annual review, at which time commitment and their personal contribution is a key focus.

Tony Rice was Chair of two FTSE 250 companies for part of the year, in addition to being the Senior Independent Director and non-executive Director at Halma. As reported last year, the Board had no concerns in respect of over-boarding as he continued to show true commitment to the Company, dedicating a considerable amount of time to Halma and its businesses, including full attendance at all scheduled and ad hoc Board and Committee meetings and successfully leading the Chair search. Tony stepped down from the Board of Dechra Pharmaceuticals PLC on 31 December 2021 so now only holds the Chair position at Ultra Electronics Holdings plc, in addition to the pro-bono role he fulfils as a trustee for an NHS trust. Tony has also attended all scheduled and ad hoc Board and Committee meetings during the year to 31 March 2022.

Following the Chair's evaluation of each Director, the Board is satisfied that all Directors: remain committed to the Company; have devoted an appropriate amount of time and effort to their role over the year; and continue to provide relevant contributions, skills and experience to the Board.

Details of Board attendance during the year is set out on page 112 and attendance for each Committee is in the relevant Committee reports on pages 123, 127 and 133.

### How the Board supported strategy

Halma's clear and focused strategy has led to another strong financial performance in the face of continuing challenges and has enabled the Board to recommend a further increase to the final dividend. The Board has supported the evolution of Halma's growth strategy and the development of the growth enablers, which help to allocate human and capital resources on the Group's strategic priorities and ensure that our sectors and companies continue to invest organically and through acquisition to deliver sustainable growth over the long term.

### Mergers and Acquisitions (M&A)

The Board has set a clear strategy which includes a significant growth element being delivered through standalone M&A and bolt-on acquisitions to our operating companies. These provide the opportunity to add complementary or new technologies, IP and know-how, customers, international markets and new market niches. Through the annual budget process, key resources, both in terms of people and financing, are made available by the Board to ensure that we can deliver on this strategic priority. The M&A pipeline is reviewed at each Board meeting and all material acquisitions (those with a maximum consideration in excess of £10m) are subject to its approval. Prior to approval, the Board will review the proposed value creation strategies and, post-acquisition, it receives insight on the financial and operational performance of newly acquired businesses.

### International Expansion

All major changes, material financial commitments or new business developments – such as significant expansion into a new territory – are considered by the Board and are matters reserved for its decision. The Group's Hubs in the USA, India, China and Brazil give our operating companies an established route into these geographies by providing sales, regulatory and new product development support and shared local resources to grow their business internationally without high entry costs.

### Talent and Culture

The Board recognises the importance of talent and culture in driving not only Halma's growth, but also the behaviours that we expect from our people. In September 2016, the Board recognised the importance of talent to Halma's growth strategy and appointed Jennifer Ward to the Board to help to shape the talent pipeline, lead our diversity, equity and inclusion initiatives and also develop our brand and communications strategy. Talent discussions are a key feature at each Nomination Committee meeting and monitoring the Group's culture, diversity, equity and inclusion is an important role for the Board. This year, we are reporting the diversity of our Board and Executive Board in the prescribed format that will apply to Halma and other premium or standard listed companies for financial periods commencing on or after 1 April 2022 (see the Nomination Committee Report on page 123).

### Finance, Legal and Risk

The Board has established a clear and robust framework to control financial investment, oversee financial performance and reporting, and to manage risks and opportunities. Investment in a digital transformation programme to improve control and efficiency, along with providing data insights, within Finance was approved, with a target implementation during 2023. In 2020, the Board endorsed a new legal and compliance framework to enable operating companies to maintain their autonomy and agility while leveraging the scale of Halma to get consistent, quality advice at competitive rates through a preferred panel of external lawyers. With the Board's support, during 2021, the Group General Counsel & Chief Sustainability Officer brought on board key talent to provide our companies access to legal and compliance capabilities, recruiting two lawyers to support our sectors, and with the addition later this year of a third sector support lawyer and a Director of Risk & Compliance.

### Digital Growth Engines

The Board take a close interest in Halma's desire to expand its digital capability and, in addition to allocating resources to support the Digital & Innovation function and for R&D within the operating companies, it supports this agenda through Board presentations and non-executive director interactions with management. Dharmash Mistry was appointed in April 2021 to bring expertise on digital and technology to the Boardroom and has recently used site visits to share insights with our businesses.

### Innovation Network

The Directors share their deep and diverse knowledge and experience with senior management and company personnel throughout the year – enabling our companies to leverage the breadth of their network and obtain support, guidance and contacts in areas which are new to them.

### Strategic Communications and Brand

A key focus in the Board's budget approval process has been allocating capital to resource the central and sector teams to support our businesses in developing market-leading positions by connecting with customers through their brand, marketing, product positioning and the effective use of all media channels. The Communications team has been strengthened to better support our Growth Enabler by leveraging internal communications, external communications and both the Halma and operating company brands.

### I. Board support
The Board and each Director has access to the advice and services of the Company Secretary, Mark Jenkins, and each can obtain independent professional advice at the Company's expense.

### J. Board appointments
The Board has an established approach for seeking and evaluating candidates for Board positions, which was utilised for the appointment of Dame Louise Makin, Dharmash Mistry and, most recently, Sharmila Nebhrajani OBE. See the Nomination Committee Report for details.

### K. Board skills, experience and knowledge
The recent roles and experience for each Director is set out in their biography on pages 108 and 109. A summary of each of the Director's core skills is set out in the Nomination Committee Report.

The Nomination Committee regularly reviews the balance of skills, experience and knowledge on the Board and its Committees – along with the diversity that each member brings – in order to identify any gaps or new skills that would benefit the Group so that it can be included within the succession planning process.

Newly appointed Directors follow a tailored induction programme, which includes dedicated time with each Board and Executive Board member, the Company Secretary, DCEs and functional experts. A bespoke schedule of company visits across each of the three sectors is arranged for the Director and they are encouraged to attend Accelerate CEO and other Company events throughout the year. The induction aims for Directors to become swiftly acquainted with Halma's strategy, business model, DNA (cultural and organisational genes) and governance structure prior to them building their understanding of each sector and the operating companies.

The Chair reviews the training and development needs of the Board, and for each Director, at least annually. Further details can be found in the Nomination Committee Report.

### L. Annual Board Effectiveness Review
The Chair leads the annual evaluation of the Board's effectiveness and the individual performance review of each Director. The formal evaluation includes an assessment of the appropriateness of the Board's composition and diversity. The principal Committees of the Board undertake a separate annual evaluation of their effectiveness, in accordance with their terms of reference.

Last year, the Board undertook its triennial externally-facilitated evaluation. This year, the Board, on the recommendation of the Nomination Committee, undertook an internal questionnaire-based assessment of the Board and its Committees, led by the Chair and each Committee chair. The results of the Board evaluation are set out in the Nomination Committee Report and the Committee evaluation results are in the respective Committee Reports.

Following the annual evaluation, and the individual performance reviews undertaken by the Chair, all Directors that are standing for re-election are considered to be effective in their role, hold recent and relevant experience applicable for Halma's business and they each continue to add value and demonstrate commitment to their role. Accordingly, the Board is recommending to shareholders the election or re-election of all Directors at the 2022 AGM.

Biographical details of each Director are set out on pages 108 and 109 and in the Notice of Meeting.

### M. Role of the Audit Committee in ensuring independence and effectiveness of internal and external audit functions and integrity of reporting
See Audit Committee Report on page 127.

### N. Fair, balanced and understandable reporting
See Audit Committee Report on page 132 and Directors' Responsibilities statement on page 159.

### O. Risk management and internal control
The Board has overall responsibility to the shareholders for the Group's system of internal control and risk management and the review of the system's effectiveness is carried out with the assistance of the Audit Committee. While not providing absolute assurance against material misstatements or loss, this system is designed to identify and manage those risks that could adversely impact the achievement of the Group's objectives. The Group's risk management structure and process is detailed on pages 96 and 97. The Group's principal risks and uncertainties are detailed on pages 98 to 101.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the emerging and principal risks faced by the Group and for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The Board, advised by the Audit Committee, regularly reviews this process, which has been in place for the year under review and up to the date of approval of the Annual Report and Accounts. This risk framework is in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. The Board has continued to improve and embed controls throughout the Group and will continue to keep the systems under review to ensure that the internal control and risk management framework remains fit for purpose.

The Board's regular review of the effectiveness of the Group's risk management and internal control systems (including financial, operational and compliance controls) is principally based on reports from management. These reports consider whether significant risks have been identified, evaluated, managed and controlled. The Group's external Auditor, PricewaterhouseCoopers, has audited the financial statements and has reviewed the financial control framework to the extent considered necessary to support the audit report.

### P. Remuneration policies and practices
See Directors' Remuneration Policy on page 149.

### Q. Development of Remuneration Policy
See Directors' Remuneration Policy on page 149.

### R. Remuneration outcomes
See Remuneration Committee Report on page 133.

## Dame Louise Makin
Nomination Committee Chair

### Committee composition and attendance

| | Eligible | Attended |
|---|---|---|
| Dame Louise Makin | 6 | **6** |
| Andrew Williams | 6 | **6** |
| Carole Cran | 6 | **6** |
| Jo Harlow | 6 | **6** |
| Dharmash Mistry | 6 | **6** |
| Sharmila Nebhrajani OBE* | 2 | **2** |
| Tony Rice | 6 | **6** |
| Roy Twite | 6 | **6** |
| Paul Walker# | 2 | **2** |
| Daniela Barone Soares# | 2 | **2** |

* joined the Committee on 1 December 2021
\# stepped down from the Committee on 22 July 2021

The Committee schedules three routine meetings a year but will meet more often as the work requires. Due to the level of activity during the year, the Committee formally met seven times. The attendance at each Committee meeting is set out in the table above.

### Committee composition
The Committee comprises the Chair, the Group Chief Executive and the six independent non-executive Directors. It is chaired by Dame Louise Makin but she would not chair a meeting dealing with the appointment of her successor.

Only Committee members are entitled to attend meetings although the Group Talent, Culture and Communications Director and Head of Total Rewards are regular attendees. External search consultants may be invited for specific items, when appropriate.

### Principal role and responsibilities
The Committee is appointed by the Board and operates under written terms of reference (available at www.halma.com) which are reviewed at least annually.

The primary duties of the Committee are:

- Reviewing the size, balance and composition (including diversity) of the Board and its Committees, ensuring that they have the appropriate skills, knowledge and resources to fulfil their duties.
- Making recommendations to the Board on any changes to the structure or composition of the Board and its Committees.
- Leading the process for new Board appointments.
- Leading succession planning discussions for Board and Executive Board positions, including the identification and assessment of potential candidates and making recommendations to the Board for its approval.
- Keeping under review the leadership needs of the Group, for both Executive Directors and other senior executives, including any recommendations made by the Group Chief Executive.
- Monitoring development and diversity at the Executive Board level and one level below, to maintain visibility of the pool of internal candidates for Board and Executive Board succession.
- Implementing and monitoring the Board's own diversity policy.
- Ensuring that all new Directors undertake an appropriate induction programme.
- Reviewing the ongoing training needs for the Board.
- Assisting the Chair and the Senior Independent Director with the annual Board evaluation process and review of the time requirements from non-executive Directors.

### Activities during the year

The Committee's main activities have been:

- recommending to the Board, following a thorough selection process, the appointment of Sharmila Nebhrajani OBE as non-executive Director from 1 December 2021.
- continuing to focus on succession at all levels (including the non-executive Directors, Group Chief Executive, Executive Board and sector boards) and increasing diversity throughout the organisation. The Committee's work included reviewing current talent, conducting external benchmarking exercises (including with external consultants, Lygon Group – who are not connected to the Company or any Halma Directors) and planning developmental experiences for key talent.
- recommending to the Board, an updated Board Diversity Policy.
- following the individual Director evaluations, recommending the election or re-election of all of the Directors at the 2022 Annual General Meeting.

### Board and Executive Board Composition

The Board comprises an independent Chair, six non-executive Directors and three Executive Directors. The Executive Board comprises the three Executive Directors plus seven other executives. The skills and experience matrix below sets out the core areas of interest and expertise that each Director brings to Halma and further background experience is set out in their biographies on pages 108 and 109.

Details of the Executive Board members are set out on pages 110 to 111 and their full biographies are available on our website at www.halma.com.

For the first time, we are now reporting on the ethnic background of our Board and Executive Board members, in addition to gender and age (see tables below).

### Board – Skills and Experience

| | Dame Louise Makin | Andrew Williams | Marc Ronchetti | Jennifer Ward | Carole Cran | Jo Harlow | Dharmash Mistry | Sharmila Nebhrajani OBE | Tony Rice | Roy Twite |
|---|---|---|---|---|---|---|---|---|---|---|
| Strategy & M&A | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| Finance & accounting | ● | | ● | | ● | | ● | ● | ● | ● |
| Risk management & regulation | ● | | ● | | ● | ● | ● | ● | ● | ● |
| Digital & technology | ● | ● | ● | ● | | ● | ● | | | |
| Engineering sector | | ● | ● | ● | | | | ● | ● | ● |
| Sustainability | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| Talent & remuneration | ● | ● | | ● | ● | ● | ● | ● | ● | ● |
| International experience | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| Listed CEO/CFO | ● | ● | ● | | ● | | | | ● | ● |

### Board and Executive Board – Gender Diversity

| | Number of Board Members | Percentage of the Board | Number of senior positions on the Board (CEO, CFO, SID and Chair) | Number in Executive Management | Percentage of Executive Management |
|---|---|---|---|---|---|
| Men | 5 | 50% | 3 | 4 | 40% |
| Women | 5 | 50% | 1 | 6 | 60% |

### Board and Executive Board – Ethnic Diversity

| | Number of Board Members | Percentage of the Board | Number of senior positions on the Board (CEO, CFO, SID and Chair) | Number in Executive Management | Percentage of Executive Management |
|---|---|---|---|---|---|
| White British or other White (including minority-white groups) | 8 | 80% | 4 | 7 | 70% |
| Mixed/Multiple Ethnic Groups | – | – | – | 1 | 10% |
| Asian/Asian British | 2 | 20% | – | 1 | 10% |
| Black/African/Caribbean/Black British | – | – | – | 1 | 10% |
| Other ethnic group, including Arab | – | – | – | – | – |

## Board and Executive Board – Age Diversity

| | Number of Board Members | Percentage of the Board | Number of senior positions on the Board (CEO, CFO, SID and Chair) | Number in Executive Management | Percentage of Executive Management |
|---|---|---|---|---|---|
| 30-39 | – | – | – | 1 | 10% |
| 40-49 | 2 | 20% | 1 | 5 | 50% |
| 50-59 | 6 | 60% | 1 | 4 | 40% |
| 60-69 | 2 | 20% | 1 | – | – |

### Board appointment process

The Board has an established approach for identifying and evaluating suitable candidates for Board positions, which was utilised most recently for the recruitment of Dame Louise Makin, Dharmash Mistry and Sharmila Nebhrajani OBE. Prior to the Committee making a recommendation to the Board for an appointment, it undertakes the following steps:

- Agrees the skills, experience and knowledge required for, and complementary to, the role.
- Approves the role specification.
- Selects an independent global executive search firm, which understands Halma's business model and culture, to prepare a long list of potential external candidates and, for executive roles, to benchmark against internal candidates identified through the Committee's established succession planning process.
- Reviews the long list of candidate profiles and, based on insight derived internally or from the search firm, creates a shortlist of diverse candidates for interview.
- For non-executive positions, interviews are held with several members of the Committee (including the Chair and the Group Chief Executive) and the Group Talent, Culture and Communications Director. For executive positions, the Chair and non-executive Directors will lead the interview process with support from the other Executive Directors if required.
- The Committee members meet to share their feedback on each candidate and will compare their views against the role criteria.
- A preferred candidate is selected by the Committee and, following discussion with the candidate, a formal decision is taken to recommend their appointment to the Board.
- If the Board approves the recommended appointment, then a regulatory news service announcement is issued.

### Board and Committee evaluations

The Committee reviews the process and output from the annual Board and Committee evaluations. The formal evaluation process involves a review of the performance of each Director through individual meetings held with the Chair and for the Chair, with the Senior Independent Director. The Board and each Committee undertakes an evaluation of its own effectiveness and reports the findings to the Board.

### Evaluation type

In 2021, the evaluation was an externally-facilitated questionnaire-based evaluation undertaken by Independent Audit. The Committee normally utilise external evaluators on a tri-annual basis and the Chair, with the support of the Company Secretary, formulates a bespoke internal questionnaire in the two years in between. The internal evaluation exercise is thorough and allows more directed questions to be asked on Halma's boardroom dynamics, management's performance and strategic progress and the appropriate level of challenge provided by and the value delivered by the non-executive Directors based on observations and knowledge internally. These questions are supplemented by the more generic questions around Board and Committee structure, skills, experience and diversity, meeting effectiveness, strategy and risk.

### Review of actions from the 2021 externally-facilitated Board evaluation

Set out below are the key themes arising from the 2021 Board evaluation and the Board's response over the period:

#### 1. Understanding the big customer, market and technology trends.

At our strategy review in September 2021, the Sector Chief Executives provided an overview of the macro trends that are emerging globally and within their markets.

#### 2. Continuing focus on environmental, social and corporate governance (ESG) issues.

Over the past year, there has been a clear focus by the Board on reducing the negative impact that our operations have on the environment, supported by target setting and amplifying the positives that our purpose-driven products and services deliver. Since the Board evaluation, the Group has made substantial progress in ESG, examples include: setting a 1.5 degree aligned greenhouse gas emissions target and a longer-term net zero emissions target, for Scope 1 & 2; targeting an increased mix of renewable energy for electricity consumed; getting our businesses to focus on waste reduction and circular economy; incorporating energy productivity and gender diversity targets into executive remuneration; supporting our charity partnership with WaterAid and, in March 2022 Halma announced that it would match employee donations to the International Committee of the Red Cross in order to provide humanitarian support to the people of Ukraine.

#### 3. Re-evaluation of the preparedness for significant risk events.

Throughout 2020 and 2021, the Board reviewed the impact of the pandemic on our people and operations at each meeting and took decisions to support the needs of the business. The pandemic certainly stress-tested the ability of our Group to operate in rapidly changing and uncertain times and illustrated that our decentralised structure, with local autonomous decision-making, was both agile and effective in navigating the issues that arose. A further review of the risk and control framework was undertaken during the year and the Board will reflect on any operational or strategic learnings at its Strategy meeting in September 2022.

#### 4. Continuing focus on cyber security.

The Board and Audit Committee have received regular updates from the Chief Technology Officer on the Group's monitoring and ongoing defence against cyber attacks, as well as supporting significant investment in the IT infrastructure and talent to manage cyber risk and leverage digital technology for our own benefit.

#### 5. Continuing focus on stakeholders in decision-making.

Board decision-making during the pandemic amplified the need to carefully consider and balance various stakeholder interests. Considering the impact of decisions on our stakeholders has become a standard approach that the Board has now adopted.

### Review of findings from the 2022 internal Board evaluation

The Board's 2022 evaluation questionnaire confirmed that the Directors believe that: the Board is operating effectively; the papers are clear and of a high standard; the Board has healthy debates which lead to good decision-making; strong relationships have been formed amongst the Board members, while independence of the non-executives from management is maintained.

The main areas highlighted for focus and the proposed actions are as follows:

— Asia Pacific experience and an understanding of Software as a Service (SaaS) business models were recognised as potential skills at Board or Executive Board level to be considered in the future. Since this evaluation, Aldous Wong has been appointed as the President of Halma Asia Pacific and Advisor to the Executive Board.
— Some minor improvements were implemented in response to comments on the length of one Board report and to tighten up procedures to ensure that papers are made available together, thus avoiding individual papers or presentations following later.
— Insights on broader financial and non-financial information, such as talent and digital, will be shared periodically with the Board through presentations on each of the growth enablers.
— Additional interaction between the Board and the Divisional Chief Executives will be facilitated, around the annual Strategy meeting and Accelerate CEO conference.
— Opportunities for the expertise of our non-executive Directors to be leveraged by management will be facilitated by improving visibility of their skills, knowledge and experience.

### Committee evaluations

The Committee's own evaluation concluded that: the size and structure of the Committee, along with the frequency and duration of the meetings was appropriate; the papers and presentations were of high quality; meetings are chaired well and that overall the Committee was operating effectively, with recognition that the Chair and non-executive Director succession plans had been executed well.

The results from the Audit Committee and Remuneration Committee evaluations are discussed in the respective Committee Reports.

### Diversity, Equity & Inclusion (DEI)

Halma has a Group-wide diversity and inclusion policy which sets out our commitment that all candidates are considered fairly, regardless of their gender, race, age, sexual orientation, professional or academic background and it is our practice to ensure that there is a diverse selection of candidates before we commence the assessment process. While appointments are ultimately based on merit – taking account of an individual's relevant skills and experience for the role – we recognise the strong benefits that a diverse workforce brings. Accordingly, we require recruiters to make diversity a priority in their selection of potential candidates, which ensures that we factor diversity and inclusion into our process at the outset.

The work that Halma is doing to improve diversity across the Group, along with our open and inclusive culture ensures that all candidates are fairly considered for each role. This year, we have included a DEI target within executive remuneration to further align our drive for a diverse and inclusive culture throughout the Group. Our Talent and Culture Growth Enabler embodies the importance of DEI to Halma's sustainable growth strategy – see page 41 (Key performance indicators) and page 70 (Our people and culture) for more information.

### Board and Executive Board Diversity

Embracing diversity, in all its forms, enables individuals to share their own perspective which promotes inclusivity and supports good decision-making by the Board and Executive Board. The Board recognises the many benefits of building a diverse leadership team and the tables on pages 124 and 125 set out certain elements of diversity for the Board and Executive Board at the date of this Report.

The Board Diversity Policy (see below) was updated in March 2022 to reflect the new targets set by the FTSE Women Leaders Review on gender diversity. We have achieved great progress on gender diversity at Board and Executive Board level and our Group Chief Executive's membership of the 30% Club since 2017 demonstrates our long-term commitment to this agenda. The Policy also supports the recommendation of the Parker Review on ethnic diversity and confirms our commitments as a signatory to the Change the Race Ratio. Halma has maintained at least one ethnically diverse Director on the Board since 2011, which is prior to the publication of the Parker Review's original report in October 2017. We took the opportunity in our March 2022 Policy update to go beyond the Parker Review recommendation, by committing to maintain our current composition of two ethnically diverse Directors on the Board.

Maintaining a focus on gender and ethnic diversity remains an important factor for the Committee when it is reviewing the composition of the Board, its Committees and the talent pipeline within the senior management group, while ensuring that other elements of diversity are not overlooked.

### Board Diversity Policy

Halma is committed to building a diverse and inclusive culture throughout the Group. Diversity, Equity and Inclusion is one of our Key Sustainability Objectives as we believe it benefits the global economy and creates a fairer future for everyone, every day.

The benefits of diversity across all levels of the organisation are clear and the unique culture that each of our businesses bring – through innate differences in our people – is the foundation for our success.

Creating inclusive environments, where everyone has equal access, opportunity and treatment and can bring their full self to work, is fundamental to accelerating our growth and achieving our purpose.

The Board has agreed the following commitments, which are in line with the 2022 FTSE Women Leaders Review recommendations and go beyond the target recommended by the 2017 Parker Review:

— to maintain gender balance at Board and Executive Board level by ensuring that representation of both men and women is at or above a minimum 40% threshold and, by 31 December 2025, ensure a minimum representation of men or women one-level below the Executive Board is at or above the 40% threshold;
— to have at least one woman in the Chair or Senior Independent Director role and/or one woman in the Group Chief Executive or Chief Financial Officer role;
— to maintain at least two ethnically diverse Directors on the Board; and
— as a signatory to Change the Race Ratio, we commit to increase racial and ethnic diversity at senior leadership level, to be transparent on targets and actions, and to create an inclusive culture in which talent from all backgrounds can thrive.

**Dame Louise Makin**
Committee Chair

For and on behalf of the Committee
16 June 2022

## Carole Cran
Audit Committee Chair

### Committee composition and attendance

| | Eligible | Attended |
|---|---|---|
| Carole Cran (Chair) | 4 | **4** |
| Jo Harlow | 4 | **4** |
| Dharmash Mistry | 4 | **4** |
| Sharmila Nebhrajani OBE* | 1 | **1** |
| Tony Rice | 4 | **4** |
| Roy Twite | 4 | **4** |
| Daniela Barone Soares# | 1 | **1** |

* joined the Committee on 1 December 2021.
# stepped down from Committee on 22 July 2021.

The Committee has four scheduled meetings per year, to coincide with the key events in the corporate reporting calendar and audit cycle. The attendance at each Committee meeting is set out in the table above.

### Committee composition and induction
The Committee comprises six independent non-executive Directors. Carole Cran is Chair of the Committee and continues to have recent and relevant financial experience, and competence in accounting. Carole qualified as a Chartered Accountant with KPMG, has held senior financial positions at FTSE listed companies and is currently Chief Financial Officer at Forth Ports Limited and was a business representative on the review panel led by Sir Donald Brydon to look at the quality standards delivered by UK auditors.

Only Committee members are entitled to attend meetings, although the Committee Chair invites the Chair, Executive Directors, Group Financial Controller, Group General Counsel & Chief Sustainability Officer, Director of Risk & Internal Audit and representatives from the external Auditor to regularly attend meetings. Subject matter experts, such as the Chief Technology Officer, Head of Tax, Head of Treasury (who presented to the June 2021 meeting), Sector Chief Executives' and Sector Chief Financial Officers' are invited to present on a cyclical basis to keep the Committee updated.

Appointments to the Committee are made by the Board and the remuneration of the Committee Chair reflects the additional responsibilities and time commitment required in the role. As part of the induction process for new members of the Committee, they will meet separately with key individuals – including the Committee Chair, the Chief Financial Officer, the Director of Risk & Internal Audit and the external Auditor. While each non-executive Director will largely manage their own continuing development, the Committee receives relevant updates throughout the year, a technical and governance update at the September meeting from the external Auditor and may request additional information, as required.

### Principal role and responsibilities
The Committee is appointed by the Board and operates under written terms of reference (available at www.halma.com) which are reviewed annually at the January meeting.

The primary duties of the Committee are:

**Financial reporting**
— Reviewing significant financial reporting judgements and estimates, and the application of accounting policies, including compliance with accounting standards.
— Ensuring the integrity of the financial statements and compliance with UK company law and regulation.
— Ensuring the Annual Report and Accounts are fair, balanced and understandable.
— Monitoring the integrity of announcements containing financial information.
— Assessing and approving disclosures made in respect of the Task Force on Climate Related Financial Disclosures (TCFD) framework.

**Internal control**
— Monitoring the adequacy and effectiveness of the internal controls and processes.

**Risk management**
— Reviewing and providing oversight of the processes by which risks are managed.
— Reviewing the process undertaken, and the stress-testing performed, to support the Group's Viability statement and Going Concern statement.

**Compliance, fraud and whistleblowing**
- Monitoring compliance with the UK Corporate Governance Code.
- Reviewing the adequacy and effectiveness of the Group's compliance functions; monitoring the processes in place to prevent and detect fraud and receiving reports on fraud attempts or incidents; reviewing the adequacy of arrangements in place to enable employees to raise concerns in confidence.

**Internal audit**
- Reviewing and approving the audit work plan and charter.
- Reviewing reports from audits and monitoring the status of remedial actions; monitoring the structure, composition and resourcing of the function.
- Reviewing the role and effectiveness of the function and periodically engaging an independent third-party review of internal audit's effectiveness.

**External audit**
- Managing the relationship with the external Auditor.
- Monitoring and reviewing the independence and performance of the Auditor and leading the tender process or Senior Statutory Auditor change.
- Formally evaluating Auditor effectiveness.
- Reviewing the policy on non-audit services carried out by the Auditor.
- Negotiating and approving Audit fees, the scope of the audit and the terms of engagement.
- Making recommendations to the Board for the appointment or reappointment of the Auditor.

## Governance
During the year, the Committee met formally on four occasions in June, September, November and January. The June and November meetings focused on the Full Year and Half Year Reports and Results Announcements. The January meeting primarily focused on the external and internal audit plans for the coming year and the September meeting covered a legal assurance and controls update and the risk and control environment within the Safety sector, presented by the Group General Counsel & Chief Sustainability Officer and Sector Chief Executive respectively.

The Committee, and independently the Committee Chair, regularly meets with the Director of Risk & Internal Audit and separately with the external Auditor, without any Executive Directors present. The Committee Chair maintains regular contact with management, particularly the Chief Financial Officer, Group Financial Controller and the Company Secretary.

All members of the Committee further their internal network and knowledge of the businesses through company visits, corporate events and the Accelerate CEO conference (which was held virtually in 2021).

The Committee receives updates from the external Auditor and other professional advisers, where appropriate, on matters relevant to financial reporting, internal control, tax, audit and risk.

The Committee as a whole has competence relevant to the Company's sector, with each member bringing valuable experience, diversity of thought and independent judgement.

Biographies for each member of the Committee are set out on pages 108 and 109.

The Committee Chair sets the forward agenda for the year but also allows for flexibility in the timing and the schedule to ensure that new or unforeseen areas can be appropriately reviewed. The agenda and meeting papers are circulated in a timely manner, in accordance with the terms of reference.

The Committee Chair reports to the Board after each meeting on the key matters discussed. Minutes are circulated to all Board members and the external Auditor once they have been approved by the Committee. Internal Audit reports that identify any significant control or compliance weakness, or other risk that requires immediate management attention, are circulated to the Committee via the Company Secretary when the report is issued. At the same time, commentary from the Chief Financial Officer and Divisional Chief Executive on the background to the weakness, any mitigating controls and the actions being taken to address the findings are shared with Committee members.

An evaluation of the Committee's own effectiveness is undertaken each year and the findings are reported to the Board. In 2022, this evaluation took the form of a tailored internal questionnaire. The feedback was provided to the Committee Chair and a summary of the output and proposed actions is reviewed by the Committee. The 2022 evaluation demonstrated that the Committee is working effectively and the Committee members considered it to be exercising good oversight of the reporting environment and effectively supporting and overseeing the work of the internal and external auditors. Some areas for improvement were identified which the Committee Chair discussed with the Chair, Group Chief Executive, Chief Financial Officer and the external Auditor to form a collective view on how best to address these points. A proposal was presented at the June 2022 Committee meeting and the actions to address each area were agreed. These included inviting the newly appointed Director of Risk and Compliance to attend a Committee meeting during the year, in order to continue to evolve and strengthen risk management processes; and embedding and developing the Committee's processes in respect of its sustainability/ESG assurance responsibilities.

## Activities during the year
The Committee's main activities have been:

- Reviewing the Half Year Report and Annual Report and Accounts and considering the key accounting judgements and estimates that affect the application of the policies and reported values.
- Scrutinising the risk and assurance process.
- Monitoring the Group's whistleblowing and compliance procedures and reports raised.
- Receiving updates on IT and cyber risk controls, presented by the Chief Technology Officer.
- Agreeing the external Auditor fee.
- Considering the tenure of the Auditor and possible timing of an audit tender and recommending the appointment of a new Senior Statutory Auditor and the re-appointment of PwC.
- Approving the Internal Audit Charter and work plan.
- Receiving updates on TCFD and the reporting landscape from the Head of Sustainability, and reviewing and approving TCFD disclosures.
- Considering emerging external audit and governance topics.
- Reviewing the Group's Principal and Emerging Risks.
- Assessing the risk, control and assurance framework.
- Receiving a report on the Group financial controls framework.
- Considering the output of the annual Committee evaluation and agreeing appropriate actions.
- Receiving internal presentations on legal assurance and controls and the controls environment in the Safety sector.
- Reviewing and submitting a response to BEIS on the audit and governance reforms white paper.

### Audit Reforms and BEIS consultation

The Committee has been monitoring developments in the UK's audit and corporate governance regulation, including the potential reforms proposed by the Department for Business, Energy & Industrial Strategy (BEIS) in its consultation 'Restoring Trust in Audit and Corporate Governance'. In June 2021, the Group responded to the consultation expressing broad support for the proposals to strengthen high-quality, trusted corporate governance and external audit, and provided feedback on potential challenges that groups with a decentralised operating model, such as ours, may face in implementing certain recommendations.

During the year management, supported by external advisors, have undertaken an assessment to consider the proposed Internal Control over Financial Reporting (ICFR) requirements and how we can enhance our control framework both in the short term, and as required once new legislation has been finalised. We have performed a Group-wide risk assessment of our ICFR, including over financial systems and fraud risk assessment, building upon the last such review undertaken by Deloitte in 2018, and have enhanced our existing controls to support the rapid growth of the Group in that time. We have also undertaken two detailed pilot process walk-throughs, including a deep dive on the associated IT controls.

The Committee will continue to closely monitor the developments in corporate governance and audit reform, and the impact of any other regulatory changes, which may impact auditing and reporting requirements in the future.

### Climate related disclosures

The Committee has overall responsibility for approving the disclosures made under the newly introduced climate-related Listing Rule 9.8.6R(8). The Committee has received updates throughout the year on progress made against reporting on the climate-related disclosures, which are consistent with TCFD recommendations and the 11 recommended disclosures under TCFD, as required by the Listing Rules.

### Whistleblowing

The Committee has responsibility for reviewing the adequacy and security of the Group's arrangements for employees and contractors to raise concerns about possible improprieties in financial reporting, fraud, other financial or ethical misconduct.

Halma has appointed an external third-party provider, NavexGlobal, to operate a confidential, multilingual, telephone and web reporting service, 24/7, through which concerns can be raised. Further details are set out in the Our policies and procedures section on page 104.

The Company Secretary receives and reviews all reports to ensure that they are appropriately investigated and all allegations of fraud or financial misconduct are reported to the Committee. In line with many listed companies, most matters reported through the NavexGlobal service relate to personnel/HR matters and, while these are not areas for review by the Committee, such matters are duly investigated in the same manner and reported directly to the Board in its role of monitoring culture and workforce concerns.

Following a review during the year, the Committee is satisfied with the adequacy and security of the arrangements in place for concerns to be raised.

### External Auditor

The external Auditor is appointed to give an opinion on the Group and Company financial statements. The audit includes the review and testing of the data contained in the financial statements to the extent, and materiality level, necessary for expressing an audit opinion as to whether they present a true and fair view of the state of the Group and parent company affairs as at 31 March 2022.

During the year the Committee conducted an evaluation of the external audit, by way of a tailored online questionnaire (further details on page 131). The assessment highlighted no major concerns and the insights from the questionnaires have been discussed both internally and with PwC, to assist with the planning of future work. The Committee concluded that it was satisfied with the auditor's performance in discharging the Full Year audit and the Half Year review; the independence and objectivity of the auditor; the robustness of the audit process, including how the auditor demonstrated professional scepticism and challenged managements assumptions and the quality of service and delivery of the audit.

Following a tender process, PwC were appointed Auditor to the Company at the Annual General Meeting (AGM) in 2017. Owen Mackney has been the Senior Statutory Auditor since 2017 and, in accordance with our Auditor Independence Policy, which requires us to change our audit partner every five years, stepped down following the conclusion of the 2021/22 Full Year audit. Chris Richmond will succeed Owen as the Senior Statutory Auditor for the financial period commencing 1 April 2022.

### Audit tendering

The Committee has primary responsibility for recommending to the Board the appointment or re-appointment of the external Auditor before it is put to shareholders at the AGM. The Committee will, at the appropriate time, lead the audit tender process. This process will be carried out at least every 10 years and, unless it is undertaken earlier, it is the Committee's policy to consider whether a tender is appropriate every five years – to coincide with the change in Senior Statutory Auditor. Accordingly, this year the Committee considered the possibility of re-tendering the external audit. The Committee was satisfied that PwC is effective and remains independent in accordance with our Auditor Independence Policy and the FRC's Ethical Standard and therefore concluded that a tender process was not appropriate at this time. Whilst the Company remains satisfied that PwC remains effective and independent, and subject to shareholder approval and forthcoming AGM's, the next tender process will have to take place in 2026 at the latest.

### Statement of compliance

The Company confirms that it complied throughout the year with the provisions of the Competition and Markets Authority's Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

### Auditor objectivity and independence (including non-audit fees)

The Group has adopted a Policy on 'Auditor Independence and Services provided by the External Auditor' which sets out the limited services that the external Auditor can provide to Group companies, which do not conflict with the Auditor's independence. The Policy was updated in 2020 to align with the FRC's revised Ethical Standard which applied from March 2020 and a summary is set out on page 130.

During the year, two pieces of permitted audit-related services work (in addition to the Half Year Report review) were undertaken by PwC. These were in respect of a liquidity test pertaining to a dividend distribution in Belgium, which must be performed by an auditor, and an annual tax audit in India, which is a statutory requirement, with total fees of circa £5,000. It was deemed appropriate to use PwC in respect of these two items of work given their understanding of the business and involvement in the Group audit. Additionally, PwC provided access to their technical guidance toolkit, for a total fee of circa £1,000. All work was pre-approved by the Committee Chair and reported to the Committee in accordance with our Policy.

In addition to Halma's Policy, the Auditor runs its own independence and compliance checks, prior to accepting any engagement, to ensure that all non-audit work is compliant with the Ethical Standard in force and that there is no conflict of interest.

The audit fees payable to PwC for the year ended 31 March 2022 were £2.1m (2021: £1.7m) and permitted audit-related service fees were £0.1m (2021: £0.1m). Other non-audit services totalled less than £0.1m in both the current and preceding year.

### Policy on auditor independence and services

**Permitted audit-related services**

Audit-related services are non-audit services, as specified in the revised Ethical Standard, that are largely provided by the external auditor and where the work is closely related to the work performed in the audit and where threats to auditor independence are clearly insignificant and safeguards need not be applied. These audit-related services include:

- Reporting required by law or regulation to be provided by the auditor.
- Reviews of interim financial information.
- Reporting on regulatory returns.
- Reporting to a regulator on client assets.
- Reporting on government grants.
- Reporting on internal financial controls when required by law or regulation.
- Extended audit work that is performed on financial information and/or financial controls where this work is integrated with the audit work and is carried out on the same principal terms and conditions.

The external auditor can be engaged by management to perform audit-related services, and without the requirement for a separate tender process, unless the anticipated fees exceed £150,000. If the anticipated fees are above £150,000, the Committee must approve the decision to engage the external auditor in advance, and always subject to the overall fee cap outlined below. The Committee is notified of audit-related projects with the external auditor which have estimated fees between £75,000 and £150,000 and, at each meeting, the Committee will receive a summary of all fees, audit and non-audit related, that are payable to the external auditor.

**Non-audit services (other than audit-related services)**

The general policy is that the external Auditor must not carry out any non-audit services (other than audit-related services) for the Company or its global subsidiaries. In exceptional circumstances, the Committee (or the Committee Chair for amounts up to £15,000) may approve the engagement but only where:

- The services are permitted (such that they fall within the specific categories of services listed at Section 5B of the Ethical Standard).
- The auditor is considered to be the most suitable supplier of the services.
- The external auditor's independence would not be compromised.

**Fee cap for audit-related and non-audit services**

The total fees for audit-related and non-audit services paid to the external auditor in any year cannot exceed 70% of the average fees for audit services charged over a three-year period.

### Financial statements and significant accounting matters

During the year, and prior to the publication of the Group's results for the Half Year ended 30 September 2021 and the Full Year ended 31 March 2022, the Committee considered the significant risks and material issues, judgements and estimates made in relation to the Group's financial statements, comprising:

- The value of goodwill, due to the significance of the amounts recorded on the Consolidated Balance Sheet, and the judgements and estimates involved in assessing goodwill for impairment.
- The level of acquired intangibles across the Group and the adequacy of future cashflows.
- The risk that acquisitions are not accounted for correctly in line with IFRS 3 'Business combinations' including the recording of fair value adjustments and the identification and valuation of acquired intangible assets.
- The valuation of contingent consideration arising on acquisitions in current and prior periods.
- The judgements and estimates involved in valuing defined benefit pension plans including the discount rate, the mortality assumption and the inflation rate.
- The appropriateness of warranty provisions held.
- Compliance risks with existing and evolving tax legislation, and judgements around uncertain tax positions including the recoverability of the tax receivable balances.
- The carrying value of Capitalised Development Costs (CDCs).
- The carrying value of investments (Company only).
- The going concern status of the Group and any impact to future viability.

These issues were discussed with management at various stages during the year and during the preparation and finalisation of the financial statements. After reviewing the presentations and reports from management, the Committee is satisfied that the financial statements appropriately address the critical judgements and key estimates, both in respect of the amounts reported and the disclosures made. The Committee is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised, challenged and are sufficiently robust. The Committee has discussed these issues with the Auditor during the audit planning process and at the finalisation of the year-end audit and is satisfied that its conclusions are in line with those drawn by the Auditor in relation to these issues.

The Committee's process for challenging the assumptions of management and addressing the risks identified includes the following activities:

- Assessing treatments of contingent consideration payment arrangements against the requirements of IFRS 3 and IFRS 13.
- Challenging the appropriateness of assumptions used in determining the fair value of the acquired intangible assets.
- Focusing on, monitoring regularly and constructively challenging, the reasonableness of the assumptions used in impairment calculations by management.
- Challenging the appropriateness of judgements and forecasts used including discount rates, growth rates, the level of aggregation of individual cash generating units and methodology applied, and any other associated disclosures in note 11 to the Accounts.

- Assessing capitalisation and the carrying value of development costs in line with the accounting policy and standards.
- Assessing the assumptions in determining the pension obligations, particularly given market volatility and determining whether the key assumptions were reasonable.
- Considering the appropriateness and reasonableness of stated judgements and conclusions and that reporting was accurate.
- Assessing the position taken with regards to tax judgements.

As part of the above process the Committee specifically considered the following:

- The treatment and valuation of the contingent consideration provisions at 31 March 2022 in relation to Visiometrics and Infinite Leap, as well as those relating to smaller acquisitions.
- The fair value of acquired intangible assets and carrying values arising on the 13 acquisitions in the year, particularly in relation to the acquisitions of PeriGen, Orca, Dancutter, Sensitron, Ramtech, Infinite Leap and International Light Technologies.
- The appropriateness of the assumptions used in and outcomes of the Group's goodwill impairment review during the year, as well as the associated disclosures.
- The assumptions around mortality, discount rate and inflation that resulted in retirement benefit asset being recognised for the Group at 31 March 2022.
- The evidence supporting the going concern basis of accounts preparation, the Viability Statement and the risk management and internal control disclosure requirements.
- The judgements around the carrying value of tax provisions and uncertainties, in particular, the potential impact on the Group of the European Commission's decision against the UK Government relating to the UK Controlled Foreign Company partial exemption being illegal State Aid.
- The work undertaken to assess the climate-related risks and opportunities for the Group and the associated reporting in accordance with the Task Force on Climate Related Financial Disclosures (TCFD) framework.

### Evaluation of the effectiveness of the Internal Audit function and the external Auditor

The Committee undertakes an annual review of the effectiveness of both the Internal Audit function and the External Auditor. The process for each review is conducted primarily by way of a tailored on-line questionnaire which is completed by Committee members and other senior management who are engaged in the audit process, the outcomes of which are reported to the Committee and the Board. A summary of the process and key findings is set out below.

## Internal audit evaluation process and outcome

**Bespoke questionnaire covering**

- The functions' position and reporting lines.
- Internal audit scope and its relevance to our business.
- Audit approach.
- Quality of the team.
- Reliability and quality of reporting.
- Use of technology and communication.

**Questionnaire completed by**

- Board members
- Executive Board members
- Sector CFOs
- Group Financial Controller
- Managing Director for Halma IT
- Divisional Chief Executives
- Company Secretary
- PwC Audit Partner

**Results**

- The responses from the questionnaire are collated centrally and a summary of the findings is provided to the Committee to consider the overall effectiveness of the function and any action required.

**Outcome**

- Following a review by the Committee of the output from the 2022 questionnaires and direct feedback from the Chief Financial Officer and the Chair, the Committee concluded that the Internal Audit function is effective.

## External audit evaluation process

**Bespoke questionnaire covering**

- External audit partner time commitment.
- Quality of the team.
- Accounting, technical and governance insight.
- Policies for compliance with the revised Ethical Standards.
- Quality and timeliness of reporting.
- Clarity and authority of communications.

**Questionnaire completed by**

- Committee members
- Group Chief Executive
- Chief Financial Officer
- Director of Risk & Internal Audit
- Company Secretary
- Company CFOs
- Sector CFOs
- Group Financial Controller

**Results**

- Results of the questionnaire are collated centrally by the Group Financial Controller and a summary of the findings and the FRC's AQR Report on PwC as a firm, are provided to the Committee and PwC.

**Outcome**

- Following a review by the Committee of the output from the 2022 questionnaire and the AQR Report findings, the Committee confirmed that PwC is effective as External Auditor to the Company and recommended to the Board their re-appointment as Auditor be proposed to shareholders at the 2022 AGM.

### Risk management and internal controls

The Committee maintains oversight of the risk management and internal control framework and monitors its effectiveness. During 2022, the risk management and internal control processes, that were enhanced in 2020, continued to evolve with a focus on the simplification of policies and procedures. Regular reporting to the Committee by the Director of Risk & Internal Audit, and by circulation of internal audit findings to Committee members, ensures that there is a good understanding of any non-compliance that arises and the swift action being taken to close any gaps.

The Committee is satisfied that the risk management and internal control framework remains robust and effective, while still allowing autonomous and agile decision-making which is essential to Halma's decentralised structure and an integral part of Halma's growth strategy. No significant failings or weaknesses have been identified in the internal controls. A new role of Director of Risk & Compliance will see the separation of Risk from Internal Audit and a further strengthening and focus on all elements of Compliance in the coming year. Full details of the internal control framework and approach to risk management are set out on pages 96 and 97.

### Internal Audit

The Internal Audit function comprises the Director of Risk & Internal Audit and five audit managers – two based in the UK, two in the USA and one in China. A risk-based audit work plan is agreed by the Committee annually and takes account of the rotational visits undertaken by the external Auditor under their audit programme. In addition, companies acquired during the year are audited within nine months from the date that they are acquired. Progress against the work plan is reviewed at each Committee meeting, in order that any changes in priorities or resourcing can be discussed and agreed. Pulse checks have been introduced as part of the 2022/23 annual audit plan, which will see companies receive a verbal pulse check between audits to provide an additional assurance touchpoint.

The Committee has oversight of the internal audit budget and resources available and it has satisfied itself that the Internal Audit function has the appropriate level of resources and funds available to undertake its role. During the year, the Committee approved an increase in headcount, to add a US-based auditor to provide sufficient risk-based coverage for the USA as the Group continues to grow. In addition, Grant Thornton have been appointed to provide specialist co-source resource; this had been obtained previously on an ad-hoc basis from a number of providers when needed to supplement the skills of the in-house team. All Internal Audit reports are issued to management and the external Auditor. Any reports which contain high priority findings which require immediate management action, are circulated to the Committee with commentary from the Chief Financial Officer on the underlying issues and remedial or mitigating actions being taken to address the findings.

### Fair, balanced and understandable

To ensure that the report and accounts are fair, balanced and understandable, the Committee considers the output from a series of focused exercises that take place during the Annual Report and Accounts production process. These can be summarised as follows:

— A qualitative review, performed by the Group's Finance and Secretarial functions, of disclosures and a review of internal consistency throughout the Annual Report and Accounts. This review assesses the Annual Report and Accounts against objective criteria drawn up for each component of the requirement (individual criteria that indicate 'fairness', 'balance' and 'understandability' as well as criteria that overlap two or more components).
— A risk comparison review which assesses the consistency of the presentation of risks and significant judgements throughout the main areas of risk disclosure in the Annual Report and Accounts.
— A formal review of all Board and Committee meeting minutes by the Company Secretary to ensure that all significant issues are appropriately reflected and given due prominence in narrative reporting.
— Availability to the Committee of the key working papers and results for each of the significant issues and judgements considered by the Committee in the period.

The Directors' statement on a fair, balanced and understandable Annual Report and Accounts is set out on page 159.

**Carole Cran**
Committee Chair

For and on behalf of the Committee
16 June 2022

## Jo Harlow
### Remuneration Committee Chair

### Committee composition and attendance

| | Eligible | Attended |
|---|---|---|
| Jo Harlow (Chair) | 5 | **5** |
| Carole Cran | 5 | **5** |
| Dame Louise Makin | 5 | **5** |
| Dharmash Mistry | 5 | **5** |
| Sharmila Nebhrajani OBE* | 2 | **2** |
| Tony Rice | 5 | **5** |
| Roy Twite | 5 | **5** |
| Paul Walker# | 2 | **2** |
| Daniela Barone Soares# | 2 | **2** |

* joined the Committee on 1 December 2021
\# stepped down from the Committee with effect from 22 July 2021

On behalf of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2022. This statement sets out the work of the Committee during the year and provides the context for the decisions taken.

### The context for remuneration in 2022

**Our performance**

I am also pleased to be presenting this year's report against the backdrop of strong financial results, as Halma reports its 19th consecutive year of profit growth, which continues Halma's story of sustained growth, returns, positive impact and value. Over the last year, Adjusted Earnings per Share (EPS) increased by 11.6% while Return on Total Invested Capital (ROTIC) of 14.6% remained well above our Weighted Average Cost of Capital estimated at 7.1%. Adjusted organic constant currency profit growth of 15.4%, strong organic constant currency revenue growth of 17.4% and Return on Sales of 20.7% that exceeded expectations were also very positive results for Halma in the 2022 financial year.

Halma's performance in the 2022 financial year is now substantially ahead of that at the beginning of the pandemic, in spite of extended lockdowns, supply chain issues and more recently the conflict in Ukraine and these results reflect that the business is no longer in recovery from the pandemic. Revenue in 2022, at £1,525.3m, is 14% higher than in 2020, the last financial year prior to the pandemic. Adjusted profit before tax is 18% higher and Adjusted EPS is 15% higher than in 2020. Halma's strong financial results have translated into significant returns for shareholders with its position in the FTSE 50 reflecting strong fundamentals and future growth prospects. Total Shareholder Return has continued to outperform the FTSE 100 index, with an investment of £100 in Halma shares on 31 March 2019 worth £153 on 31 March 2022, compared to £115 for a similar investment in the FTSE 100 index.

**Our people**

Halma's people are its biggest asset and their skill and dedication remain instrumental to the Halma success story. The Committee reviews various aspects of the wider workforce's remuneration and reflects on such information when considering executive pay. Many of Halma's employees are impacted by the inflationary pressures and the cost-of-living crisis. I am pleased that Halma has been able to meet their commitment to pay the Real Living Wage across its UK operations with effect from 1 June 2022.

This is the second year that we have included details of our mean gender pay gap for the employees across two of our largest regions (UK and US), with a reduction to 20% from 26% disclosed last year. You will find details on page 70 in the section on Our people and culture.

In November 2021, Halma implemented the improvement of pension benefits for all UK employees with a successful transition to a Defined Contribution Master Trust, enhancing retirement options for UK employees. Management continues to review how pension and other benefits can be improved for employees across all regions, as evidenced by the appointment of a new global benefits broker. Further, the availability of wellbeing support for our employees has been extended through a European Employee Assistance Programme, an offering of particular importance through the pandemic and the cost-of-living and Ukraine crises.

## Remuneration outcomes for 2022

**Bonus**

Bonuses for 2022 were based on Economic Value Added (EVA) performance against a weighted average target of EVA for the past three years. The Committee considered the targets to be both demanding and appropriate for the circumstances. There were two considerations in determining the bonus outturn, which are set out as follows:

— During the course of the year, the accounting implementation treatment for Software as a Service (SaaS) investments changed under IAS 38. The formulaic outturn was determined with the accounting interpretation previously in force to ensure the outturn and target were measured on a like for like basis.

— As described in last year's Remuneration Report, in the 2020 financial year, a prudent management decision was taken to create a central bad debt provision in response to the potential impact of the COVID-19 pandemic on receivables. At the time, the Committee considered it was equitable to exclude this item in rewarding management for the strong performance in 2020 and to exclude the release of any or all of this provision from future remuneration award calculations. The 2022 financial figures include the release of the £5m provision and per the agreed treatment, it has been excluded from the 2022 remuneration calculations, ie., there is no increase in the amount of bonus earned because of this release.

The Group's EVA performance metric generated total annual bonus payments for the Executive Directors of 100% of maximum potential outcome, with one third deferred into shares which will become available after two years. The Committee believes that the formulaic outcome is appropriate and the payout reflects the self-sufficient and robust performance of the business through the year.

**Executive Share Plan (ESP)**

For the 2019 ESP award, the three-year performance for average ROTIC (14.8%) and Adjusted EPS growth (7.35%) has been robust and is reflected in the 61.4% vesting percentage. The Committee considers this performance to be particularly robust in light of the pandemic circumstances in which it was achieved.

The Share Ownership Guidelines require Directors to hold Company shares to a minimum value equivalent to their award maximum opportunity: Group Chief Executive – 300% of salary, Group Chief Financial Officer – 250% of salary and GTCC Director – 200% of salary. The requirement is to hold shares to the value of the Share Ownership Guidelines or actual shareholding (if lower) for a period of two years post cessation of employment.

In line with the 2018 UK Corporate Governance Code (Code), the Committee reviewed the outcomes of the individual incentive plans as well as the overall levels of remuneration to ensure that they remained consistent with the underlying performance of the business. The Committee is satisfied that the Policy operated as intended in terms of company performance, the total remuneration received by Executive Directors in respect of the year ended 31 March 2022 is a fair reflection of performance over the period and no use of discretion is warranted.

### Chair and non-executive Director Fees

The Executive Board agreed to increase the base fees and the Committee Chair fees for the non-executive Directors with effect from 1 January 2022. The increases were made to reflect the growing complexity of the business, along with the increased time commitments of the individuals. Details of the non-executive Director fees can be found on page 143.

In addition, to ensure that our non-executive Directors continue to be remunerated competitively, a decision has been made by the Executive Board to review these fees on an annual basis as opposed to every three years.

The Committee carried out a benchmarking review of the Chair's fees and the Committee was unanimous in approving an increase, acknowledging Dame Louise's strategic direction and leadership since she started as Chair at the July 2021 AGM. Details of this can be found on page 143.

## Remuneration arrangements for 2023

**Remuneration Policy and voting outcomes**

Last year, the voting outcomes for the Directors' Remuneration Report and Policy were 92.88% and 60.18% respectively. The Committee is appreciative of the time and contribution of all those shareholders who participated in the consultation process and for the support in voting for both resolutions. Recognising that many shareholders felt they could not support the Policy resolution, a further consultation was conducted to more thoroughly understand shareholder views. The concurrent increase in salary and both elements of variable pay was the overriding concern. We also received feedback on the need for additional clarity on the benchmarking approach that was used and this is addressed on page 142 of this report.

The Committee is confident that the Policy remains fit for purpose and would like to reassure shareholders that it is committed to ensuring remuneration is aligned with shareholders' interests. We will continue to seek, listen and respond to feedback.

### Salary

In the 2021 Directors' Remuneration Report, it was noted that the Committee agreed to salary increases that would be implemented over a two-year period subject to satisfactory business performance in the second year. As described above, the Halma Executive team have delivered the 19th consecutive year of profit growth and continue to deliver strong business performance exceeding stretching performance targets across all financials, whilst making significant headway in delivery of wider objectives on employee experience and sustainability. Given this performance, the Committee agreed to implement the second part of the increases to base salary as outlined below. As previously committed, we wrote to Halma's largest shareholders on this point, and we have valued the time each have taken to provide feedback to us.

| Role | Current position | Position with effect from 1 June 2022 |
|---|---|---|
| Group Chief Executive Officer | £776,500 | £900,000 (c.16%) |
| Group Chief Financial Officer | £493,000 | £574,000 (c.16%) |
| Group Talent, Culture and Communications Director | £395,000 | £460,000 (c.16%) |

Halma is a FTSE 50 company with strong growth drivers for the future. Positioning Halma Executive Director remuneration at the median of the FTSE 100 (excluding financial services) ensures Halma maintains the level of pay that supports the current talent retention and succession needs as well as the company's growth ambitions.

**Annual Bonus including Sustainability**
The Policy provides flexibility to include non-financial measures in both the LTIP and the annual bonus, with up to 20% of the overall opportunity available to be utilised for non-financial measures.

**Financial metrics**
We will continue to use EVA as the performance metric for the annual bonus, with stretching growth targets aligned with our standard growth KPIs. This will represent 90% of the overall bonus opportunity.

**Non-financial metrics – Sustainability**
Halma's companies are already making the world a safer, cleaner and healthier place by providing solutions to many of the key challenges facing the world today. By growing in line with Halma's purpose, the companies deliver positive impact in the markets they serve and beyond. Halma's Key Sustainability Objectives (KSOs) provide an opportunity to amplify this positive impact further and you will find more details on this in the Sustainability Report on page 80.

This year, metrics relating to two of our three KSOs, Diversity, Equity and Inclusion (DEI) and Climate Change, will be included in the annual bonus. These KSOs have been chosen for the first year of sustainability-linked remuneration because they have established and published targets, whereas work is ongoing in establishing targets for the Circular Economy KSO.

A total of 10% per cent of the maximum annual bonus opportunity will be assigned to these sustainability metrics – 5% of maximum bonus available for the full achievement of each metric. The specific metrics are gender balance on the boards of Halma companies (DEI) and year-on-year improvement in energy productivity (Climate Change).

Recognising that Halma has not yet completed measurement and target setting for its most material climate change impact, Scope 3 emissions, the Climate Change target is aligned with Halma's Scope 1 & 2 Net Zero (2040) and science-based (2030) targets. Energy productivity has been identified as the key metric that both underpins the achievement of these targets and is appropriate to be used in annual remuneration.

This change will apply to the annual bonus for the Executive Directors with effect from 1 April 2022, and will also apply for other senior leaders in the business – across the Executive, Sector Boards and all MDs of Halma companies. This is a significant step forward, signalling a serious commitment to driving change and meeting sustainability ambitions, in line with Halma's purpose. The Committee expects to expand and refine these further over time as Halma's targets and reporting capabilities develop.

The Committee has carefully considered the implications of including both DEI and Climate Change metrics in the annual bonus and will review this change through the course of the year to ensure that these continue to be stretching.

**ESP**
The FY23 ESP share awards will be granted as normal, using adjusted EPS growth and ROTIC as the performance metrics based on stretching performance conditions.

Shareholders are being asked to approve the Halma plc Executive Share Plan 2022. The terms of the new Plan reflect the terms of the existing Executive Share Plan, which was approved by shareholders in 2015, but have been updated to address changes that were made to the Policy in 2021 as well as to facilitate administration. The Company intends to continue to operate the Plan on substantively similar terms to the existing Executive Share Plan and awards granted to Executive Directors of the Company will be consistent with the Policy approved by shareholders.

Reflecting the continuing development of our Sustainability Framework including the data and processes currently available to support the targets and metrics, we have chosen to include sustainability metrics in the annual bonus, rather than the ESP, in this first year. We will continue to review whether sustainability-linked remuneration can be extended to the ESP over time.

**Pension**
The maximum employer pension contribution rate for UK employees has been increased to 10.5% of salary (from 4.8%), along with the introduction of a new and enhanced contribution structure where our lowest paid are offered higher company contributions compared to the old pension arrangement.

The changes in pension to align the Executive Directors with the UK wider workforce rate of 10.5% of salary will be effective from 31 December 2022.

**Director changes and Committee Evaluation**
Sharmila Nebhrajani OBE joined as non-executive Director in December 2021 and I would like to take this opportunity to welcome her to the Committee.

Adam Meyers stood down from the Board at the AGM on 22 July 2021 and remains employed by the Group until his retirement on 1 July 2022.

The Committee's performance was assessed as part of the annual Board evaluation. I am pleased to report that the Committee is regarded as operating effectively and that the Board takes assurance from the quality of the Committee's work.

In closing, I would like to thank the Committee for its work and support during the year and our shareholders for their constructive engagement and feedback. Thanks also to our Executive team for their decisive leadership and persistent efforts to continue to deliver exceptional value to our stakeholders, whilst driving positive change and to our employees who worked tirelessly throughout the year. We hope that you find this report helpful and look forward to your support of the Remuneration Report resolution at the AGM.

**Jo Harlow**
Committee Chair

For and on behalf of the Committee
16 June 2022

# Aligning awards to performance

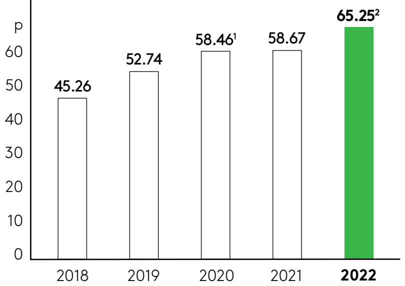
## How did we perform in the year?

**Executive Share Plan – Outcome against targets: 61.4%**

**Adjusted earnings per share (p)**

**65.25p**

+11.2%



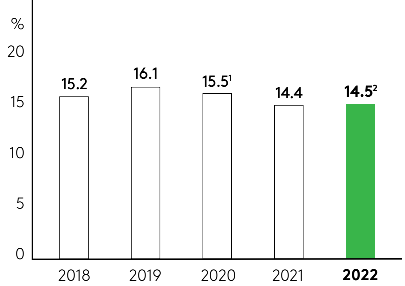

1 Excludes £5m of bad debt provision.
2 Excludes release of £5m of bad debt provision and additional expenses in relation to accounting implementation treatment for SaaS.

Up to 50% of ESP awards vest based on Adjusted EPS growth over a three-year period, with a target range 5% to 12% (actual: 7.35% average growth = 25.1% vesting)

**Return on total invested capital (%)**

**14.5%**

+0.7%




1 Excludes £5m of bad debt provision.
2 Excludes release of £5m of bad debt provision and additional expenses in relation to accounting implementation treatment for SaaS.

Up to 50% of ESP awards vest based on three-year average ROTIC, with a target range of 11% to 17% (actual: 14.8% average = 36.3% vesting)

**Annual bonus plan – Economic Value Added Outcome against targets: 100% of maximum**

**Group EVA threshold**

**£264m**

**Group EVA actual**

**£303m**

+15%

## Financial performance

**Organic revenue growth[3]**

**17.4%**

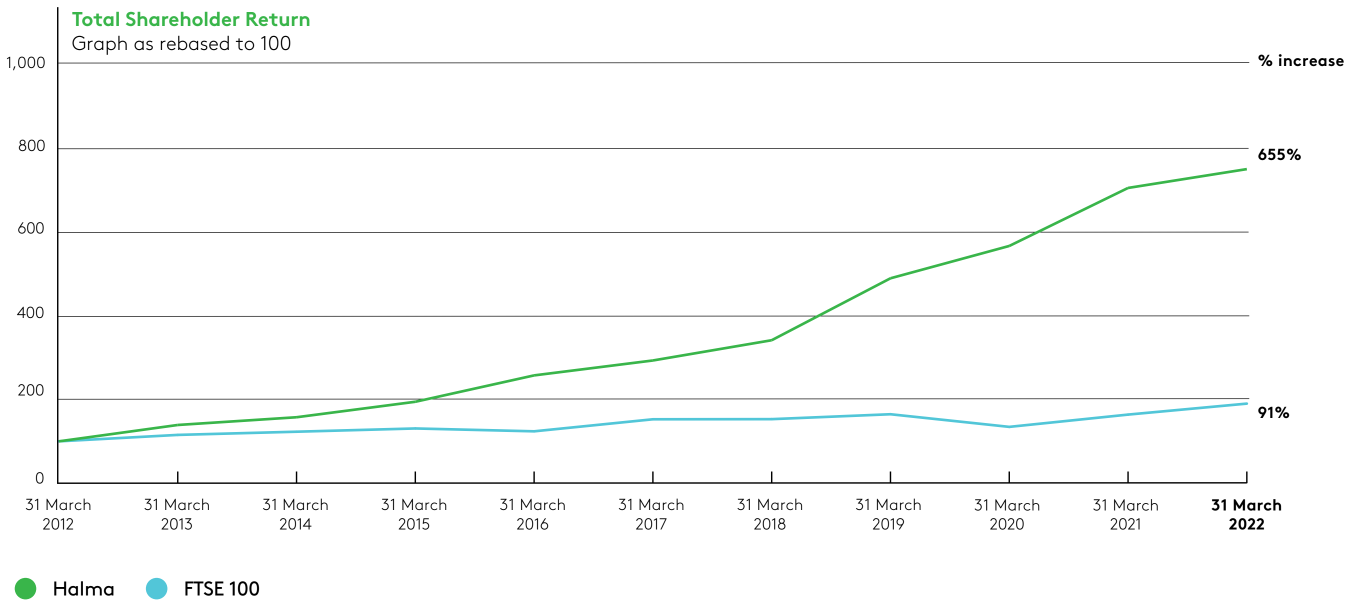
3 Figures at constant currency. See note 3 to the accounts.

**Dividends to shareholders**

**£71.5m**

**Adjusted organic profit growth[3]**

**15.4%**



## Executive Directors remuneration in 2022 and 2023

| Element | 2022 | | 2023 | |
|---|---|---|---|---|
| | Group CEO | Other Executive Directors | Group CEO | Other Executive Directors |
| **Base salary** | Effective 1 June 2021: | | Effective 1 June 2022: | |
| | £776,500 | CFO: £493,000<br>GTCC Director: £395,000 | £900,000 | CFO: £574,000<br>GTCC Director: £460,000 |
| **Pension** | 26% of salary | 18.7% of salary | 26% of salary to 31 December 2022<br><br>10.5% with effect from 1 January 2023 | 18.7% of salary to 31 December 2022<br><br>10.5% with effect from 1 January 2023 |
| **Annual Bonus** | 200% max | 180% max | 200% max | 180% max |
| | Measures: Economic Value Added (100%) | | Measures: Economic Value Added (90%), Diversity, Equity and Inclusion (5%) and Climate Change (5%) | |
| **Long-Term Incentives** | 300% max | CFO: 250% max<br>GTCC Director: 200% max | 300% max | CFO: 250% max<br>GTCC Director: 200% max |
| **Post vesting holding period** | Two years for awards granted since the July 2018 AGM | | | |
| **Share ownership** | 300% | CFO: 250%<br>GTCC Director: 200% | 300% | CFO: 250%<br>GTCC Director: 200% |
| **Post-cessation share ownership** | Two years post-cessation at the lower of the share ownership guidelines or actual shareholding | | | |

## Ensuring shareholder alignment

**Proportion of short-term incentive award received in shares:**

**33.3%**

annual bonus incentives

**Shareholding guideline based on award size:**

**300%**

For Group CEO, 250% for Group CFO and 200% for Group Talent Culture Communications Director

**Proportion of long-term incentive awards subject to mandatory two-year holding period:**

**100%**

of vesting shares (net of tax and social security) arising from ESP awards granted since the 2018 AGM

**Post-cessation requirement for a period of:**

**2 years**

at the lower of the Share Ownership Guideline or actual shareholding

Governance

## Wider workforce remuneration highlights

Pension improvement for employees

Reduction in the Gender Pay Gap

Meeting our Real Living Wage commitment

UK Share Incentive Plan awards granted

The Annual Remuneration Report sets out details of how the Policy was implemented in the year to 31 March 2022 and the proposed implementation for the next financial year.

### Committee Composition

The Committee comprises of all non-executive Directors at the date of this Annual Remuneration Report, and is chaired by Jo Harlow. All members of the Committee are considered independent within the definition set out in the Code. No member of the Committee has any personal financial interest in Halma (other than as shareholders), conflicts of interests arising from cross directorships or day-to-day involvement in running the business.

**Principal Role and Responsibilities**

The Committee is appointed by the Board and operates under written terms of reference, which are available at www.halma.com.

The primary responsibilities of the Remuneration Committee are to:

- Make recommendations to the Board on the framework for Executive Director and senior executive remuneration based on proposals formulated by the Group Chief Executive.
- Determine and agree with the Board the policy and framework for the remuneration of the Chair, Group Chief Executive, other Executive Directors, members of the Executive Board and the Company Secretary.
- Have oversight of the remuneration arrangements of the management tier below Executive Board level.
- Approve the design of, and determine targets for, any performance-related pay plans operated by the Company and agree the total annual payments made under such plans.
- Review the design of all share incentive plans for approval by the Board and shareholders, and determine, each year, whether awards will be made, and if so, the overall amount of such awards, the individual awards to Executive Directors, other senior executives and the performance targets to be set.
- Determine the policy for, and scope of, pension arrangements for each Executive Director and other senior executives.

### Meetings

Only members of the Committee have the right to attend Committee meetings. The Group Chief Executive, the Group Talent, Culture and Communications Director and Head of Total Rewards attend Committee meetings by invitation but are not present when their own remuneration is discussed. The Committee also takes independent professional advice as required.

During the year, the Committee met formally five times. Attendance by individual members of the Committee is disclosed on page 133. The principal agenda items at the formal meetings up to the date of this report were as follows:

| Meeting | Agenda items | |
|---|---|---|
| May 2021 | — Review of Remuneration Policy | — 2022 Remuneration elements – Annual Bonus |
| June 2021 | — 2021 Directors' Remuneration Report<br>— 2021 Remuneration elements – Approval of annual bonus payout and ESP vesting<br>— 1 June 2021 merit increases for the Executive Board | — 2022 Remuneration elements – Annual Bonus and ESP targets<br>— Review of Remuneration Policy<br>— Executive remuneration governance and market update |
| November 2021 | — Update on shareholder consultation<br>— Guidance for non-executive Director company visits<br>— Sustainability-linked remuneration | — 2022 Remuneration elements – update on annual bonus payout and ESP vesting estimates<br>— Wider workforce remuneration – Pension change, Update on global parental leave policy |
| January 2022 | — Corporate governance code aspects<br>— Update on shareholder consultation | — Sustainability-linked remuneration<br>— Wider-workforce remuneration – Real Living Wage |
| March 2022 | — Corporate governance code aspects<br>— Shareholder engagement update, including second salary increase consultation<br>— 2022 Directors' Remuneration Report | — 2022 Remuneration elements – update on formulaic outcome estimates and ESP vesting<br>— 2023 Annual Bonus targets<br>— Sustainability-linked remuneration |
| June 2022 | — 2022 Directors' Remuneration Report<br>— 2022 Remuneration elements – Approval of annual bonus payout and ESP vesting<br>— 1 June 2022 merit increases for the Executive Board | — 2023 Remuneration elements – Annual Bonus including Sustainability and ESP target-setting<br>— Executive remuneration governance and market updates |

### External advisers

In June 2020, after a thorough and competitive tender process, WTW was appointed as the independent remuneration adviser to the Committee and continued in this capacity through the year.

WTW is a member of the Remuneration Consultants' Group and voluntarily operates under the Remuneration Consultants' Group Code of Conduct in relation to executive remuneration consulting in the UK. This is based upon principles of transparency, integrity, objectivity, competence, due care and confidentiality by executive remuneration consultants. WTW has confirmed that it has adhered to that Code of Conduct throughout the year for all remuneration services provided to the Company. Therefore, the Committee is satisfied that it is independent and objective. The Remuneration Consultants' Group Code of Conduct is available at remunerationconsultantsgroup.com. WTW's fee for the year with respect to executive remuneration matters was £120,766 (2021: £121,627) based on an agreed fee. WTW also provided services to the Company globally which comprise remuneration benchmarking and other consultancy advice.

## Shareholder vote at 2021 Annual General Meeting

The following table shows the results of the binding vote on the Policy and the advisory vote on the Annual Remuneration Report at the 2021 Annual General Meeting. The Policy can be found on pages 122 to 128 of the 2021 Annual Report and Accounts, which can be found on our company website, www.halma.com.

| | For | Against | Total | Withheld |
|---|---|---|---|---|
| **Remuneration Policy (2021)** | | | | |
| Number of votes cast | 176,723,996 | 116,952,309 | 293,676,305 | 7,547,634 |
| % of votes cast | 60.18% | 39.82% | 100% | |
| **Directors' Remuneration Report (2021)** | | | | |
| Total number of votes | 278,654,743 | 21,366,458 | 300,021,201 | 1,202,738 |
| % of votes cast | 92.88% | 7.12% | 100% | |

The Committee is appreciative of the time and contribution of all those shareholders who participated in the consultation process and for the support in voting for both resolutions. Recognising that many shareholders felt they could not support the Policy resolution, a further consultation was conducted to more thoroughly understand shareholder views. The concurrent increase in salary and both elements of variable pay was the overriding concern. We also received feedback on the need for additional clarity on the benchmarking approach that was used and this is addressed on page 142 of this report.

## Compliance statement

This Report has been prepared in accordance with the requirements of the Companies Act 2006 and the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 and subsequent amendments.

The Report also meets the relevant requirements of the Listing Rules of the Financial Conduct Authority and describes how the Board has applied the Principles relating to Directors' remuneration in the UK Corporate Governance Code. No changes are proposed to the Policy, which was approved at the 2021 Annual General Meeting, but the Directors' Report on Remuneration will be subject to an advisory vote by shareholders at the 2022 Annual General Meeting.

## Remuneration for 2022

### Single figure of total remuneration for Executive Directors (audited)

The table below sets out the single figure of total remuneration received by Executive Directors for the years to 31 March 2022 and 31 March 2021.

| | Andrew Williams £000 | | Marc Ronchetti £000 | | Adam Meyers[1] £000 | | Jennifer Ward £000 | |
|---|---|---|---|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 |
| Salary | 759 | 636 | 482 | 404 | 121 | 412 | 386 | 323 |
| Benefits[2] | 27 | 31 | 20 | 24 | 8 | 30 | 25 | 24 |
| Pension[3] | 197 | 165 | 90 | 76 | 20 | 62 | 72 | 60 |
| **Total Fixed Pay** | **983** | **832** | **592** | **504** | **149** | **504** | **483** | **407** |
| Annual Bonus[4] | 1,557 | 489 | 890 | 310 | 150 | 298 | 713 | 249 |
| Executive Share Plan – Awards[5] | 1,024 | 1,934 | 568 | 1,073 | 471 | 881 | 389 | 707 |
| Share Incentive Plan[6] | 3 | 3 | 3 | 3 | – | – | 3 | 3 |
| **Total Variable Pay** | **2,584** | **2,426** | **1,461** | **1,386** | **621** | **1,179** | **1,105** | **959** |
| **Total Pay** | **3,567** | **3,258** | **2,053** | **1,890** | **770** | **1,683** | **1,588** | **1,366** |

1 Adam was remunerated in US dollars and translated at the average exchange rate for the year (2022: US$1.367, 2021: US$1.308).
2 Benefits: mainly comprises company car/car allowance and private medical insurance.
3 Pension: value based on the Company's pension contribution, or cash supplement in lieu of pension, during the year.
4 Annual bonus: payment for performance during the year; two thirds is payable in cash and one third is deferred into shares which vest two years from award without any performance conditions. Table shows total bonus including amounts to be deferred and dividend equivalents totalling £10,839 and £13,912 in 2022 and 2021 respectively.
5 ESP: Figures relate to awards vesting based on performance to the years ended 31 March 2022 and 2021. For the award vesting for the year ended 31 March 2022, as the share price on the date of vesting is currently unknown, the value shown is estimated using the average share price over the three-months to 31 March 2022 of 2505p. For the award vesting for the year ended 31 March 2021, these figures have been revised from last year's report to reflect the actual share price on the vesting date of 2710p. Table shows total vestings and dividend equivalents totalling £48,982 and £80,049 in 2022 and 2021 respectively.
6 SIP is based on the face value of shares at grant.

## Payments to past Directors (audited)

No exit payments were made in the year.

## Payments for loss of office (audited)

Adam Meyers stepped down from the Board on 22 July 2021 and remains as employee to the Group until 1 July 2022. From 22 July 2021, he received a pro-rated annual salary of $134,500 and reimbursement for any business and travel expenses. He was not entitled to a bonus for the period from 23 July 2021 or an ESP award in June 2021 but was entitled to a bonus for the period from 1 April 2021 to 22 July 2021. His outstanding deferred bonus awards, including any granted in 2022, will vest in full at the normal vesting date (two years from grant) and, as a good leaver, Adam's outstanding ESP awards will vest, subject to performance, on a time pro-rata up to his retirement date.

## Incentive outcomes for 2022 (audited)

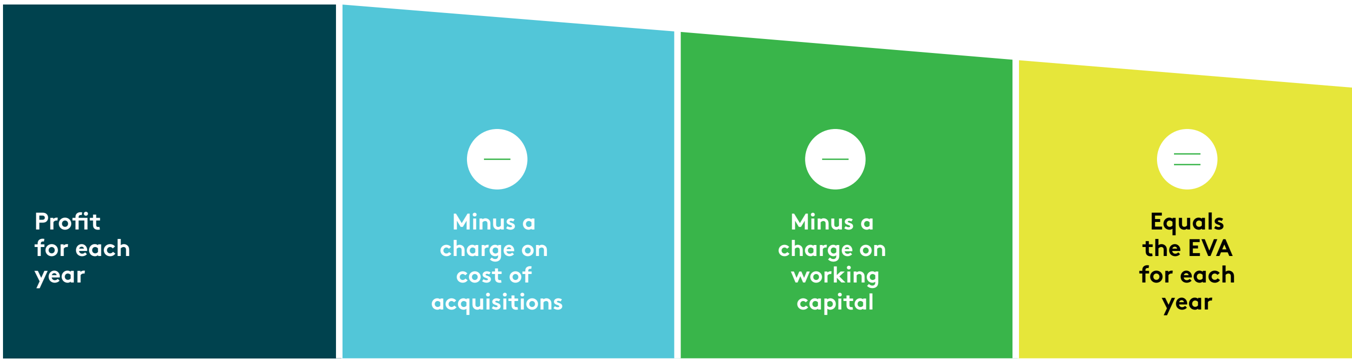
**Annual bonus in respect of 2022**

In 2022, the maximum bonus opportunity for the Group Chief Executive was 200% and 180% of salary for the Group Chief Financial Officer and the GTCC Director. Prior to Adam Meyers standing down from the Board in July 2021, his maximum bonus opportunity was 150% and he was eligible for a bonus for the period from 1 April 2021 to 22 July 2021. Annual bonus for all Executive Directors was solely linked to performance as measured by an Economic Value Added (EVA) calculation.

As disclosed in last year's report, the bonuses for 2022 continued to be based on EVA performance against a weighted average target of EVA for the past three years and the Committee felt that the targets were demanding and appropriate.

Bonuses for the Executive Directors are calculated based on Group profit exceeding a target calculated from the profits for the three preceding financial years after charging a cost of capital, including on the cost of acquisitions. As the EVA for each year is utilised for a further three years in the comparator calculations, Executives must consider the medium-term interests of the Group otherwise there is the potential for an adverse impact on their capacity to earn a bonus.

**EVA calculation:**




Operating company directors and other sector and central senior management participate in bonus arrangements similar to those established for senior executives.

Further details of the bonuses payable (cash and deferred share awards) and performance against targets are provided in the tables below.

| Executive Director | EVA threshold (m) | EVA maximum (m) | EVA actual (m) | Overall bonus outcome (% of salary) |
|---|---|---|---|---|
| Andrew Williams | **£263.6** | **£290.0** | **£303.4** | **200%** |
| Marc Ronchetti | **£263.6** | **£290.0** | **£303.4** | **180%** |
| Adam Meyers (to 22 July 2021) | **£263.6** | **£290.0** | **£303.4** | **37.5%** |
| Jennifer Ward | **£263.6** | **£290.0** | **£303.4** | **180%** |

In 2020, the Committee applied judgment in determining the annual bonus outcome with the exclusion of £5m bad debt provision from the calculation. As was agreed at the time, the benefit on any release of the provision would be excluded in future years. The bad debt provision has now been released and although the reported profit growth reflects this, no adjustment is made in the annual bonus outcome for 2022, ie there is no increase in the amount of bonus earned because of this release.

The deferred bonus awards are calculated as one-third of the bonus earned. The number of shares over which awards will be made will be determined by the share price for the five trading days prior to the date of award. The value of each individual's award, relative to their bonus has been fixed as follows:

| Executive Director | Overall bonus outcome (% of salary) | Bonus for 2022 | Cash-settled | Value of 2022 deferred bonus award |
|---|---|---|---|---|
| Andrew Williams | **200%** | **£1,553,000** | **£1,035,333** | **£517,667** |
| Marc Ronchetti | **180%** | **£887,400** | **£591,600** | **£295,800** |
| Adam Meyers (to 22 July 2021) | **37.5%** | **£148,236** | **£98,824** | **£49,412** |
| Jennifer Ward | **180%** | **£711,000** | **£474,000** | **£237,000** |

Deferred bonus awards will be granted under the ESP in June 2022. These awards will not be subject to any further performance conditions and will vest in full on the second anniversary of the date of grant. Full details will be provided in next year's Annual Remuneration Report.

**Executive Share Plan (ESP): 2019 Awards (vesting at the end of the year to 31 March 2022)**
In July 2019, the Executive Directors received awards of performance shares under the ESP. The performance targets for ESP awards granted are set out below. The vesting criteria are 50% EPS-related and 50% ROTIC-related.

Performance conditions for these awards are as follows:

| EPS[1] | | ROTIC[2] (post-tax) | | Total |
|---|---|---|---|---|
| Performance levels | % of award vesting[3] | Performance levels | % of award vesting[3] | |
| < 5% | 0.0% | < 11.0% | 0.0% | 0.0% |
| 5% | 12.5% | 11.0% | 12.5% | 25% |
| 12% or more | 50% | 17.0% or more | 50% | 100% |

1 Adjusted earnings per share growth over the three-year performance period.
2 Average ROTIC over the performance period.
3 There is straight line vesting in between threshold and maximum vesting.

The three-year period over which these two performance metrics are measured ended on 31 March 2022. Average ROTIC was 14.8% (the average ROTIC for financial years 2020, 2021 and 2022) and adjusted EPS growth was 7.35% per annum for the period from 1 April 2019 to 31 March 2022, resulting in vesting of 61.4% of the awards. The estimated vesting value included in the 2022 single figure of Total Remuneration for Directors is detailed in the table below:

| Executive Director | Interest held | Face value at grant | Vesting % | Interest vesting | Three-month average price at year end | Estimated vesting value £000 | ...of which value attributable to share price growth £000 | and value attributable to corporate performance £000 |
|---|---|---|---|---|---|---|---|---|
| Andrew Williams | **65,264** | **1,335** | **61.4%** | **40,072** | **2505p** | **1,004** | **184** | **820** |
| Marc Ronchetti | **36,182** | **740** | | **22,216** | | **557** | **103** | **454** |
| Adam Meyers | **30,046** | **615** | | **18,448** | | **462** | **85** | **377** |
| Jennifer Ward | **24,755** | **506** | | **15,200** | | **381** | **70** | **311** |

Vested awards are net settled, with the appropriate reduction in shares made to cover the employee tax and social security liability at vesting. Awards normally lapse if they do not vest on the third anniversary of their award. These awards are subject to a two-year post-vesting holding period.

During the course of the year, the accounting implementation treatment for Software as a Service (SaaS) investments changed under IAS 38. The Committee agreed that the performance metrics should be reviewed on the principle that any adjustment ensures that outturn is measured on a like-for-like basis as the targets. As such, for any awards made before IAS38 was introduced on 1 April 2021, we are using the accounting practices which were in place when the award was made.

In line with regulations, the values disclosed above and in the single total figure of remuneration table on page 139 capture the number of interests vesting for performance to 31 March 2022. As the market price on the date of vesting is unknown at the time of reporting, the values are estimated using the average market value over the three month period to 31 March 2022 of 2505p. The actual values at vesting will be trued-up in the next Annual Remuneration Report.

## Incentive Awards granted during 2022 (audited)

**Long-term incentive – Executive Share Plan: Performance Share Plan Awards (granted during the year to 31 March 2022)**
On 28 June 2021, the Executive Directors were granted awards, with a top-up grant made on 23 July 2021, based on their revised salaries, after the Policy was approved at the AGM. The three-year performance period over which ROTIC and EPS performance will be measured is 1 April 2021 to 31 March 2024. The ROTIC element will be based on the average ROTIC for 2022, 2023 and 2024. The EPS element will be based on EPS growth from 1 April 2021 to 31 March 2024. These two elements are equally weighted at 50% each. The performance targets applying to these awards are as set out above. As these awards were made after the accounting implementation treatment for SaaS investments changed under IAS 38, we will include the SaaS costs within the calculations as they fall. The awards vest on the third anniversary of the dates of grants (28 June 2024 and 23 July 2024), subject to ROTIC and Adjusted EPS growth performance and are subject to a two-year post-vesting holding period. UK Executive Directors had part of their full award entitlement delivered through the Share Incentive Plan.

| Executive Director | % of salary | Awards made during the year | Five-day average market price at award date (p) | Face value at award date £000 | Total face value of awards made during the year £000 |
|---|---|---|---|---|---|
| Andrew Williams | **200%** | **49,156** | **2715.9** | **1,335** | **2,326** |
| | **100%** | **35,542** | **2787.8** | **991** | |
| Marc Ronchetti | **175%** | **27,252** | **2715.9** | **740** | **1,229** |
| | **75%** | **17,531** | **2787.8** | **489** | |
| Jennifer Ward | **150%** | **18,645** | **2715.9** | **506** | **786** |
| | **50%** | **10,043** | **2787.8** | **280** | |

Governance

### Long-term incentive – Deferred Share Awards (granted during the year to 31 March 2022)

On 28 June 2021, the Executive Directors were granted deferred share awards under the ESP in respect of one third of the total bonus earned for the financial year ended 31 March 2021. Awards are not subject to performance conditions as they are deferred awards relating to bonus earned for the year ended 31 March 2021. Awards vest in full on the second anniversary of the date of grant (28 June 2023).

| Executive Director | Awards made during the year | Five-day average market price at award date | Face value at award date £000 | Bonus to 31 March 2021 £000 | Amount awarded in shares |
|---|---|---|---|---|---|
| Andrew Williams | **5,943** | **2715.9p** | **161** | 484 | **33.3%** |
| Marc Ronchetti | **3,773** | | **102** | 307 | **33.3%** |
| Adam Meyers | **3,618** | | **98** | 295 | **33.3%** |
| Jennifer Ward | **3,018** | | **82** | 246 | **33.3%** |

## Implementation of the Policy for the year to 31 March 2023

### Salary, including information on benchmarking

As noted above, we received shareholder feedback on the need for additional clarity on the benchmark approach that was used for the Policy review. Part of the proposals for the Policy included increases to base salaries for the Executive Directors over the 2022 and 2023 financial years. These are set out below. With regards to benchmarking, our approach was to consider the FTSE 100, excluding financial services in order to mitigate the distorting impact of remuneration in that industry. The Committee was acutely aware of the FTSE 30 influence on FTSE 100 statistics and specifically reviewed information for the FTSE 50 as well as the FTSE 100 excluding financial services – before deciding that the FTSE 100 is the most appropriate peer set at this stage, given Halma's current position in the FTSE 50.

The Committee thought very carefully about these changes, ultimately deciding that the adjustments are a fair reflection of the contribution the individuals bring to the business, address key remuneration issues and are fully aligned with shareholders' interests.

### Base Salary, effective 1 June 2022

| Executive Director | Salary for 2023 | Salary for 2022 | % change |
|---|---|---|---|
| Andrew Williams | **£900,000** | £776,500 | **16%** |
| Marc Ronchetti | **£574,000** | £493,000 | **16%** |
| Jennifer Ward | **£460,000** | £395,000 | **16%** |

### Pension and benefits

The maximum employer pension contribution rate for UK employees has been increased to 10.5% of salary (from 4.8%), along with the introduction of a new and enhanced contribution structure where our lowest paid are offered higher company contributions compared to the old pension arrangement.

Pension cash supplements for Executive Directors remained unchanged for the financial year 2022 but will reduce to 10.5% of salary from 31 December 2022 in line with the maximum rate offered to UK employees.

### Annual bonus

The maximum annual bonus opportunity for 2023 is 200% of salary for the Group Chief Executive and 180% of salary for the other Executive Directors. One third of the bonus earned will be deferred into a share award which vests in full after two years. Bonus payments will be subject to malus and clawback during a period of three years from the date of payment.

Bonuses for 2023 will be based on EVA performance against a weighted average target of EVA for the past three years. We have also introduced two new sustainability targets on Diversity, Equity and Inclusion (DEI) and Climate Change. The weightings for EVA performance, DEI and Climate Change will be 90%, 5% and 5% respectively.

The DEI target is based on progress towards our goal of reaching female representation on our company boards of at least 40% by March 2024 (40-60% gender balance) and more detail on this can be found on pages 70 to 71 in the Our People and culture section. The Climate Change target is based on achieving a stretching range of year-on-year Energy Productivity improvement, of at least 4%, which is our published target and further detail can be found in the Sustainability section.

As financial targets are commercially sensitive, they are not disclosed at this time but will be in next year's Annual Report on Remuneration.

The Remuneration Committee must be satisfied that Halma's underlying performance over the financial year justifies the payout. When making this judgement the Committee has scope to consider such factors as it deems relevant. The Committee believes that this approach will ensure fairness to both shareholders and participants.

**Long-term incentive – Executive Share Plan: Performance Share Awards (to be granted)**
Under the ESP, performance share plan awards and deferred bonus awards will be made in June 2022, based on the Policy. The number of shares over which awards will be made is determined by the average share price for the five trading days prior to the date of award. The value of each performance share award is as follows:

| Executive Director | Salary for 2023 | Performance share plan award | Value of award |
|---|---|---|---|
| Andrew Williams | **£900,000** | 300% | **£2,700,000** |
| Marc Ronchetti | **£574,000** | 250% | **£1,435,000** |
| Jennifer Ward | **£460,000** | 200% | **£920,000** |

The performance share awards will be subject to an Adjusted EPS growth performance target for 50% of the award and a ROTIC target for 50% of the award measured over the three financial years 2022, 2023 and 2024. As this award is being made after the accounting implementation treatment for SaaS investments changed under IAS 38, we will include the SaaS costs within the calculations as they fall. The full performance conditions are set out in detail below.

| EPS[1] | | ROTIC[2] (post-tax) | | |
|---|---|---|---|---|
| Performance levels | % of award vesting[3] | Performance levels | % of award vesting[3] | Total |
| < 5% | 0.0% | < 11.0% | 0.0% | 0.0% |
| 5% | 12.5% | 11.0% | 12.5% | 25% |
| 12% or more | 50% | 17% or more | 50% | 100% |

1 Adjusted earnings per share growth over the three-year performance period.
2 Average ROTIC over the performance period.
3 There is straight line vesting in between threshold and maximum vesting.

The Committee reviewed the risk of windfall gains in this grant, as the Halma share price has declined over 20% since the last grant was made. The Committee noted that Halma shares, as with other growth companies, were re-rated upwards during the pandemic period as a safe haven in a low interest rate environment and the current price reflects a more historical valuation of the company, based on financial performance. The Committee noted that analyst consensus has remained constant through the period and that shareholders had marginally increased their positions in Halma. It was the view of the Committee that the risk of windfall gains is low and that the grant to be made in June 2022 should be made at normal levels.

## Chair and non-executive Director fees
A market review of the non-executive Directors' fees was carried out in January 2022 and the reset fees are noted in the table below. Our Chair's fee, which was reset last year, was increased from her start date as Chair in July 2021. Fees are subject to an annual review in January.

| Fees | Annual fees for 2022 | Annual fees for 2021 |
|---|---|---|
| Chair | **£405,000** | £400,000 |
| Base fee | **£75,000** | £58,500 |
| Senior Independent Director | **£20,000** | £10,000 |
| Audit Committee Chair | **£20,000** | £15,000 |
| Remuneration Committee Chair | **£20,000** | £10,000 |
| Committee Member | **£nil** | £nil |

## Single figure of total remuneration for non-executive Directors (audited)
The following table sets out the total remuneration for the Chair and the non-executive Directors for the year end 31 March 2022.

| Non-executive Director[1] | 2022 £000 | 2021 £000 |
|---|---|---|
| Dame Louise Makin | **297** | 8 |
| Roy Twite | **63** | 56 |
| Tony Rice | **75** | 65 |
| Carole Cran | **79** | 70 |
| Jo Harlow | **75** | 65 |
| Dharmash Mistry (joined the Board on 1 April 2021) | **63** | - |
| Sharmila Nebhrajani OBE (joined the Board on 1 December 2021) | **24** | - |
| Paul Walker (stepped down from the Board on 22 July 2021) | **87** | 266 |
| Daniela Barone Soares (stepped down from the Board on 22 July 2021) | **18** | 56 |

1 Fees have been rounded to the nearest £1,000

## Group Chief Executive Pay ratio

The following table sets out our Group Chief Executive's pay ratios as at 31 March 2022. All figures are calculated using pay and benefits data for the year to 31 March 2022 and for part-time employees, the full-time equivalent salary and benefits are used.

| Year | Method | 25th Percentile: pay ratio, total pay and benefits, (salary) | 50th Percentile: pay ratio, total pay and benefits, (salary) | 75th Percentile: pay ratio, total pay and benefits, (salary) |
|---|---|---|---|---|
| **2022** | **Option A** | **145:1** | **110:1** | **70:1** |
| | | **£24,608** | **£32,430** | **£50,748** |
| | | **(£22,425)** | **(£29,063)** | **(£45,000)** |
| **Historical information** | | | | |
| | | 25th Percentile: pay ratio | 50th Percentile: pay ratio | 75th Percentile: pay ratio |
| 2021 | Option A | 141:1 | 110:1 | 68:1 |
| 2020 | Option A | 183:1 | 139:1 | 86:1 |

Option A was chosen again this year as it is the most statistically accurate method, considered best practice by the Government, in line with shareholder expectations and is directly comparable to the Chief Executive's remuneration. This method requires calculation of pay and benefits for all UK employees using the same methodology that is used to calculate the Chief Executive's single figure per the table on page 139.

## Commentary

We are satisfied that the median pay ratio reported this year is consistent with our wider pay, reward and progression policies for employees. The Chief Executive is remunerated predominantly on performance-related elements (bonus and share awards), which have delivered strong returns.

Compared to last year, the Chief Executive's single figure has increased as a result of the increase in base salary and bonus outturn. However, this increase has been partially offset by the lower vesting percentage for the 2019 award, compared to the 2018 award. In contrast, there has been a higher increase of employee total pay at the 50th percentile resulting in the same median Chief Executive pay ratio for the year, compared to last year.

## Directors' pensions (audited)

Andrew Williams is the only UK Executive Director who is a deferred member of the defined benefit section of the Halma Group Pension Plan. This benefit is a funded final salary occupational pension plan registered with HMRC, providing a maximum pension of two thirds of final pensionable salary after 25 or more years' service at normal pension age (60). Up to 5 April 2006, final pensionable salary was the greatest salary of the last three complete tax years immediately before retirement or leaving service.

From 6 April 2011, final pensionable salary was capped at £139,185 and is increased annually thereafter by the change in CPI (£169,337 for 2022).

Bonuses and other fluctuating emoluments and benefits-in-kind are not pensionable nor subject to any pension supplement. The Plan also provides a pension in the event of early retirement through ill-health and a dependant's pension of one-half of the member's prospective pension. Where an executive has a form of pension protection, life cover is provided under a separate policy.

Early retirement pensions, currently possible from age 55 with the consent of the Company and the trustees of the Plan, are subject to actuarial reduction. Pensions in payment increase by 3% per annum for service up to 5 April 1997, by price inflation (subject to a maximum of 5%) through to 31 March 2007 and 3% thereafter.

The Company closed the Defined Benefit section to future accrual with effect from 1 December 2014 and, following a period of consultation, members were offered compensating benefits above those available to Defined Contribution members who had not been in the Defined Benefit section. In April 2014, Andrew Williams chose to cease future service accrual in the Plan in return for a pension supplement on his base salary. This supplement is equivalent to a 20% employer contribution plus an additional 6% compensatory payment, in line with the enhanced contribution rate offered to other members who were in the Defined Benefit section when future accrual was ceased.

Marc Ronchetti and Jennifer Ward were not members of the Defined Benefit section but are entitled to join the Defined Contribution section of the plan. Due to annual allowance and lifetime allowance restrictions, both Jennifer and Marc have opted to receive a pension supplement of 18.7% of salary, in lieu of the 20% employer contribution that the Company would otherwise pay into their pension.

A review of pension arrangements across the UK companies was completed last year and increased employer pension contributions up to a maximum of 10.5% of salary are now in place. This was an increase from 4.8% of salary and came into effect from 1 November 2021. Executive Directors' voluntarily committed to lowering their cash-in-lieu pension contributions to 10.5% by 31 December 2022. For Andrew Williams, this is a reduction from 26% and for the other Executive Directors, a reduction from 18.7%. If any new directors are appointed, their pension arrangements will be in line with the wider UK workforce.

One Director accrued benefits under the Company's defined benefit pension plan during the year as follows.

| Executive Director | Age at 31 March 2022 | Years of pensionable service at 31 March 2022 | Increase in accrued benefits £000 | Increase in accrued benefits net of inflation £000 | Accrued benefits at 31 March 2022 £000 |
|---|---|---|---|---|---|
| Andrew Williams | **54** | **20** | **0.8** | **–** | **67** |

## Percentage change in Directors' remuneration versus employees

The table below shows the percentage change in the salary/fees, bonus outcomes and benefits of the Directors for 2021 and 2022. This is compared to the average percentage change in remuneration for other UK Halma plc employees over both financial years.

| | Percentage change from 2021 to 2022 | | | Percentage change from 2020 to 2021 | | |
|---|---|---|---|---|---|---|
| | Salary/fee % change | Benefits % change | Annual Bonus % change | Salary/fee % change | Benefits % change | Annual Bonus % change |
| **Executive Directors** | | | | | | |
| Andrew Williams | 19% | (13%) | 218% | (5%) | (6%) | (40%) |
| Marc Ronchetti | 19% | (17%) | 187% | (5%) | 41% | (40%) |
| Jennifer Ward | 19% | 4% | 187% | (5%) | 0% | (40%) |
| **Non-executive Directors** | | | | | | |
| Dame Louise Makin[1] | 3612% | – | – | – | – | – |
| Roy Twite | 13% | – | – | (5%) | – | – |
| Tony Rice | 15% | – | – | (16%) | – | – |
| Carole Cran | 13% | – | – | (5%) | – | – |
| Jo Harlow | 15% | – | – | 10% | – | – |
| Dharmash Mistry | – | – | – | – | – | – |
| Sharmila Nebhrajani OBE | – | – | – | – | – | – |
| **Former Directors** | | | | | | |
| Adam Meyers (stepped down from the Board on 22 July 2021) | – | – | – | 3% | (50%) | 20% |
| Paul Walker (stepped down from the Board on 22 July 2021) | – | – | – | (5%) | – | – |
| Daniela Barone Soares (stepped down from the Board on 22 July 2021) | – | – | – | (5%) | – | – |
| **Other UK Halma plc Employees** | 6% | 3% | 230% | 0% | (2%) | (43%) |

1 Dame Louise Makin was appointed as non-executive Director on 9 February 2021 and became Chair at the AGM on 22 July 2021

## Relative importance of spend on pay

The table below shows the percentage change in total employee pay expenditure and shareholder distributions (i.e. dividends and share buybacks) from the financial year ended 31 March 2021 to the financial year ended 31 March 2022.

| | 2022 £m | 2021 £m | % change |
|---|---|---|---|
| Distribution to shareholders | **71.5** | 66.8 | **7.0** |
| Employee remuneration (gross) | **430** | 366 | **17.5** |

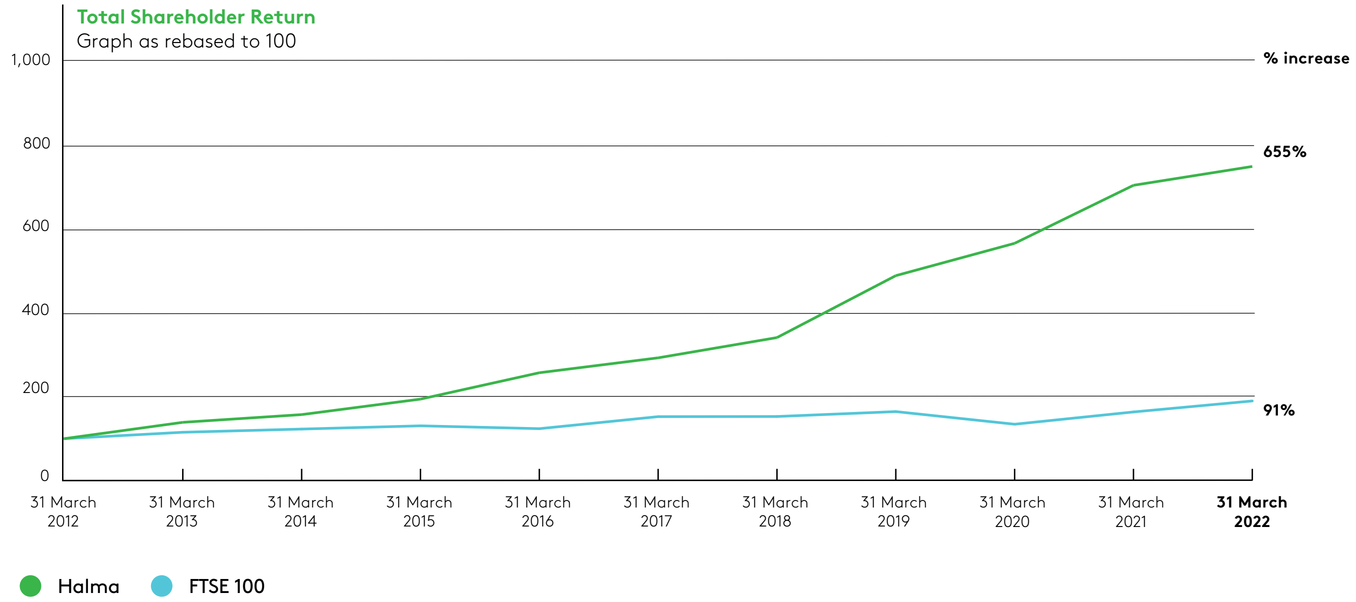
The Directors are proposing a final dividend for the year ended 31 March 2022 of 11.53p per share (2021: 10.78p).

## Pay-for-performance

The 10-year graph on the next page shows the Company's Total Shareholder Return (TSR) performance over the 10 years to 31 March 2022 as compared to the FTSE 100 index. Over the period indicated, the Company's TSR was 655% compared to 91% for the FTSE 100. The table below the graph details the Chief Executive's single figure remuneration and actual variable pay outcomes over the same period.

The FTSE 100 has been selected because the Company believes that the constituent companies of this index are the most appropriate for this comparison as they are affected by similar commercial and economic factors to Halma.

Halma was a constituent of the FTSE 250 until December 2017 when it became a constituent of the FTSE 100.




| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| Andrew Williams' single figure remuneration (£000) | £1,958 | £1,543 | £2,006 | £2,423 | £2,337 | £3,429 | £3,954 | £3,912 | 3,258 | **£3,567** |
| Annual bonus outcome (% of maximum) | 48% | 37% | 53% | 53% | 34% | 89% | 100% | 81% | 48% | **100%** |
| ESP vesting outcome (% of maximum) | 98% | 74% | 78% | 95% | 92% | 90% | 90% | 91% | 74% | **61%** |

## Directors' interests in Halma shares (audited)

The interests of the Directors in office through the year ended 31 March 2022 (and their connected family members) in the ordinary shares of the Company at the following dates were as follows:

| | 31 March 2022 | 31 March 2021 |
|---|---|---|
| **Current Directors** | | |
| Dame Louise Makin | **10,000** | 10,000 |
| Andrew Williams | **736,199** | 701,072 |
| Marc Ronchetti | **51,621** | 26,296 |
| Jennifer Ward | **33,412** | 67,127 |
| Roy Twite | **4,000** | 4,000 |
| Tony Rice | **16,939** | 16,939 |
| Carole Cran | **2,000** | 2,000 |
| Jo Harlow | **2,000** | 2,000 |
| Dharmash Mistry | **–** | – |
| Sharmila Nebhrajani OBE | **–** | – |
| **Former Directors** | | |
| Adam Meyers | **350,480** | 350,480 |
| Paul Walker (as at 22 July 2021) | **30,000** | 30,000 |
| Daniela Barone Soares (as at 22 July 2021) | **2,473** | 2,473 |

The Executive Directors each meet the Share Ownership Guideline of holding Company shares to the value of their award sizes (Group Chief Executive – 300% of salary, Group Chief Financial Officer – 250% of salary and GTCC Director – 200% of salary). Prior to stepping down from the Board, Adam Meyers also met the Guideline of 150% of salary. There are no other non-beneficial interests of Directors. There were no changes in Directors' interests from 1 April 2022 to 16 June 2022.

Details of Directors' interests in shares under Halma's long-term incentives are set out on the next page.

## Directors' interests in Halma share plans (audited)

Details of Directors' outstanding deferred share awards (DSA), conditional share awards (ESP) and free shares under the SIP are outlined in the tables below:

| Executive Share Plans | | Date of grant | As at 1 April 2021 | Granted/ (vested) in the year | Five-day average share price on grant (p) | As at 31 March 2022 |
|---|---|---|---|---|---|---|
| Andrew Williams | ESP | 02-Jul-18 | 95,121 | (70,104) | 1369.2 | – |
| | ESP | 01-Jul-19 | 65,264 | | 2045.6 | **65,264** |
| | DSA | 01-Jul-19 | 15,961 | (15,961) | 2045.6 | – |
| | ESP | 28-Jul-20 | 59,083 | | 2259.6 | **59,083** |
| | DSA | 28-Jul-20 | 11,925 | | 2259.6 | **11,925** |
| | ESP | 28-Jun-21 | | 49,156 | 2715.9 | **49,156** |
| | DSA | 28-Jun-21 | | 5,943 | 2715.9 | **5,943** |
| | ESP | 23-Jul-21 | | 35,542 | 2787.8 | **35,542** |
| Marc Ronchetti | ESP | 02-Jul-18 | 52,786 | (38,903) | 1369.2 | – |
| | ESP | 01-Jul-19 | 36,182 | | 2045.6 | **36,182** |
| | DSA | 01-Jul-19 | 8,642 | (8,642) | 2045.6 | – |
| | ESP | 28-Jul-20 | 32,756 | | 2259.6 | **32,756** |
| | DSA | 28-Jul-20 | 7,593 | | 2259.6 | **7,593** |
| | ESP | 28-Jun-21 | | 27,252 | 2715.9 | **27,252** |
| | DSA | 28-Jun-21 | | 3,773 | 2715.9 | **3,773** |
| | ESP | 23-Jul-21 | | 17,531 | 2787.8 | **17,531** |
| Adam Meyers | ESP | 02-Jul-18 | 43,342 | (31,943) | 1369.2 | – |
| | ESP | 01-Jul-19 | 30,046 | | 2045.6 | **30,046** |
| | DSA | 01-Jul-19 | 9,773 | (9,773) | 2045.6 | – |
| | ESP | 28-Jul-20 | 28,099 | | 2259.6 | **28,099** |
| | DSA | 28-Jul-20 | 5,430 | | 2259.6 | **5,430** |
| | DSA | 28-Jun-21 | | 3,618 | 2715.9 | **3,618** |
| Jennifer Ward | ESP | 02-Jul-18 | 34,797 | (25,645) | 1369.2 | – |
| | ESP | 01-Jul-19 | 24,755 | | 2045.6 | **24,755** |
| | DSA | 01-Jul-19 | 7,821 | (7,821) | 2045.6 | – |
| | ESP | 28-Jul-20 | 22,411 | | 2259.6 | **22,411** |
| | DSA | 28-Jul-20 | 6,057 | | 2259.6 | **6,057** |
| | ESP | 28-Jun-21 | | 18,645 | 2715.9 | **18,645** |
| | DSA | 28-Jun-21 | | 3,018 | 2715.9 | **3,018** |
| | ESP | 23-Jul-21 | | 10,043 | 2787.8 | **10,043** |

The balance of ESP awards that did not vest during the year have lapsed.

The DSAs do not have any attaching performance conditions. The performance conditions attached to the 2018, 2019 and 2021 ESP awards are described earlier in this Report. The 2020 ESP awards have the following performance conditions as a result of the adjustment that was made to align targets with the changes to the business forecasts due to COVID-19:

| EPS[1] | | ROTIC[2] (post-tax) | | |
|---|---|---|---|---|
| Performance levels | % of award vesting[3] | Performance levels | % of award vesting[3] | Total |
| < 2% | 0.0% | < 9.5% | 0.0% | 0.0% |
| 2% | 12.5% | 9.5% | 12.5% | 25% |
| 10% or more | 50% | 15.5% or more | 50% | 100% |

1 Adjusted earnings per share growth over the three-year performance period.
2 Average ROTIC over the performance period.
3 There is straight line vesting in between threshold and maximum vesting.

| Share Incentive Plan | Date of grant | As at 1 April 2021 | Granted, >3 years or (withdrawn) in the year | Share price on award (p) | As at 31 March 2022 |
|---|---|---|---|---|---|
| Andrew Williams | >3 years | 4,763 | 239 | | **5,002** |
| | 01-Oct-19 | 183 | | 1961 | **183** |
| | 01-Oct-20 | 150 | | 2397 | **150** |
| | 01-Oct-21 | | 127 | 2820 | **127** |
| Marc Ronchetti | >3 years | 314 | 239 | | **553** |
| | 01-Oct-19 | 183 | | 1961 | **183** |
| | 01-Oct-20 | 150 | | 2397 | **150** |
| | 01-Oct-21 | | 127 | 2820 | **127** |
| Jennifer Ward | >3 years | 1,676 | 239 | | **1,915** |
| | 01-Oct-19 | 183 | | 1961 | **183** |
| | 01-Oct-20 | 150 | | 2397 | **150** |
| | 01-Oct-21 | | 127 | 2820 | **127** |

The SIP shares are held in trust and become the employee's, subject to the rules of the plan, after three years. There are tax benefits for retaining the shares in the trust for at least five years from award date. Adam Meyers did not participate in the SIP as he is not UK-based.

There have been no variations to the terms and conditions for share awards during the financial year.

### Consideration of conditions elsewhere in the Group

The Committee considers the remuneration and employment conditions elsewhere in the Group when determining remuneration for Executive Directors. In addition to the employee engagement detailed on page 115, we have established a mean gender pay gap figure for our UK and US companies and the CEO pay ratio is available to employees. The Committee ensures that it is fully briefed on pay practices across the Company generally and it usually reviews external market data annually. As a result of extended lockdowns, non-executive Director site visits have not happened extensively in this financial year. However, the UK pension change consultation process provided an opportunity to explain that the changes would ensure pension alignment of the Executive Directors with the UK wider workforce. For the next financial year, there are Committee and employee interactions planned for our forthcoming Group Chief Executive conference scheduled for October 2022.

### Consideration of shareholder views

When determining remuneration, the Committee takes into account the views of our shareholders and 'best practice' guidelines set by shareholder representative bodies.

Last year, the Committee actively engaged with shareholders as part of formulating the Policy and continued to do so this year to further understand shareholder views on the Policy and in relation to the salary increases for Executive Directors to be implemented with effect from 1 June 2022. Letters were sent to our major shareholders, and proxy agencies and meetings were held with the shareholders that chose to engage with us. A meeting was also held with Glass Lewis. As noted above, this Report incorporates some of the feedback received as a result of these discussions.

The Remuneration Committee also seeks ongoing advice from its external advisers on wider shareholder views, to ensure that it is kept up to date with any changes in market practice and shareholder sentiment.

**Jo Harlow**
Committee Chair

For and on behalf of the Board
16 June 2022

# Directors' Remuneration Policy

This section of the Report sets out our Policy in detail. The current Policy for Executive Directors came into effect from 22 July 2021, the date of the 2021 AGM and remains unchanged. The Committee intends that the Policy will operate for three years.

**Principles underpinning our Policy**
These principles are:

— A strong pay for performance culture, focusing on the long-term success of the organisation and the alignment to business strategy.
— A balance of focus on growth and returns ensuring the creation of shareholder value.
— A dedication to attracting, retaining and motivating the right quality of talent, acknowledging the Halma DNA.
— A focus on being a good corporate citizen in line with our culture, the 2018 Corporate Governance code and market best practice.

**Policy Review Focus Areas**
The areas which the Committee focused on in respect of the 2021 Policy review were:

| Shareholder alignment | Pension | Sustainability | Quantum reset |
|---|---|---|---|
| — Increase to shareholding guidelines aligned to the increase in incentive quantum.<br>— Introduction of a two-year post-cessation shareholding requirement and enhanced Malus and Clawback terms. | — Benefit improvement for UK employees.<br>— Alignment of Executive Director offering to the wider workforce. | — No immediate change in performance metrics.<br>— Flexibility incorporated into the Annual Bonus and ESP to introduce measures in the future. | — Ensuring robust succession planning.<br>— Addressing compression and retention issues. |

**How the Policy addresses the factors set out in provision 40 of the 2018 UK Corporate Governance Code**
The table below shows how the Policy addresses each of the factors set out in provision 40 of the 2018 UK Corporate Governance Code.

| | |
|---|---|
| **Clarity** | We ensure pay for performance and our policy is designed to be logical and transparent. We believe this is clearly communicated to and understood by our stakeholders and participants. |
| **Simplicity** | Remuneration for Executive Directors is comprised of distinct elements: fixed pay, annual bonus award and the long-term incentive award. |
| **Risk** | A number of features within the Remuneration Policy exist to manage different kinds of risks; these include:<br>— Malus and clawback provisions operating across all incentive plans.<br>— The introduction of a post-cessation shareholding requirement.<br>— Deferral of remuneration and holding periods.<br>— Remuneration Committee discretion to override formulaic outturns to ensure incentive pay-outs reflect underlying business performance and shareholder experience.<br>— Limits on awards specified within the policy and plan rules. |
| **Predictability** | Target ranges and potential maximum payments under each element of remuneration are disclosed.<br>The Committee regularly reviews the performance of the inflight awards, so it understands the likely outcomes. |
| **Proportionality** | The Committee believes that poor performance should not be rewarded. Therefore, a significant portion of remuneration is performance based and requires achievement against challenging performance targets. |
| **Alignment to Culture** | Our business is performance orientated and our remuneration structure is appropriately aligned to our culture, with performance measures for variable awards being aligned to the Company's wider strategy. |

### The Remuneration Policy table

The table below summarises the key components of the Policy:

| Fixed Pay: Salary | |
|---|---|
| **Purpose and link to strategy** | **A fair, fixed remuneration reflecting the size and scope of the executive's responsibilities which attracts and retains high calibre talent necessary for the delivery of the Group's strategy.** |
| **Operation** | Reviewed annually or following a material change in responsibilities. Salary is benchmarked to market median levels periodically against appropriate comparators of a similar size and operating in a similar sector and is linked to individual performance and contribution.<br>Salary is the only element of remuneration that is pensionable. |
| **Maximum Opportunity** | Base salary increases will be applied in line with the outcome of annual reviews (normally with effect from 1 June).<br>Salaries for the financial year under review (and the following year) are disclosed in the Annual Report on Remuneration.<br>Salary increases for Executive Directors will not normally exceed the average of the wider employee population other than in exceptional circumstances. Where increases are awarded in excess of the wider employee population, for example where there is a material change in the responsibility, size or complexity of the role, the Committee will provide the rationale in the relevant year's Annual Report on Remuneration. |
| **Performance metrics** | Not Applicable. |

| Fixed Pay: Benefits | |
|---|---|
| **Purpose and link to strategy** | **To provide benefits that are competitive within the relevant market.** |
| **Operation** | Benefits are appropriate to the location of the Director and typically comprise (but are not limited to) a company car, life insurance, permanent disability insurance, private medical insurance, relocation and tax advice for international assignments. |
| **Maximum Opportunity** | Benefits may vary by role, and the level is determined to be appropriate for the role and circumstances of each individual Director. The maximum value will equate to the reasonable market cost of such benefits.<br>The Committee retains the discretion to approve a higher cost of benefits in exceptional circumstances (eg relocation expenses or an expatriation allowance on recruitment, etc) or in circumstances where factors outside the Company's control have changed materially (eg market increases in insurance costs).<br>The rationale behind the exercise of such discretion will be provided in the relevant year's Annual Report on Remuneration. |
| **Performance metrics** | Not Applicable. |

| Fixed Pay: Pension | |
|---|---|
| **Purpose and link to strategy** | **To provide competitive post-retirement benefits, or the cash allowance equivalent, to provide the opportunity for executives to save for their retirement.** |
| **Operation** | Executive Directors participate in a Group Defined Contribution pension plan.<br>Cash supplements in lieu of Company pension contributions may be made to some individuals at a level dependent upon seniority and length of service. Cash supplements may be reduced to reflect the additional employer social costs thereon. To the extent the pension contributions exceed the local tax allowance, the contributions may be paid to the executive, subject to taxes and social charges.<br>Some executives are deferred members of the Group Defined Benefit pension plan, which closed to future accrual in December 2014. |
| **Maximum Opportunity** | Defined Contribution: maximum contribution of 20% of pensionable salary, reducing to 10.5% of salary by the end of 31 December 2022 in line with wider workforce.<br>Cash supplement: Halma contributes up to 26% of full salary if the Executive Director is a former active member of the Defined Benefit pension plan. This will be reduced to 10.5% of salary by the end of 31 December 2022 in line with the UK wider workforce. Defined Contribution/Money Purchase members whose contributions exceed the local tax allowance are paid the excess contributions, on pensionable salary, as a cash supplement, net of employer social costs.<br>Defined benefit: now closed to future accrual, but provides a maximum pension equivalent to two thirds of final pensionable salary, up to a CPI-indexed cap: £168,495 for 2021 and £169,337 for 2022. |
| **Performance metrics** | Not Applicable. |

## Annual Bonus

| | |
|---|---|
| **Purpose and link to strategy** | **To incentivise and focus management on the achievement of an objective annual target which is set to support the short to medium-term strategy of the Group.** |
| **Operation** | The structure of the Annual Bonus is reviewed at the start of the year to ensure that the performance measures and their weightings remain appropriately aligned with the Group's strategy and are sufficiently challenging.<br>Performance targets are calibrated and set at the start of the year, with reference to a range of relevant reference points including the annual budget agreed by the Board. At the end of the year, the Committee determines the extent to which these targets have been achieved.<br>Payment of one third of any bonus is in the form of an award of shares that is deferred for two years.<br>Dividend equivalents accrue over the vesting period. Dividend equivalents are paid in cash or shares at the end of the vesting period.<br>Deferral into shares provides a link to the long-term strategy of the Group and enhances the retentiveness of the policy.<br>A recovery and withholding provision enables the Company to recoup overpayments either through withholding future remuneration or requiring the executive to repay the requisite amount in the event of misstatement, error or misconduct; serious reputational damage to the business by the individual; and/or a breach of the company code of conduct. |
| **Maximum Opportunity** | Maximum opportunity: 200% of salary for Group CEO, 180% for other Executive Directors. Bonus payable at threshold: 0% of salary.<br>The Committee can exercise discretion to override the formulaic bonus outcome within the limits of the scheme where it believes the outcome is not truly reflective of performance and to ensure fairness to both shareholders and participants. |
| **Performance metrics** | The bonus is based on the achievement of financial performance targets, including Economic Value Added (EVA). Other financial measures may supplement EVA at the discretion of the Committee.<br>Such financial measures must comprise at least 80% of the overall bonus opportunity.<br>The balance of 20% may be utilised, at the Committee's discretion, to support non-financial, but measurable, strategic growth priorities. |

## Long Term incentive: Executive Share Plan (ESP)

| | |
|---|---|
| **Purpose and link to strategy** | **To incentivise executives to achieve superior returns to shareholders over a three-year period rewarding them for sustained performance against challenging long-term targets; to retain key individuals and align interests with shareholders, reflecting the sustainability of the business model over the long term and the creation of shareholder value.** |
| **Operation** | Executive Directors are granted annual awards over Halma plc shares or a cash equivalent where required by regulations as determined by the Committee; awards vest after a period of at least three years based on Group performance.<br>Dividend equivalents accrue over the vesting period. Dividend equivalents are paid in cash or shares at the end of the vesting period, and only on those shares which vest.<br>A recovery and withholding provision enables the Company to recoup overpayments either through withholding future remuneration or requiring the executive to repay the requisite amount in the event of misstatement, error or misconduct; serious reputational damage to the business by the individual; and/or a breach of the company code of conduct.<br>A mandatory two-year holding period applies for awards granted after the 2018 AGM. |
| **Maximum Opportunity** | Maximum opportunity: Up to 300% of salary for Group CEO, 250% of salary for Group CFO and 200% of salary for other Executive Directors.<br>The Committee can exercise discretion to override the formulaic ESP outcome within the limits of the scheme where it believes the outcome is not truly reflective of performance and to ensure fairness to both shareholders and participants and will ensure formulaic outturns do not result in windfall gains.<br>Threshold performance will result in the vesting of 25% of the maximum award. |
| **Performance metrics** | Vesting of performance share awards is subject to continued employment and the Company's performance over a three-year performance period.<br>Financial measures must comprise at least 80% of the overall ESP opportunity.<br>The balance of 20% may be utilised, at the Committee's discretion, to support non-financial, but measurable, strategic growth priorities. |

## Share Incentive Plan (SIP)

| | |
|---|---|
| **Purpose and link to strategy** | **To encourage share ownership across all UK-based employees using HMRC-approved schemes** |
| **Operation** | The SIP is an HMRC-approved arrangement. It entitles all eligible UK-based employees to receive Halma shares in a potentially tax advantageous manner. |
| **Maximum Opportunity** | Participation limits are in line with those set by HMRC from time to time. |
| **Performance metrics** | Not applicable. |

| Share Ownership Guideline | |
|---|---|
| **Purpose and link to strategy** | **Align Executive Directors' interests with those of long-term interests of shareholders.** |
| **Operation** | Executive Directors are expected to build a holding in the Company's shares to a minimum value broadly equivalent to their ESP award maximum opportunity: 300% for CEO, 250% for CFO and 200% for other Executive Directors.<br>In addition, Executive Directors required to hold shares after cessation of employment. The requirement is to hold shares to the value of the share ownership guidelines or actual shareholding (if lower) for a period of two years post cessation of employment.<br>Progress towards the share ownership guideline is monitored on an annual basis. |
| **Maximum Opportunity** | No maximum holding but requirement to build to minimum value. |
| **Performance metrics** | Not applicable. |

## Notes to the Policy Table

### Differences in remuneration for employees

The remuneration policy for the Executive Directors is more heavily weighted towards variable and share-based pay than for other employees, to make a greater part of their pay conditional on the successful delivery of business strategy. This aims to create a clear link between the value created for shareholders and the remuneration received by the Executive Directors. However, the pension arrangements for the current Executive Directors are currently in the process of being aligned on the same terms as those offered to eligible UK employees. All UK-based employees have the opportunity to participate in the Share Incentive Plan.

### Payments from Existing Awards

The Committee will honour any commitment entered into, and Executive Directors will be eligible to receive payment from any award made, prior to the approval and implementation of the Policy. Details of these awards are disclosed in the Annual Report on Remuneration.

### Selection of Performance Measures

The performance measures used in Halma's executive incentives have been selected to ensure incentives are challenging and reinforce the Group's strategy and align executive interests closely with those of our shareholders.

In the annual bonus, the use of EVA, in summary, profit less a charge for capital employed (definition is provided on page 140) reinforces the Group's business objective to double every five years through a mix of acquisitions and organic growth. Profit is a function of the extent to which the Company has achieved both its organic growth target and its success in identifying appropriate acquisition targets in current and past years. Ensuring that the cost of funding acquisitions is reflected in the bonus model means that executives share the benefit of an acquisition that outperforms expectations, but equally bear the cost of overpaying for an acquisition. Good or poor management of working capital is also reflected in the calculation of EVA.

In the ESP, EPS provides a disciplined focus on increasing profitability and thereby provides close shareholder alignment through incentivising shareholder value creation, and ROTIC reinforces the focus on capital efficiency and delivery of strong returns, thereby further strengthening the alignment of remuneration with the Group strategy. Performance targets are set to be stretching yet achievable, considering the Company's strategic priorities and the economic environment in which it operates. Targets are calibrated considering a range of reference points but are based primarily on the Group's strategic plan.

### Malus and Clawback

The Committee believes that it is appropriate for all variable pay awards to be subject to provisions that allow it to recover any value delivered (or which would otherwise be delivered) in connection with any variable award including annual incentive and ESP awards in exceptional circumstances, and where it believes that the value of those variable pay awards is no longer appropriate.

Malus provisions apply before payment and clawback provisions are in place following payment of the annual bonus (or vesting of any element of annual bonus deferred into an award over shares) or vesting of any ESP award.

The malus and clawback provisions can be used in certain scenarios. Such scenarios include but are not limited to:

— material misstatement of the Company's financial accounts;
— a material failure of risk management by the Company or any Group company;
— an error in calculation of any awards based on false or misleading information;
— gross misconduct by the relevant participant; and
— any action or omission on the part of a participant resulting in serious reputational damage to the Company, any member of the Group; a serious breach or non-observance of any code of conduct, policy or procedure operated by the Group.

### Illustrations of the application of the Policy

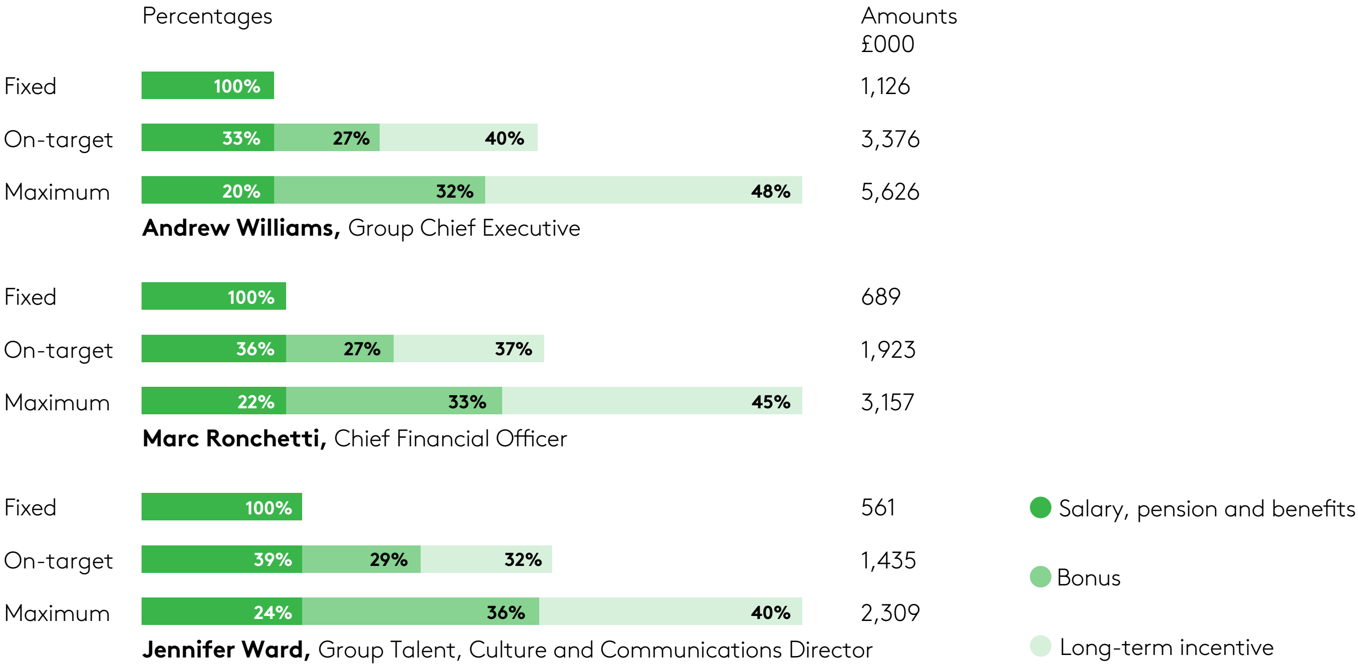
The following charts provide an estimate of the potential future rewards for Executive Directors, and the potential split between different elements of pay, under three different performance scenarios: "Fixed", "On-target" and "Maximum".

Potential reward opportunities are based on the Policy, applied to salaries as at 1 June 2022. The projected values exclude the impact of any share price movements and dividend equivalents.

The "Fixed" scenario shows base salary, pension and benefits only.

The "On-target" scenario shows fixed remuneration as above, plus a target level of 50% of the maximum under the annual bonus and vesting of 50% of a single year's award under the ESP.

The "Maximum" scenario reflects fixed remuneration, plus maximum level of annual bonus and ESP awards.






### Impact of share price

Long-term incentive awards in the ESP are granted in shares and as such the value can vary significantly depending on share price movement over the vesting and holding period. The table below shows how the maximum values above would change as a result of a 50% change in the share price over the vesting and holding period:

| Executive Director | 50% increase in share price £000 |
|---|---|
| Andrew Williams | 6,976 |
| Marc Ronchetti | 3,875 |
| Jennifer Ward | 2,769 |

## External appointments

In the case of appointing a new Executive Director, the Committee may make use of any of the existing elements of remuneration, as follows:

| Component | Approach |
|---|---|
| **Salary** | The base salaries of new appointees will be determined by reference to relevant market data, experience and skills of the individual, internal relativities and the current salary of any incumbent in the same role.<br>Where a new appointee has an initial base salary set below market, the Committee may make phased increases over a period of several years to achieve the desired position, subject to the individual's development and performance in the role. |
| **Benefits** | New appointees will be eligible to receive benefits in line with the current Policy, as well as expatriation allowances and any necessary expenses relating to an executive's relocation on appointment. |
| **Pension** | New appointees will be eligible to participate in the Company's defined contribution/money purchase arrangements, receive a cash supplement or local equivalent. |
| **Annual bonus** | The scheme as described in the Policy Table will apply to new appointees with the relevant maximum being pro-rated to reflect the proportion of the year employed. |
| **ESP** | New appointees will be granted performance awards under the ESP on the same terms as other executives, as described in the Policy Table. |
| **SIP** | New appointees in the UK will be eligible to participate on identical terms to other employees. |

In addition to the elements of remuneration set out in the Policy Table, in exceptional circumstances the Committee may consider it appropriate to grant an incentive award under a different structure in order to facilitate the recruitment of an individual or to replace incentive arrangements forfeited on leaving a previous employer. In making such awards, the Committee will look to replicate the arrangements being forfeited as closely as possible and in doing so consider relevant factors including any performance conditions attached to these awards, the payment mechanism, expected value and the remaining vesting period of these awards.

### Internal Appointments

Remuneration for new Executive Directors appointed by way of internal promotion will similarly be determined in line with the policy for external appointees, as detailed above. Where an individual has contractual commitments made prior to their promotion to the Board, the Company will continue to honour those commitments. Incentive opportunities for employees below Board level are generally no higher than for Executive Directors, and incentive measures vary to ensure they are appropriate.

### Executive Director service contracts and exit payment policies

It is the Company's policy that Executive Directors should have contracts with an indefinite term providing for a maximum of one year's notice. The details of the Directors' contracts are summarised in the table below. Contracts will be available for inspection at the AGM and throughout the year at the Company's registered office.

| Executive Director | Date of service contract | Notice period |
|---|---|---|
| Andrew Williams | April 2003 | One year |
| Marc Ronchetti | July 2018 | One year |
| Jennifer Ward | January 2014 | One year |

The Company's policy is to limit payments on cessation to pre-established contractual arrangements. In the event that the employment of an Executive Director is terminated, any amount payable will be determined in accordance with the terms of the service contract between the Company and the employee, as well as the rules of any incentive plans. No predetermined amount is provided for in the Directors' contracts. The UK Executive Director contracts enable the Company to pay up to one year's salary in lieu of notice, with no contractual entitlement to any other benefits, and, under the rules, the Remuneration Committee may determine the individual's leaving status for share plan vesting purposes.

If the financial year end has passed, any bonus earned is payable to the individual.

When considering termination payments under incentive schemes, the Committee reviews all potential incentive outcomes to ensure they are fair to both shareholders and participants. The table below summarises how the awards under the annual bonus and share plans are treated in specific circumstances under the rules of the relevant plan and the extent to which the Committee has discretion:

| | Reason for leaving | Timing of payment/vesting | Calculation of payment/vesting |
|---|---|---|---|
| **Annual bonus** | Death, injury or disability, redundancy, retirement, or any other reasons the Committee may determine | After the end of the financial year, although the Committee has discretion to accelerate (eg in relation to death) | Performance against targets will be assessed at the end of the year in the normal way and any resulting bonus normally will be pro-rated for time served during the year |
| | All other reasons | No bonus is payable | – |
| **Deferred bonus** | Death, injury or disability, redundancy, retirement, or any other reasons the Committee may determine | On the second anniversary of the Award | Awards vest in full |
| | All other reasons | On the second anniversary of the award (unless the Remuneration Committee determines otherwise) | Awards vest in full |
| **Share Plans** | Injury or disability, redundancy, or any other reason the Committee may, at its discretion, determine | On the third anniversary of the award | Awards will normally be pro-rated for time to the date of cessation of employment and performance metrics assessed as at the third anniversary |
| | Death | Immediately (unless otherwise determined by the Committee at its discretion) | Any outstanding awards normally will be pro-rated for time and performance up to the point of death |
| | All other reasons | Awards lapse | – |

### External directorships

The Committee acknowledges that Executive Directors may be invited to become independent non-executive Directors of other listed companies which have no business relationship with the Company and that these roles can broaden their experience and knowledge to Halma's benefit.

Executive Directors are permitted to accept one such appointment with the prior approval of the Chair. Approval will only be given where the appointment does not present a conflict of interest with the Group's activities and the wider exposure gained will be beneficial to the development of the individual. Where fees are payable in respect of such appointments, these are retained by the Executive Director.

## Chair and non-executive Directors' remuneration policy

**Chair and non-executive Director fees**

| | |
|---|---|
| **Purpose and link to strategy** | To attract and retain individuals with the requisite skills, experience and knowledge to contribute to the Board |
| **Operation** | Non-executive Director fees are determined by the Board and may comprise a base fee, committee chair fee and Senior Independent Director fee. The Chair's fee is determined by the Committee.<br>Travel and other expenses incurred in the performance of non-executive duties for the Company may be reimbursed or paid for directly by the Company, as appropriate, including any tax due on the benefits. |
| **Maximum Opportunity** | Fees are normally reviewed annually. Increases are typically effective from 1 January.<br>The fee paid to the Chair is determined by the Committee and fees to non-executive Directors are determined by the Board.<br>The fees are calculated by reference to market levels and take account of the time commitment and the responsibilities of the non-executive Directors.<br>These fees are the sole element of non-executive remuneration and they are not eligible for participation in Group incentive awards, nor do they receive any retirement benefits. |
| **Performance metrics** | Not applicable. |

## Non-executive Directors' letters of appointment

Unless otherwise indicated, all non-executive Directors have a specific three-year term of engagement, subject to annual re-election at the AGM, which may be renewed for up to two further three-year terms if both the Director and the Board agree. The remuneration of the Chair and the non-executive Directors is determined by the Committee and the Board respectively, in accordance with the remuneration policy approved by shareholders.

The contract in respect of the Chair's services provides for termination, by either party, by giving not less than six months' notice.

The non-executive Directors have contracts in respect of their services, which can be terminated without compensation, by either party, by giving not less than three months' notice. Contracts are available for inspection at the AGM and throughout the year at the Company's registered office. Summary details of terms and notice periods for non-executive Directors are included below.

| Non-executive Director | Date of appointment | End of next term | Notice period |
|---|---|---|---|
| Dame Louise Makin | February 2021 | No fixed term | 6 months |
| Roy Twite | July 2014 | July 2023 | 3 months |
| Tony Rice | August 2014 | August 2023 | 3 months |
| Carole Cran | January 2016 | January 2025 | 3 months |
| Jo Harlow | October 2016 | October 2022 | 3 months |
| Dharmash Mistry | April 2021 | April 2024 | 3 months |
| Sharmila Nebhrajani OBE | December 2021 | December 2024 | 3 months |

## Non-executive Director recruitment

In recruiting a new Chair or non-executive Director, the Committee will use the policy as set out above.

The Directors present their report on the affairs of the Company, together with the audited financial statements and Independent Auditors' Report, for the year ended 31 March 2022.

### Activities

The Company's principal activity is to act as a holding company. The Company is incorporated and domiciled in England and Wales. A list of its subsidiary companies is set out on pages 237 to 242. Subsidiaries of the Company have established branches in a number of different countries in which they operate. The information set out below, which forms part of this Directors' Report and is incorporated by reference, can be located in the Strategic Report on pages 4 to 105:

- Future developments in the Group's business.
- Activities of the Group in the field of research and development.
- Environmental matters, including greenhouse gas emissions (included in the Sustainability Report on page 80).

### Dividends

The Directors recommend a final dividend of 11.53p per share and, if approved, the dividend will be paid on 18 August 2022 to ordinary shareholders on the register at the close of business on 15 July 2022. Together with the interim dividend of 7.35p per share already paid, this will make a total dividend of 18.88p (2021: 17.65p) per share for the financial year.

### Political donations

In-line with our Group Anti-Bribery and Corruption Policy, the Group did not make any political donations or incur any political expenditure during the year.

### Directors and Directors' interests

The directors of the Company as at the date of this Report, together with their biographical details, are shown on pages 108 and 109. Following our 2021 Annual General Meeting, held on 22 July 2021, Paul Walker, who joined the Board in April 2013 and served as Chair from July 2013, Daniela Barone Soares, who joined the Board as a non-executive Director in November 2011, and Adam Meyers, who joined the Board as an Executive Director in April 2008, each retired from the Board. The Remuneration Report on pages 133 to 148 provides details of the interests of each Director in the shares of the Company.

### Liability insurance and indemnities

The Company has agreed to indemnify, to the extent permitted by law, each of the Company's Directors against any liability incurred in respect of acts or omissions arising in the course of their office. Each Director is covered by appropriate directors' and officers' liability insurance, at the Company's expense.

### Financial risk management objectives and policies

Disclosures relating to financial risk management objectives and policies are set out in note 27 to the financial statements and along with exposures relating to price risk, credit risk, liquidity risk and cash flow risk.

### Share capital and capital structure

Details of the share capital, together with details of the movements in the share capital during the year, are shown in note 23 to the accounts. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no other classes of share capital. There are no specific restrictions on the size of a holding nor on the transfer of shares, with both governed by the general provisions of the Company's Articles of Association and prevailing legislation. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

### Rights and obligations of ordinary shares

Holders of ordinary shares are entitled to attend and speak at general meetings of the Company and to appoint one or more proxies or, if the holder of shares is a corporation, one or more corporate representatives. On a show of hands, each holder of ordinary shares who (being an individual) is present in person or (being a corporation) is present by a duly appointed corporate representative, not themselves being a member, shall have one vote, as shall proxies (unless they are appointed by more than one holder, in which case they may vote both for and against the resolution in accordance with the holders' instructions). On a poll, every holder of ordinary shares present in person or by proxy shall have one vote for every share of which they are the holder.

Electronic and paper proxy appointments and voting instructions must be received not later than 48 hours before the meeting.

A holder of ordinary shares can lose the entitlement to vote at general meetings where that holder has been served with a disclosure notice and has failed to provide the Company with information concerning interests held in those shares. Except as set out above and as permitted under applicable statutes, there are no limitations on voting rights of holders of a given percentage, number of votes or deadlines for exercising voting rights.

The Company has established an Employee Benefit Trust and the trustee has waived its right to vote and its right to all dividends.

### Restrictions on transfer of shares

The Directors may refuse to register a transfer of a certificated share that is not fully paid, provided that the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis or, where the Company has a lien over that share. The Directors may also refuse to register a transfer of a certificated share unless the instrument of transfer is: (i) lodged, duly stamped (if necessary), at the registered office of the Company or any other place as the Board may decide accompanied by the certificate for the share(s) to be transferred and/or such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer; (ii) in respect of only one class of shares; (iii) in favour of a person who is not a minor, infant, bankrupt or a person of unsound mind; or (iv) in favour of not more than four persons jointly.

Transfers of uncertificated shares must be carried out using CREST and the Directors can refuse to register a transfer of an uncertificated share in accordance with the regulations governing the operation of CREST.

There are no other restrictions on the transfer of ordinary shares in the Company except certain restrictions which may from time to time be imposed by laws and regulations (for example insider trading laws); or where a shareholder with at least a 0.25% interest in the Company's certificated shares has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

### Employees

An overview of the Board's engagement with employees along with the mechanisms for sharing information are included on page 70 of the Strategic Report and page 116 of the Governance Report. Aligning the interests of employees in the Company's performance is achieved through a variety of share and bonus schemes.

The Company gives full and fair consideration to applications of employment from disabled people. Training, career development and promotion opportunities are equally applied for all our employees, regardless of disability. In the event of an existing employee becoming disabled, every effort will be made to ensure that their employment with the Group continues and that appropriate support is provided.

### Stakeholder engagement

A description of how the Directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of Director engagement with our stakeholders, is set out on pages 66 to 69. Examples of how the Directors had regard to stakeholder interests when making principal decisions during the year are set out on page 117.

### Appointment and removal of directors

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the UK Corporate Governance Code, the Companies Act and related legislation. Directors can be appointed by the Company by ordinary resolution at a general meeting or by the Board. If a Director is appointed by the Board, such a Director will hold office until the next Annual General Meeting (AGM) and shall then be eligible for election at that meeting. In accordance with the Articles of Association and UK Corporate Governance Code, each of the Directors, being eligible, will offer themselves for election or re-election at this year's AGM. The Company can remove a Director from office, including by passing a special resolution or by notice being given by all the other Directors. The Articles themselves may be amended by special resolution of the shareholders.

### Powers of Directors

The powers of Directors are set out in the Articles of Association and a description of the matters reserved for decision by the Board is summarised in the Corporate Governance Report on page 113.

### Contracts of significance and change of control

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company, principally bank loan agreements, private placement debt and employee share plans.

There are two significant agreements, in terms of the likely impact on the business of the Group as a whole, containing such provisions:

- The £550m syndicated Revolving Credit Facility which, if after 30 days of a change of control notice to the loan agent, can result in 30 days' notice being given to the Company by any Lender, for all amounts outstanding to that Lender, to be immediately due and payable, at which time the commitment of that Lender will be cancelled. If all of the Lenders give this notice the whole facility would be cancelled.
- The US$430m US Private Placement Note Purchase Agreement under which, in the event of a change of control, the Company is required to make an offer to the holders of the US Private Placement notes to prepay the principal amount of the notes together with interest accrued.

The Group has contractual arrangements with a wide range of suppliers. The Group is not unduly dependent upon contractual arrangements with any particular customer. While the loss or disruption to certain of these arrangements could temporarily affect the Group's business, none are considered to be essential.

The Company's share plans contain provisions as a result of which awards may vest and become exercisable on a change of control of the Company in accordance with the rules of the plans.

There are no agreements between the Company, its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

### Allotment authority

Under the Companies Act 2006 the Directors may only allot shares if authorised by shareholders to do so. At the AGM an ordinary resolution will be proposed which, if passed, will authorise the Directors to allot and issue shares up to an aggregate nominal value of £12,500,000 (up to 125,000,000 ordinary shares of 10p each), being just less than one third of the issued share capital of the Company (excluding treasury shares) as at 16 June 2022 (the latest practicable date prior to the publication of the Notice of Meeting).

In accordance with the Directors' stated intention to seek annual renewal, the authority will expire at the earlier of the conclusion of the AGM of the Company in 2023 and 30 September 2023.

Passing this resolution will give the Directors flexibility to act in the best interests of shareholders, when opportunities arise, by issuing new shares. As at 16 June 2022, the Company had 379,645,332 ordinary shares of 10p each in issue.

The Companies Act 2006 also requires that, if the Company issues new shares for cash or sells any treasury shares, it must first offer them to existing shareholders in proportion to their current holdings. At the AGM a special resolution will be proposed which, if passed, will authorise the Directors to issue a limited number of shares for cash and/or sell treasury shares without offering them to shareholders first.

The authority is for an aggregate nominal amount of up to 10% of the aggregate nominal value of the issued share capital of the Company as at 16 June 2022 of £3,780,000. The resolution will also modify statutory pre-emption rights to deal with legal, regulatory or practical problems that may arise on a rights issue or other pre-emptive offer or issue. The authority will expire at the same time as the resolution conferring authority on the Directors to allot shares. The Directors consider this authority necessary in order to give them flexibility to deal with opportunities as they arise, subject to the restrictions contained in the resolution. There are no present plans to issue shares.



### Substantial shareholdings

As at 31 March 2022, the Company had been notified, in accordance with DTR 5 of the Disclosure Guidance and Transparency Rules, of the following interests in voting rights in its shares.

| | 31 March 2022 | | |
|---|---|---|---|
| | No. of ordinary shares | Percentage of voting rights and issued share capital | Nature of holdings |
| The Capital Group Companies, Inc. | **37,851,729** | **9.97** | **Indirect** |
| BlackRock, Inc. | **23,932,882** | **6.30** | **Indirect** |

During the period between 31 March 2022 and 16 June 2022 (the latest practicable date prior to the publication), no changes to substantial shareholdings were disclosed to the Company.

### Purchase of the Company's own shares
The Company was authorised at the 2021 AGM to purchase up to 37,900,000 of its own 10p ordinary shares in the market. This authority expires at the earlier of the conclusion of the AGM of the Company in 2022 and 22 October 2022. The Company did not purchase any of its own shares under this authority during the year. In accordance with the Directors' stated intention to seek annual renewal a special resolution will be proposed at the AGM to renew this authority until the earlier of the end of the Company's 2023 AGM and 30 September 2023, in respect of up to 37,900,000 ordinary shares, which is approximately 10% of the Company's issued share capital as at 16 June 2022.

### Annual General Meeting
The Company's AGM will be held on 21 July 2022.

The Notice of Meeting, together with an explanation of the proposed resolutions, is enclosed with this Annual Report and Accounts and is also available on the Company's website at www.halma.com.

### Independent auditors
Each of the persons who is a Director at the date of approval of this Annual Report and Accounts confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware.
- The Director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

PricewaterhouseCoopers LLP (PwC) has expressed its willingness to continue in office as Independent Auditor and a resolution to appoint PwC will be proposed at the forthcoming AGM.

### Going concern statement
The Group's business activities, together with the main trends and factors likely to affect its future development, performance and position, and the financial position of the Group as at 31 March 2022, its cash flows, liquidity position and borrowing facilities are set out in the Strategic Report. In addition, note 27 contains further information concerning the security, currency, interest rates and maturity of the Group's borrowings.

The financial statements have been prepared on a going concern basis. In adopting the going concern basis the Directors have considered all of the above factors, including potential scenarios and its principal risks set out on page 98 to 101. Under the potential scenarios considered, which includes a severe but plausible downside scenario, the Group remains within its debt facilities and the attached financial covenants for the foreseeable future and the Directors therefore believe, at the time of approving the financial statements, that the Company is well placed to manage its business risks successfully and remains a going concern. The key facts and assumptions in reaching this determination are summarised below.

Our financial position remains robust with committed facilities at the balance sheet date totalling approximately £670m which includes a £550m Revolving Credit Facility (RCF). In May 2022 the RCF was refinanced and now matures in May 2027 with two one-year extension options. During May 2022, the Group also entered into a Note Purchase Agreement which provides access to loan notes totalling £330m, to be drawn in various currencies in July 2022 subject to certain conditions. The Group is confident that these conditions will be satisfied and thus the £330m loan notes form part of the available facilities in the Group's Going Concern and Viability assessments. The financial covenants across the facilities are for leverage (net debt/adjusted EBITDA) of not more than three and a half times and for adjusted interest cover of not less than four times.

Our base case scenario has been prepared using forecasts from each of our companies as well as cash outflows on acquisitions in line with pre COVID-19 levels. In addition, a severe but plausible downside scenario has been modelled showing a decline in trading for the year ending 31 March 2023 to below levels seen for the year ended 31 March 2022. This reduction in trading could be caused by further significant, unexpected COVID-19 impacts or another significant downside event. In mitigating the impacts of the downside scenario there are actions that can be taken which are entirely discretionary to the business such as acquisitions spend and dividend growth rates. In addition, the Group has demonstrated strong resilience and flexibility during the COVID pandemic in managing overheads which could be used to further mitigate the impacts of the downside scenario. The scenarios modelled cover a period of greater than 12 months from the date of the financial statements.

Neither the base case nor severe but plausible downside scenarios result in a breach of the Group's available debt facilities or the attached covenants and, accordingly, the Directors believe there is no material uncertainty in the use of the going concern assumption and, therefore, deem it appropriate to continue to adopt the going concern basis of accounting for at least the next 12-month period.

### Post-balance sheet events
Events subsequent to the year-end are reported in note 32 to the Accounts on page 230.

### Disclosure required under the Listing Rules and the Disclosure Guidance and Transparency Rules
For the purposes of compliance with DTR 4.1.5 R(2), the required content of the management report can be found in this Directors' Report and the Strategic Report, including the sections of the Annual Report and Accounts incorporated by reference.

Relevant disclosures required by LR 9.8.4 R can be located as follows:

| | Page |
|---|---|
| Details of long-term incentives | 133 |
| Contracts of significance | 157 |
| Shareholder waiver of dividends | 156 |
| Shareholder waiver of future dividends | 156 |

### Corporate Governance Statement
The Company's statement on corporate governance can be found in the Corporate Governance Report on page 107. The Corporate Governance Report forms part of this Directors' Report and is incorporated into it by cross-reference.

**Mark Jenkins**
Company Secretary

By order of the Board
16 June 2022

# Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and company and of the profit or loss of the Group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and company will continue in business.

The directors are responsible for safeguarding the assets of the Group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Directors' confirmations

The directors consider that the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and company's position and performance, business model and strategy.

Each of the directors, whose names and functions are listed on pages 108 and 109 confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the company; and
- the Strategic Report and the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and company, together with a description of the principal risks and uncertainties that it faces.

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the Group's and company's auditors are unaware;
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group's and company's auditors are aware of that information; and
- the financial statements on pages 168 to 247 were approved by the Board of Directors on 16 June 2022 and signed on its behalf by Andrew Williams and Marc Ronchetti.

On behalf of the Board

**Andrew Williams**
Group Chief Executive

**Marc Ronchetti**
Chief Financial Officer

16 June 2022

## Report on the audit of the financial statements

### Opinion

In our opinion:

— Halma plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2022 and of the group's profit and the group's cash flows for the year then ended;
— the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
— the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
— the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the consolidated and company balance sheets as at 31 March 2022; the consolidated income statement and consolidated statement of comprehensive income and expenditure, the consolidated cash flow statement, and the consolidated and company statements of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

Our opinion is consistent with our reporting to the Audit Committee.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 6 to the financial statements, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

## Our audit approach

### Overview

***Audit scope***

— There were no individually significant components within the Group;
— We performed audit procedures over 54 of the 264 reporting components in the Group; and
— This provided coverage of 69% revenue, 70% profit before tax, and 85% net assets.

***Key audit matters***

— Acquisition accounting – valuation of acquired intangibles (group)
— Assessment of impairment of goodwill and other intangible assets (group)
— Impairment of investments and recoverability of intercompany receivables (parent)

***Materiality***

— Overall group materiality: £15,800,000 (FY21: £13,900,000) based on 5% of profit before tax before adjustments.
— Overall company materiality: £13,400,000 (FY21: £11,160,000) based on 1% of total assets.
— Performance materiality: £11,850,000 (FY21: £10,425,000) (group) and £10,050,000 (FY21: £8,370,000) (company).

## The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

## Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

"Acquisition accounting – valuation of acquired intangibles" and "Impairment of investments and recoverability of intercompany receivables" for the parent company are new key audit matters this year. "Valuation of uncertain tax positions", "Valuation of one specific contingent consideration balance" and "The impact of COVID-19", which were key audit matters last year, are no longer included because of either in the context of this year's materiality or changes in the assessment of underlying risk, the risk of material misstatement is considered to be low. In relation to the impact of COVID-19, the Group's performance remains strong, providing evidence of the Group's resilience, and as such, this risk has also been downgraded in the current year. Otherwise, the key audit matters below are consistent with last year.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Acquisition accounting – valuation of acquired intangibles (group)**<br>During the year ended 31 March 2022, the Group completed thirteen business acquisitions with a combined total consideration of £168.4m, net of cash acquired. Acquired intangibles recognised in these transactions totalled £67.8m, with goodwill totalling £80.2m also being recognised. There is a risk of material misstatement to the financial statements from the application of IFRS 3 'Business combinations', and the related valuation of the assets acquired, the liabilities assumed, and the consideration paid, including contingent consideration.<br><br>The risk of material misstatement is inherently higher for the acquired intangible assets as a result of the methodology and assumptions used in the valuation. Management engaged third party valuation experts to assist them in the valuation of acquired intangible assets for the seven largest acquisitions during the year. The total estimated consideration including contingent consideration for the remaining six acquisitions was £14.6m in aggregate and therefore does not present a material valuation risk. The key estimates and assumptions assessed were:<br><br>— The completeness of the identified intangible assets which have been recognised in the business combinations;<br>— The methodology and assumptions used in the valuation; and<br>— Management's estimate of the future forecast cash flows at the respective acquisition date.<br><br>Refer to Accounting Policies note and note 25 for management disclosures of the relevant judgements and estimates. | We focused our audit procedures on the seven largest acquisitions which in aggregate led to the recognition of acquired intangible assets totalling £62.1m and goodwill of £76.1m.<br><br>We obtained and read key documentation and agreements relating to these acquisitions. We also obtained the acquisition models, internal management due diligence reports and the final purchase price allocations performed by management's experts.<br><br>We agree with the identification of the trade names, customer relationships and technology as separately identified intangible assets recognised in each of these acquisitions.<br><br>We performed detailed testing of the opening balance sheet and the related fair value adjustments for each acquisition based on individually assigned materiality levels, which ranged from £0.75m to £3.0m.<br><br>We used our internal valuation experts to evaluate the methodology used by management's experts and confirmed that appropriate income approach techniques had been utilised in valuing the identified intangible assets.<br><br>Our internal valuations experts also evaluated the assumptions used by management's experts, including assessing discount rates, royalty rates and attrition rates. We challenged the key assumptions used in these areas and performed sensitivity or follow up analysis where rates differed from those we might typically use.<br><br>We examined the detailed acquisition cash flow forecasts and confirmed that they reflect the nature of the businesses acquired and management's planned actions as at the acquisition date, and that these actions align with those which could foreseeably be achieved by another market participant.<br><br>We reviewed the disclosures in the Annual Report, including in note 25, and checked that these are consistent with our audit work performed and the disclosure requirements of IFRS 3.<br><br>Based on the work performed, as summarised above, we concluded the Group's acquisition accounting is materially appropriate and the recognised intangible assets have been appropriately valued. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Assessment of impairment of goodwill and other intangible assets (group)**<br>The Group holds significant goodwill and other intangible assets balances of £908.7m (2021: £808.5m) and £325.2m (2021: £290.0m) respectively as at 31 March 2022. The valuation of these assets is judgemental and there is a risk they may be impaired.<br><br>Under IAS 36 'Impairment of Assets', goodwill must be tested for impairment at least annually. Management has performed an annual impairment review for each of the 11 CGU groups, which is the lowest level at which goodwill is monitored by the Group. The impairment reviews performed by management contain a number of judgements and estimates such as the forecast cash flows, growth rates and discount rates. They also include climate change related adjustments, such as additional capital expenditure and specific reductions in the growth rates.<br><br>A change in these assumptions could result in a material change in the valuation of these assets, and as a result there is a risk that goodwill and other intangible assets balances are no longer deemed to be recoverable and hence should be impaired. As per management's impairment model, there is substantial headroom in all CGU Groups.<br><br>The CGU Group with the lowest headroom is the Healthcare Assessment CGU group, where the assumptions used are more sensitive. We believe there is a higher risk of an impairment in this CGU group and hence we performed additional procedures to address this risk. For other CGU Groups the impairment of goodwill has been assessed as a normal audit risk.<br><br>Management also assessed whether there are any indications that other intangible assets may be impaired. Where such indications are identified, management estimates the recoverable amount of these assets and compares them to the carrying amounts. No material impairment losses have been recognised as a result of this assessment and we have not identified any significant judgements or sensitive assumptions in management's workings which would make the risk of misstatement anything other than a normal risk.<br><br>Refer to Accounting Policies note and note 11 for management's disclosures of the relevant judgements and estimates involved in assessing these assets for impairment. | We assessed the methodology and approach applied by management in performing their impairment reviews, including the identification of CGU groups and the allocation of CGUs into the relevant groups, and ensured this is consistent with the requirements of IAS 36 'Impairment of Assets'.<br><br>We obtained management's annual impairment assessment for all 11 CGU groups and ensured the calculations were mathematically accurate and the methodology used was in line with the requirements of IAS 36 'Impairment of Assets'.<br><br>We tested the underlying data on which the impairment assessment is based. We evaluated the year one cash flows and assessed the short and long-term growth rates applied to them to determine value in use. In doing so, we compared the cash flow forecasts to the latest Board approved budgets and compared prior years budgets to actual results, in order to assess the accuracy of the forecasting process.<br><br>We tested management's climate change assumptions through comparison to the strategic report and the TCFD analysis and performing additional climate change specific sensitivities. We also compared historical levels of capital expenditure across the group to those included in the current year model to assess the appropriateness of assumed climate change related expenditure.<br><br>We tested the growth rate assumptions by comparing them to management's strategic plans and previous sector growth rates.<br><br>We recalculated management's own sensitivity analysis of key assumptions and applied our own independent sensitivities by replacing key assumptions with alternative scenarios to ascertain the extent of change in those assumptions that, either individually or collectively, would be required for the assets to be impaired.<br><br>For the Healthcare Assessment CGU group, we also used our valuation experts to calculate an independent WACC rate and long-term growth rate; and performed additional sensitivity analysis in addition to those done on other CGU Groups.<br><br>We also tested management's other intangible assets impairment assessment. We evaluated management's approach and ensured that the underlying cash flows are appropriate and consistent with the main goodwill model.<br><br>We reviewed the adequacy of disclosures made in the financial statements and assessed compliance with IAS 36.<br><br>Based on our work summarised above, we concluded that the goodwill and other intangible assets balances are appropriately stated at 31 March 2022 and that appropriate disclosures have been made in the financial statements. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Impairment of investments and recoverability of intercompany receivables (parent)**<br>At 31 March 2022, the Company holds investments totalling £453.5m and intercompany receivables of £801m. The investments amount consists of the direct ownership of all UK subsidiaries in addition to investments in intermediary holding companies which then hold direct investments in the Group's foreign subsidiaries.<br><br>There is a risk that the recoverable amount of investments held at 31 March 2022 falls below their current carrying value. There is also a risk that the intercompany receivables balance is not recoverable.<br><br>Refer to Accounting Policies note and notes C5 and C6 for management's disclosures of the relevant judgements and estimates. | We obtained management's schedule of investment balances recognised at 31 March 2022 and reconciled this to the prior year financial statements.<br><br>We tested all current year acquisitions and disposals back to the supporting documentation and the agreements relating to these acquisitions and reconciled the closing positions from management's detailed schedules to the financial statements at 31 March 2022.<br><br>We obtained management's impairment trigger assessment at 31 March 2022. Management initially compared the carrying value of each investment balance to the net asset position of the relevant company. We agreed the net asset values used in this assessment to the underlying Group consolidation schedules.<br><br>Where the net asset value described above was insufficient to support the carrying value of the investment, or where other impairment triggers have been identified, management performed an impairment assessment using the net present value of future cash flows. We independently assessed the recoverability of these balances using the cash flows and other key assumptions in the main goodwill impairment model.<br><br>We assessed the recoverability of the intercompany receivables balances by comparing the net assets or future cash flows of the companies to the total of investments and intercompany receivables to ensure that the total balance was recoverable.<br><br>We also compared the total market capitalisation of the Group to the carrying value of investments which did not identify any impairment triggers.<br><br>Based on the work done, as summarised above, we did not identify any material impairments in relation to investment balances and intercompany receivables held by the Company at 31 March 2022. |

### How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The Group is split into three sectors being Safety, Environmental & Analysis and Medical. Each sector consists of a number of businesses spread globally across more than 20 countries. The businesses are further disaggregated into more than 250 reporting components within the consolidation.

We did not identify any individually significant components within the Group, with no single component providing more than 15% of the Group's external revenue or profit before taxation before adjustments. We determined the most efficient approach to scoping was to perform full scope procedures over 31 reporting components where statutory audits are already required in the UK, Denmark, Germany, Belgium, Australia, Switzerland, Singapore, China and Italy. Full scope procedures were also performed in relation to the component holding all consolidation adjustments. In addition, specified audit procedures were performed over all material balances for a further 13 components in the United States. Additional audit procedures were performed on specific financial statement line items for a further 10 components in China, the UK and the Czech Republic. This approach ensured that appropriate audit coverage has been obtained across all financial statement line items.

Where work was performed by component auditors, we determined the appropriate level of involvement we needed to have in that audit work to ensure we could conclude that sufficient appropriate audit evidence had been obtained for the Group financial statements as a whole. We issued written instructions to all component auditors and had regular communications with them throughout the audit cycle. We have held remote meetings with members of each component team during the planning phase of our work and reviewed all significant matters reported. In addition, a senior member of the Group engagement team visited the US during the execution phase of the audit to provide additional oversight to the US component teams. Working paper reviews have also been performed for all components which are individually material to the Group; that is exceeding 5% of the Group's profit before taxation or 3% of the Group's revenue.

Based on the detailed audit work performed across the Group, we have gained coverage of 69% of total revenue, 70% of profit before tax, and 85% of net assets.

The group is focussed on its impact on the environment and assessing ways to reduce climate related impacts as they continue to work towards their Net Zero pathway by 2040 for scope 1 and 2 emissions, and 2050 for scope 3 emissions. As explained in the Sustainability section of the Annual Report, the Group has developed a sustainability framework to determine targets which are appropriate for the decentralised model of the group consisting of a large number of small to medium sized businesses. In planning and executing our audit we considered the Group's risk assessment process that management performed in a top down manner against the sustainability framework to understand the potential impact across the group. This, together with discussions with our own climate change experts, provided us with an understanding of the potential impact of climate change on the financial statements. We assessed that the key financial statement line items and estimates which are more likely to be materially impacted by climate risks are those associated with future cash flows, given the more notable impacts of climate change on the business are expected to arise in the medium to long term. These mainly relate to the impairment assessments of goodwill and acquired intangible assets, as well as the impairment of investments and recoverability of intercompany receivables in the parent company. The relevant key audit matters further explain how we evaluated the impact of climate change on these estimates.

Whilst the Group has set a net zero carbon emissions target, they are continuing to work on their pathway towards this objective. The Group has started to quantify some of the impacts that may arise on this pathway but given the medium to long term time horizon, some of these financial impacts are clearly uncertain. Accordingly, we discussed with management and the Audit Committee that the estimated financial impacts of climate change will need to be frequently reassessed and our expectation is that climate change disclosures will continue to evolve as greater understanding of the actual and potential impacts on the Group's future operations are obtained.

## Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | Financial statements – group | Financial statements – company |
|---|---|---|
| **Overall materiality** | £15,800,000 (FY21: £13,900,000). | £13,400,000 (FY21: £11,160,000). |
| **How we determined it** | 5% of profit before tax before adjustments | 1% of total assets |
| **Rationale for benchmark applied** | Based on the benchmarks used in the Annual Report, profit before tax before adjustments is considered as the primary measure used by the shareholders in assessing the underlying performance of the Group. This benchmark excludes the impact of adjustments in respect of amortisation and impairment of acquired intangible assets, acquisition items, significant restructuring costs and profit or loss on disposal of operations. | We believe that a total asset benchmark is appropriate given that the Company does not generate revenues of its own. |

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £0.1m to £13.4m. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (FY21: 75%) of overall materiality, amounting to £11,850,000 (FY21: £10,425,000) for the group financial statements and £10,050,000 (FY21: £8,370,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £790,000 (group audit) (FY21: £695,000) and £790,000 (company audit) (FY21: £695,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

## Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

— Testing the appropriateness of the underlying cash flow forecasts and performing a retrospective review of actual performance to the prior year model;
— Reviewing the debt agreements to confirm the terms and conditions, including covenants. The covenants were consistent with those used in management's going concern assessment;
— Agreeing borrowings as at 31 March 2022 to third-party confirmations and considered the Group's available financing and maturity profile. This supported the Directors' conclusion that sufficient liquidity headroom remained throughout the assessment period;
— Testing the mathematical accuracy of the covenant calculations, including confirming that the adjustments recorded to determine proforma EBITDA agree to the terms of the covenant. We concluded that covenant compliance remained throughout the assessment period;
— Reviewing management's base case and severe but plausible downside scenario, ensuring the directors have considered all appropriate factors, including the cash flows, the liquidity position of the Group, available borrowing facilities, the timing of contractual debt repayments and the relevant financial and non-financial covenants; and
— Performing sensitivity analysis to assess the impact of movements in significant assumptions on the overall liquidity headroom and the banking covenants.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 March 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

### Directors' Remuneration

In our opinion, the part of the Annual Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

## Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to Employment regulation, Health and safety regulation, Data Protection regulations, Task Force on Climate-Related Financial Disclosures, Streamlined Energy and Carbon Reporting (SECR), International trade regulation and product compliance regulation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as The Listing Rules, UK and US tax legislation, Pensions legislation, The UK Corporate Governance Code 2018, Companies Act 2006 and equivalent local laws and regulations applicable to reporting component teams. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries, either in the underlying books and records or as part of the consolidation process, and management bias in accounting estimates. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Discussions with management and the Group's legal team, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Review of selected component auditors' working papers;
- Challenging assumptions and judgements made by management in their significant accounting judgements and estimates that involve considering future events that are inherently uncertain or that may be subject to management bias. In particular, we focused our work on impairment of goodwill and other intangible assets, valuation of acquired intangible assets, defined benefit pension liabilities and the valuation of contingent consideration;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or those posted by unexpected users; and
- Testing all material consolidation adjustments to ensure these were appropriate in nature and magnitude.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

**Use of this report**
This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements and the part of the Annual Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

**Appointment**
Following the recommendation of the Audit Committee, we were appointed by the members on 20 July 2017 to audit the financial statements for the year ended 31 March 2018 and subsequent financial periods. The period of total uninterrupted engagement is 5 years, covering the years ended 31 March 2018 to 31 March 2022.

## Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

**Owen Mackney (Senior Statutory Auditor)**
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford

16 June 2022

# Consolidated Income Statement

| | Notes | Year ended 31 March 2022 Before adjustments* £m | Year ended 31 March 2022 Adjustments* (note 1) £m | Year ended 31 March 2022 Total £m | Year ended 31 March 2021 Before adjustments* £m | Year ended 31 March 2021 Adjustments* (note 1) £m | Year ended 31 March 2021 Total £m |
|---|---|---|---|---|---|---|---|
| **Continuing operations** | | | | | | | |
| **Revenue** | 1 | **1,525.3** | **–** | **1,525.3** | 1,318.2 | – | 1,318.2 |
| **Operating profit** | | **324.7** | **(45.8)** | **278.9** | 288.3 | (47.5) | 240.8 |
| Share of loss of associate | 14 | **(0.1)** | **–** | **(0.1)** | – | – | – |
| Profit on disposal of operations | 30 | **–** | **34.0** | **34.0** | – | 22.1 | 22.1 |
| Finance income | 4 | **0.6** | **–** | **0.6** | 1.0 | – | 1.0 |
| Finance expense | 5 | **(9.0)** | **–** | **(9.0)** | (11.0) | – | (11.0) |
| **Profit before taxation** | 6 | **316.2** | **(11.8)** | **304.4** | 278.3 | (25.4) | 252.9 |
| Taxation | 9 | **(68.3)** | **8.1** | **(60.2)** | (55.8) | 6.2 | (49.6) |
| **Profit for the year** | 1 | **247.9** | **(3.7)** | **244.2** | 222.5 | (19.2) | 203.3 |
| **Attributable to:** | | | | | | | |
| Owners of the parent | | | | **244.4** | | | 203.4 |
| Non-controlling interests | | | | **(0.2)** | | | (0.1) |
| **Earnings per share** | 2 | | | | | | |
| **From continuing operations** | | | | | | | |
| Basic | | **65.48p** | | **64.54p** | 58.67p | | 53.61p |
| Diluted | | | | **64.42p** | | | 53.50p |
| **Dividends in respect of the year** | 10 | | | | | | |
| Paid and proposed (£m) | | | | **71.5** | | | 66.8 |
| Paid and proposed per share | | | | **18.88p** | | | 17.65p |

* Adjustments include the amortisation of acquired intangible assets; acquisition items; significant restructuring costs, and profit or loss on disposal of operations; and the associated taxation thereon. Note 3 provides more information on alternative performance measures.

# Consolidated Statement of Comprehensive Income and Expenditure

| | Notes | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m |
|---|---|---|---|
| **Profit for the year** | | **244.2** | 203.3 |
| **Items that will not be reclassified subsequently to the Consolidated Income Statement:** | | | |
| Actuarial gains/(losses) on defined benefit pension plans | 29 | **41.6** | (30.6) |
| Tax relating to components of other comprehensive income that will not be reclassified | 9 | **(9.6)** | 5.9 |
| Changes in the fair value of equity investments at fair value through other comprehensive income | 14 | **(1.7)** | – |
| **Items that may be reclassified subsequently to the Consolidated Income Statement:** | | | |
| Effective portion of changes in fair value of cash flow hedges | 27 | **(1.5)** | 1.0 |
| Deferred tax in respect of cash flow hedges accounted for in the hedging reserve | 9 | **0.4** | (0.2) |
| Exchange gains/(losses) on translation of foreign operations and net investment hedge | | **43.9** | (72.7) |
| Exchange gains on translation of foreign operations recycled to the income statement on disposal | | **–** | (2.8) |
| Other comprehensive income/(expense) for the year | | **73.1** | (99.4) |
| **Total comprehensive income for the year** | | **317.3** | 103.9 |
| **Attributable to** | | | |
| Owners of the parent | | **317.5** | 104.0 |
| Non-controlling interests | | **(0.2)** | (0.1) |

The exchange gains of £43.9m (2021: losses of £72.7m) includes losses of £8.6m (2021: gains of £19.9m) which relate to net investment hedges as described in note 27.

# Consolidated Balance Sheet

| | Notes | 31 March 2022 £m | 31 March 2021 £m |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | 11 | **908.7** | 808.5 |
| Other intangible assets | 12 | **325.2** | 290.0 |
| Property, plant and equipment | 13 | **194.0** | 180.8 |
| Interest in associates and other investments | 14 | **8.2** | 9.3 |
| Retirement benefit asset | 29 | **31.1** | – |
| Tax receivable | 31 | **14.7** | 13.9 |
| Deferred tax asset | 22 | **2.4** | 1.3 |
| | | **1,484.3** | 1,303.8 |
| **Current assets** | | | |
| Inventories | 15 | **228.8** | 167.8 |
| Trade and other receivables | 16 | **325.1** | 268.0 |
| Tax receivable | | **0.7** | 2.5 |
| Cash and bank balances | | **157.4** | 134.1 |
| Derivative financial instruments | 27 | **0.7** | 1.7 |
| | | **712.7** | 574.1 |
| **Total assets** | | **2,197.0** | 1,877.9 |
| **Current liabilities** | | | |
| Trade and other payables | 17 | **242.7** | 186.7 |
| Borrowings | 19 | **72.5** | 3.0 |
| Lease liabilities | 28 | **15.5** | 13.3 |
| Provisions | 20 | **20.7** | 35.4 |
| Tax liabilities | | **11.6** | 8.9 |
| Derivative financial instruments | 27 | **0.9** | 0.7 |
| | | **363.9** | 248.0 |
| **Net current assets** | | **348.8** | 326.1 |
| **Non-current liabilities** | | | |
| Borrowings | 19 | **287.6** | 322.3 |
| Lease liabilities | 28 | **56.6** | 51.7 |
| Retirement benefit obligations | 29 | **0.6** | 22.5 |
| Trade and other payables | 21 | **19.0** | 16.8 |
| Provisions | 20 | **7.7** | 8.4 |
| Deferred tax liabilities | 22 | **58.5** | 40.6 |
| | | **430.0** | 462.3 |
| **Total liabilities** | | **793.9** | 710.3 |
| **Net assets** | | **1,403.1** | 1,167.6 |
| **Equity** | | | |
| Share capital | 23 | **38.0** | 38.0 |
| Share premium account | | **23.6** | 23.6 |
| Own shares | | **(30.7)** | (20.9) |
| Capital redemption reserve | | **0.2** | 0.2 |
| Hedging reserve | | **(0.4)** | 0.7 |
| Translation reserve | | **117.1** | 73.2 |
| Other reserves | | **(19.9)** | (13.6) |
| Retained earnings | | **1,274.8** | 1,065.8 |
| **Equity attributable to owners of the Company** | | **1,402.7** | 1,167.0 |
| Non-controlling interests | | **0.4** | 0.6 |
| **Total equity** | | **1,403.1** | 1,167.6 |

The financial statements of Halma plc, company number 00040932, were approved by the Board of Directors on 16 June 2022.

**Andrew Williams**
Director

**Marc Ronchetti**
Director

# Consolidated Statement of Changes in Equity

| | Share capital £m | Share premium account £m | Own shares £m | Capital redemption reserve £m | Hedging reserve £m | Translation reserve £m | Other reserves £m | Retained earnings £m | Non-controlling interest £m | Total £m |
|---|---|---|---|---|---|---|---|---|---|---|
| **At 1 April 2021** | **38.0** | **23.6** | **(20.9)** | **0.2** | **0.7** | **73.2** | **(13.6)** | **1,065.8** | **0.6** | **1,167.6** |
| Profit for the year | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **244.4** | **(0.2)** | **244.2** |
| Other comprehensive income and expense | **–** | **–** | **–** | **–** | **(1.1)** | **43.9** | **(1.7)** | **32.0** | **–** | **73.1** |
| Total comprehensive income and expense | **–** | **–** | **–** | **–** | **(1.1)** | **43.9** | **(1.7)** | **276.4** | **(0.2)** | **317.3** |
| Dividends paid | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(68.7)** | **–** | **(68.7)** |
| Share-based payment charge | **–** | **–** | **–** | **–** | **–** | **–** | **12.2** | **–** | **–** | **12.2** |
| Deferred tax on share-based payment transactions | **–** | **–** | **–** | **–** | **–** | **–** | **(0.2)** | **–** | **–** | **(0.2)** |
| Excess tax deductions related to share-based payments on exercised awards | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **1.3** | **–** | **1.3** |
| Purchase of own shares | **–** | **–** | **(19.3)** | **–** | **–** | **–** | **–** | **–** | **–** | **(19.3)** |
| Performance share plan awards vested | **–** | **–** | **9.5** | **–** | **–** | **–** | **(16.6)** | **–** | **–** | **(7.1)** |
| **At 31 March 2022** | **38.0** | **23.6** | **(30.7)** | **0.2** | **(0.4)** | **117.1** | **(19.9)** | **1,274.8** | **0.4** | **1,403.1** |

| | Share capital £m | Share premium account £m | Own shares £m | Capital redemption reserve £m | Hedging reserve £m | Translation reserve £m | Other reserves £m | Retained earnings £m | Non-controlling interest £m | Total £m |
|---|---|---|---|---|---|---|---|---|---|---|
| At 1 April 2020 | 38.0 | 23.6 | (14.3) | 0.2 | (0.1) | 148.7 | (7.7) | 949.2 | (0.7) | 1,136.9 |
| Profit for the year | – | – | – | – | – | – | – | 203.4 | (0.1) | 203.3 |
| Other comprehensive income and expense | – | – | – | – | 0.8 | (75.5) | – | (24.7) | – | (99.4) |
| Total comprehensive income and expense | – | – | – | – | 0.8 | (75.5) | – | 178.7 | (0.1) | 103.9 |
| Dividends paid | – | – | – | – | – | – | – | (63.7) | – | (63.7) |
| Share-based payment charge | – | – | – | – | – | – | 11.9 | – | – | 11.9 |
| Deferred tax on share-based payment transactions | – | – | – | – | – | – | (0.4) | – | – | (0.4) |
| Excess tax deductions related to share-based payments on exercised awards | – | – | – | – | – | – | – | 1.6 | – | 1.6 |
| Purchase of own shares | – | – | (16.2) | – | – | – | – | – | – | (16.2) |
| Performance share plan awards vested | – | – | 9.6 | – | – | – | (17.4) | – | – | (7.8) |
| Adjustments to non-controlling interest arising on acquisition | – | – | – | – | – | – | – | – | 1.4 | 1.4 |
| At 31 March 2021 | 38.0 | 23.6 | (20.9) | 0.2 | 0.7 | 73.2 | (13.6) | 1,065.8 | 0.6 | 1,167.6 |

Own shares are ordinary shares in Halma plc purchased by the Company and held to fulfil the Company's obligations under the Group's share plans. At 31 March 2022 the number of shares held by the Employee Benefit Trust was 1,175,080 (2021: 891,622).

The market value of own shares was £29.5m (2021: £21.2m).

The Translation reserve is used to record the difference arising from the retranslation of the financial statements of foreign operations. The Hedging reserve is used to record the portion of the cumulative net change in fair value of cash flow hedging instruments that are deemed to be an effective hedge.

The Capital redemption reserve was created on repurchase and cancellation of the Company's own shares. The Other reserves represent the provision for the value of the Group's equity-settled share plans.

# Consolidated Cash Flow Statement

| | Notes | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m |
|---|---|---|---|
| **Net cash inflow from operating activities** | 26 | **237.4** | 277.6 |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment – owned assets | 13 | **(25.2)** | (22.8) |
| Purchase of computer software | 12 | **(0.9)** | (2.8) |
| Purchase of other intangibles | 12 | **(0.5)** | (1.2) |
| Proceeds from sale of property, plant and equipment and capitalised development costs | | **1.1** | 0.9 |
| Development costs capitalised | 12 | **(13.4)** | (15.4) |
| Interest received | | **0.2** | 0.8 |
| Acquisition of businesses, net of cash acquired | 25 | **(152.8)** | (46.4) |
| Disposal of business, net of cash disposed | 30 | **57.5** | 26.1 |
| Purchase of equity investments | 14 | **(0.7)** | (3.4) |
| Net cash used in investing activities | | **(134.7)** | (64.2) |
| **Cash flows from financing activities** | | | |
| Dividends paid | | **(68.7)** | (63.7) |
| Purchase of own shares | | **(19.3)** | (16.2) |
| Interest paid | | **(8.2)** | (10.0) |
| Proceeds from bank borrowings | 26 | **161.4** | 129.4 |
| Repayment of bank borrowings | 26 | **(132.5)** | (136.7) |
| Repayment of loan notes | 26 | **–** | (72.2) |
| Repayment of lease liabilities, net of interest | | **(14.6)** | (14.1) |
| Net cash used in financing activities | | **(81.9)** | (183.5) |
| Increase in cash and cash equivalents | 26 | **20.8** | 29.9 |
| Cash and cash equivalents brought forward | | **131.1** | 105.4 |
| Exchange adjustments | | **4.8** | (4.2) |
| **Cash and cash equivalents carried forward** | 26 | **156.7** | 131.1 |

| | Notes | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m |
|---|---|---|---|
| **Reconciliation of net cash flow to movement in net debt** | | | |
| Increase in cash and cash equivalents | | **20.8** | 29.9 |
| Net cash (inflow)/outflow from (drawdown)/repayment of bank borrowings | 26 | **(28.9)** | 7.3 |
| Loan notes repaid | 26 | **–** | 72.2 |
| Lease liabilities additions and accretion of interest | | **(19.0)** | (25.0) |
| Lease liabilities acquired | | **(4.6)** | (0.5) |
| Lease liabilities disposed of | | **2.1** | 1.8 |
| Lease liabilities and interest repaid | 28 | **16.8** | 16.4 |
| Exchange adjustments | | **(5.8)** | 17.0 |
| **(Increase)/decrease in net debt** | | **(18.6)** | 119.1 |
| Net debt brought forward | | **(256.2)** | (375.3) |
| **Net debt carried forward** | | **(274.8)** | (256.2) |

### Basis of presentation

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. Halma transitioned to UK-adopted International Accounting Standards in its consolidated financial statements on 1 April 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

The consolidated financial statements of Halma have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The principal Group accounting policies are explained below and have been applied consistently throughout the years ended 31 March 2022 and 31 March 2021, other than those noted below.

The Group accounts have been prepared under the historical cost convention, except as described below under the headings 'Derivative financial instruments and hedge accounting', 'Financial assets at fair value through other comprehensive income (FVOCI)', 'Pensions' and 'Business combinations and goodwill'.

### New Standards and Interpretations applied for the first time in the year ended 31 March 2022

The following Standards with an effective date of 1 January 2021 and 1 April 2021 respectively, have been adopted without any significant impact on the amounts reported in these financial statements:

- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- COVID-19 Related Rent Concessions – Amendment to IFRS 16

In April 2021 the IFRS IC published its final agenda decision on Configuration and Customisation ('CC') costs in a Cloud Computing Arrangement. The agenda decision considers how a customer accounts for configuration or customisation costs where an intangible asset is not recognised in a cloud computing arrangement. The agenda decision impacts the Group in respect of the current year with the updated policy for software costs included under the Other intangible assets accounting policy below. There was no impact on the numbers reported in the prior year.

### New Standards and Interpretations not yet applied

At the date of authorisation of these financial statements, the following Standards and Interpretations that are potentially relevant to the Group, and which have not been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the UK):

- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- IFRS 17 Insurance Contracts
- Classification of Liabilities as Current or Non-current – Amendments to IAS 1
- Definition of Accounting Estimates – Amendments to IAS 8
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

### Use of Alternative performance measures (APMs)

In the reporting of the financial information, the Group uses certain measures that are not required under IFRS, the Generally Accepted Accounting Principles (GAAP) under which the Group reports. The Directors believe that Return on Total Invested Capital (ROTIC), Return on Capital Employed (ROCE), Organic growth at constant currency, Adjusted profit and earnings per share measures and Adjusted operating cash flow provide additional and more consistent measures of underlying performance to shareholders by removing non-trading items that are not closely related to the Group's trading or operating cash flows. These and other alternative performance measures are used by the Directors for internal performance analysis and incentive compensation arrangements for employees. The terms ROTIC, ROCE, organic growth at constant currency and 'adjusted' are not defined terms under IFRS and may therefore not be comparable with similarly titled measures reported by other companies. They are not intended to be a substitute for, or superior to, GAAP measures.

The principal items which are included in adjusting items are set out below in the Group's accounting policy and in note 1. The term 'adjusted' refers to the relevant measure being reported for continuing operations excluding adjusting items.

Definitions of the Group's material alternative performance measures along with reconciliation to their IFRS equivalent measure are included in note 3.

## Key accounting policies

Below we set out our key accounting policies, with a list of all other accounting policies thereafter.

### Going concern

The Group's business activities, together with the main trends and factors likely to affect its future development, performance and position, and the financial position of the Group as at 31 March 2022, its cash flows, liquidity position and borrowing facilities are set out in the Strategic Report. In addition, note 27 contains further information concerning the security, currency, interest rates and maturity of the Group's borrowings.

The financial statements have been prepared on a going concern basis. In adopting the going concern basis the Directors have considered all of the above factors, including potential scenarios and its principal risks set out on pages 98 to 101. Under the potential scenarios considered, which includes a severe but plausible downside scenario, the Group remains within its debt facilities and the attached financial covenants for the foreseeable future and the Directors therefore believe, at the time of approving the financial statements, that the Company is well placed to manage its business risks successfully and remains a going concern. The key facts and assumptions in reaching this determination are summarised below.

Our financial position remains robust with committed facilities at the balance sheet date totalling approximately £670m which includes a £550m Revolving Credit Facility (RCF). In May 2022 the RCF was refinanced and now matures in May 2027 with two one-year extension options. During May 2022, the Group also entered into a Note Purchase Agreement which provides access to loan notes totalling £330m, to be drawn in various currencies in July 2022 subject to certain conditions. The Group is confident that these conditions will be satisfied and thus the £330m loan notes form part of the available facilities in the Group's Going Concern and Viability assessments. The financial covenants across the facilities are for leverage (net debt/adjusted EBITDA) of not more than three and a half times and for adjusted interest cover of not less than four times.

Our base case scenario has been prepared using forecasts from each of our Operating Companies as well as cash outflows on acquisitions in line with pre COVID-19 levels. In addition, a severe but plausible downside scenario has been modelled showing a decline in trading for the year ending 31 March 2023 to below levels seen for the year ended 31 March 2022. This reduction in trading could be caused by further significant, unexpected COVID-19 impacts or another significant downside event. In mitigating the impacts of the downside scenario there are actions that can be taken which are entirely discretionary to the business such as acquisitions spend and dividend growth rates. In addition, the Group has demonstrated strong resilience and flexibility during the COVID pandemic in managing overheads which could be used to further mitigate the impacts of the downside scenario. The scenarios modelled cover a period of greater than 12 months from the date of the financial statements.

Neither the base case nor severe but plausible downside scenarios result in a breach of the Group's available debt facilities or the attached covenants and, accordingly, the Directors believe there is no material uncertainty in the use of the going concern assumption and, therefore, deem it appropriate to continue to adopt the going concern basis of accounting for at least the next 12-month period.

### Business combinations and goodwill

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree measured at the proportionate share of the value of net identifiable assets acquired; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred. Any contingent consideration payable may be accounted for as either:

a) Consideration transferred, which is recognised at fair value at the acquisition date. If the contingent purchase consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent purchase consideration are recognised in the Consolidated Income Statement; or

b) Remuneration, which is expensed in the Consolidated Income Statement over the associated period of service. An indicator of such treatment includes when payments to employees of the acquired company are contingent on a post-acquisition event, but may be automatically forfeited on termination of employment.

For acquisitions between 4 April 2004 (the date from which the financial statements were reported under IFRS) and 2 April 2010, goodwill represents the difference between the cost of the acquisition, including acquisition costs and the fair value of the net identifiable assets acquired. Goodwill has an indefinite expected useful life and is not amortised, but is tested annually for impairment.

Goodwill is recognised as an intangible asset in the Consolidated Balance Sheet. Goodwill therefore includes non-identified intangible assets including business processes, buyer-specific synergies, know-how and workforce-related industry-specific knowledge and technical skills. Negative goodwill arising on acquisitions would be recognised directly in the Consolidated Income Statement. On closure or disposal of an acquired business, goodwill would be taken into account in determining the profit or loss on closure or disposal.

As permitted by IFRS 1, the Group elected not to apply IFRS 3 'Business Combinations' to acquisitions prior to 4 April 2004 in its consolidated accounts. As a result, the net book value of goodwill recognised as an intangible asset under UK GAAP at 3 April 2004 was brought forward unadjusted as the cost of goodwill recognised under IFRS at 4 April 2004 subject to impairment testing on that date; and goodwill that was written off to reserves prior to 28 March 1998 under UK GAAP will not be taken into account in determining the profit or loss on disposal or closure of previously acquired businesses from 4 April 2004 onwards.

## Key accounting policies continued

Payments for contingent consideration are classified as investing activities within the Consolidated Cash Flow Statement, except for amounts paid in excess of that estimated in the acquisition balance sheets which are recognised in the net cash inflow from operating activities in the year together with movements in contingent consideration provisions charged/credited to the Consolidated Income Statement which is included as a reconciling item between operating profit and cash inflow from operating activities.

### Intangible assets

#### *(a) Acquired intangible assets*

An intangible resource acquired with a subsidiary undertaking is recognised as an intangible asset if it is separable from the acquired business or arises from contractual or legal rights, is expected to generate future economic benefits and its fair value can be measured reliably. Acquired intangible assets, comprising trademarks, technology and know-how and customer relationships, are amortised through the Consolidated Income Statement on a straight-line basis over their estimated economic lives of between four and 20 years. The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

#### *(b) Product development costs*

Research expenditure is charged to the Consolidated Income Statement in the financial year in which it is incurred.

Development expenditure is expensed in the financial year in which it is incurred, unless it relates to the development of a new or substantially improved product, is incurred after the technical feasibility and economic viability of the product has been proven and the decision to complete the development has been taken, and can be measured reliably. Such expenditure, meeting the recognition criteria of IAS 38 'Intangible Assets', is capitalised as an intangible asset in the Consolidated Balance Sheet at cost and is amortised through the Consolidated Income Statement on a straight-line basis over its estimated economic life of three years.

### Pensions

The Group makes contributions to various pension plans.

For defined benefit plans, the asset or liability recorded in the Consolidated Balance Sheet is the difference between the fair value of the plan's assets and the present value of the defined obligation at that date. The defined benefit obligation is calculated separately for each plan on an annual basis by independent actuaries using the projected unit credit method.

Actuarial gains and losses are recognised in full in the period in which they occur and are taken to other comprehensive income.

Current and past service costs, along with the impact of any settlements or curtailments, are charged to the Consolidated Income Statement. The net interest expense on pension plans' liabilities and the expected return on the plans' assets is recognised within finance expense in the Consolidated Income Statement.

Contributions to defined contribution plans are charged to the Consolidated Income Statement in the period the expense relates to.

### Impairment of trade and other receivables

The Group assesses on a forward-looking basis the expected credit losses associated with its trade and other receivables carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. In order to estimate the expected lifetime losses, the Group categorises its customers into groups with similar risk profiles and determines the historic rates of impairment for each of those categories of customer. The Group then adjusts the risk profile for each group of customers by using forward looking information, such as the government risk of default for the country in which those customers are located, and determines an overall probability of impairment for the total trade and other receivables at the balance sheet date.

## Critical accounting judgements and key sources of estimation uncertainty

The preparation of Group accounts in conformity with IFRS requires the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experiences and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

In preparing the Consolidated Financial Statements management has considered the impact of climate change, particularly in the context of the disclosures included in the Strategic Report and the stated net zero ambitions. These considerations did not have a material impact on the financial reporting judgements and estimates in the current year. Climate change is not expected to have a significant impact on the Group's going concern assessment as at March 2022 nor the viability of the Group over the next three years.

The following areas of critical accounting judgement and key estimation uncertainty have been identified as having significant risk of causing a material adjustment to the carrying amounts of assets and liabilities:

### Critical accounting judgements

#### *Goodwill impairment CGU groups*

Determining whether goodwill is impaired requires management's judgement in assessing cash generating unit (CGU) groups to which goodwill should be allocated. Management allocates a new acquisition to a CGU group based on which one is expected to benefit most from that business combination. The allocation of goodwill to existing CGU groups is generally straightforward and factual, however over time as new businesses are acquired and management reporting structures change management reviews the CGU groups to ensure they are still appropriate. Further details are provided in note 11. There have been no changes to the CGU groups in the current year.

## Critical accounting judgements and key sources of estimation uncertainty continued

***Recoverability of non-current taxation assets***

In the current year, determining the recoverability of tax assets requires management's judgement in assessing the amounts paid in relation to group financing partial exemption applicable to UK controlled foreign companies as a result of the decision by the European Commission that this constitutes state aid. Management's assessment is that this represents a contingent liability and that the £14.7m paid to HM Revenue & Customs (HMRC) in the current and prior year, included within non-current assets on the Consolidated Balance Sheet, will ultimately be recovered. Further details are provided in note 31.

### Key sources of estimation uncertainty

***Contingent consideration changes in estimates***

Determining the value of contingent consideration recognised as part of the acquisition of a business requires management to estimate the expected performance of the acquired business and the amount of contingent consideration that will therefore become payable. Initial estimates of expected performance are made by the management responsible for completing the acquisition and form a key component of the financial due diligence that takes place prior to completion. Subsequent measurement of contingent consideration is based on the Directors' appraisal of the acquired business's performance in the post-acquisition period and the agreement of final payments. See notes 20 and 27 for details of the changes in estimates made in the year and the sensitivity of contingent consideration payables to further changes.

***Intangible assets***

IFRS 3 (revised) 'Business Combinations' requires that goodwill arising on the acquisition of subsidiaries is capitalised and included in intangible assets. IFRS 3 (revised) also requires the identification and valuation of other separable intangible assets at acquisition. The assumptions involved in valuing these intangible assets require the use of management estimates.

IAS 38 'Intangible Assets' requires that development costs, arising from the application of research findings or other technical knowledge to a plan or design of a new or substantially improved product, are capitalised, subject to certain criteria being met. Determining the technical feasibility and estimating the future cash flows generated by the products in development requires the use of management estimates.

The estimates made in relation to both acquired intangible assets and capitalised development costs include identification of relevant assets, future growth rates, expected inflation rates and the discount rate used. Management also make estimates of the useful economic lives of the intangible assets. Management engages third party specialists to assist with the valuation assumption in respect of acquired intangible assets. Further details on intangible assets are disclosed in note 12.

***Goodwill impairment future cash flows***

The 'value in use' calculation used to test for impairment of goodwill involves an estimation of the present value of future cash flows of CGU groups. The future cash flows are based on annual budgets and forecasts of CGUs, as approved by the Board, to which management's expectation of market-share and long-term growth rates are applied. The present value is then calculated based on management's estimate of future discount and growth rates. The Board reviews these key assumptions (operating assumptions, long-term growth rates, and discount rates) and the sensitivity analysis around these assumptions. Management believes that there is no reasonably possible change in any of the key assumptions that would cause the carrying value of any CGU group to exceed its recoverable amount. Further details are provided in note 11.

***Defined benefit pension plan liabilities***

Determining the value of the future defined benefit asset/obligation requires estimation in respect of the assumptions used to calculate present values of plan liabilities. The significant assumptions utilised in the calculations are future mortality, discount rate and inflation. Management determines these assumptions in consultation with an independent actuary. Details of the estimates made in calculating the defined benefit asset/obligation, including sensitivity analysis, are disclosed in note 29.

## Other accounting policies

### Basis of consolidation

The Group accounts include the accounts of Halma plc and all of its subsidiary companies made up to 31 March 2022, adjusted to eliminate intra-Group transactions, balances, income and expenses. The results of subsidiary companies acquired or disposed are included from the month of their acquisition or to the month of their disposal.

### Segmental reporting

An operating segment is a distinguishable component of the Group that is engaged in business activities from which it may earn revenues and incur expenses, and whose operating results are reviewed regularly by the Chief Operating Decision Maker (the Group Chief Executive) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Reportable segments are operating segments that either meet the thresholds and conditions set out in IFRS 8 or are considered by the Board to be appropriately designated as reportable segments. Segment result represents operating profits and includes an allocation of Head Office expenses. Segment result excludes tax and financing items. Segment assets comprise goodwill, other intangible assets, property, plant and equipment and Right-of-Use assets (excluding land and buildings), inventories, trade and other receivables. Segment liabilities comprise trade and other payables, provisions and other payables. Unallocated items represent land and buildings (including Right-of-Use assets), corporate and deferred taxation balances, defined benefit plan asset/obligation, contingent purchase consideration, all components of net cash/borrowings, lease liabilities and derivative financial instruments.

From 1 April 2021, the Group aligned its organisational structure and financial reporting with its purpose and focus on safety, environmental and health markets. The Group now has three main reportable segments (Safety, Environmental & Analysis and Medical), which are defined by markets rather than product type. Each segment includes businesses with similar operating and market characteristics and are consistent with the internal reporting as reviewed by the Group Chief Executive.

### Revenue
The Group's revenue streams are the sale of goods and services in the specialist safety, environmental technologies and health markets. The revenue streams are disaggregated into three sectors, that serve like markets. Those sectors are Safety, Environmental & Analysis and Medical.

Revenue is recognised at the point of the transfer of control over promised goods or services to customers in an amount that reflects the amount of consideration specified in a contract with a customer, to which the Group expects to be entitled in exchange for those goods or services.

It is the Group's judgement that in the majority of sales there is no contract until such time as the Operating Company satisfies its performance obligation, at which point the contract becomes the Operating Company's terms and conditions resulting from the supplier's purchase order. Where there are Master Supply Arrangements, these are typically framework agreements and do not contain clauses that would result in a contract forming under IFRS 15 until a Purchase Order is issued by the customer.

Revenue represents sales, net of estimates for variable consideration, including rights to returns, and discounts, and excluding value added tax and other sales related taxes. The amount of variable consideration is not considered to be material to the Group as a whole. The transaction price is allocated to each performance obligation on a relative standalone selling price basis.

Performance obligations are unbundled in each contractual arrangement if they are distinct from one another. There is judgement in identifying distinct performance obligations where the product could be determined to be a system, or where a combination of products and services are provided together. For the majority of the Group's activities the performance obligation is judged to be the component product or service rather than the system or combined products and services. The contract price is allocated to the distinct performance obligations based on the relative standalone selling prices of the goods or services.

The way in which the Group satisfies its performance obligations varies by business and may be on shipment, delivery, as services are rendered or on completion of services depending on the nature of product and service and terms of the contract which govern how control passes to the customer. Revenue is recognised at a point in time or over time as appropriate.

Where the Group offers warranties that are of a service nature, revenue is recognised in relation to these performance obligations over time as the services are rendered. In our judgement we believe the associated performance obligations accrue evenly across the contractual term and therefore revenue is recognised on a pro-rated basis over the length of the service period.

In a small number of instances across the Group, products have been determined to be bespoke in nature, with no alternative use. Where there is also an enforceable right to payment for work completed, the criteria for recognising revenue over time have been deemed to have been met. Revenue is recognised on an input basis as work progresses. Progress is measured with reference to the actual cost incurred as a proportion of the total costs expected to be incurred under the contract. This is not a significant part of the Group's business as for the most part, where goods are bespoke in nature, it is the Group's judgement that the product can be broken down to standard component parts with little additional cost and therefore has an alternate use, or there is no enforceable right to payment for work performed. In these cases, the judgement is made that the requirements for recognising revenue over time are not met and revenue is recognised when control of the finished product passes to the customer.

The Group applies the practical expedient in IFRS 15 (paragraph 63) and does not adjust the promised amount of consideration for the effects of a significant financing component if the Group expects, at contract inception, that the period between the transfer of a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

### Operating profit
Operating profit is presented net of direct production costs, production overheads, selling costs, distribution costs and administrative expenditure (see note 6). Operating profit is stated after charging restructuring costs but before the share of results of associates, profit or loss on disposal of operations, finance income and finance costs.

### Adjusting items
When items of income or expense are material and they are relevant to an understanding of the entity's financial performance, they are disclosed separately within the financial statements. Such adjusting items include costs or reversals arising from acquisitions or disposals of businesses, including acquisition costs, creation or reversals of provisions related to changes in estimates for contingent consideration on acquisition, amortisation of acquired intangible assets, and other significant one-off items that may arise.

### Deferred government grant income
Government grant income that is linked to capital expenditure is deferred to the Consolidated Balance Sheet and credited to the Consolidated Income Statement over the life of the related asset. In addition, the Group claims research and development expenditure credits arising on qualifying expenditure and shows these 'above the line' in operating profit. Where the credits arise on expenditure that is capitalised as part of internally generated capitalised development costs, the income is deferred to the Consolidated Balance Sheet and credited to the Consolidated Income Statement over the life of the related asset in line with the policy stated above.

### Finance income and expenses
The Group recognises interest income or expense using the effective interest rate method. Finance income and finance costs include:

- Interest payable on loans and borrowings.
- Net interest charge on pension plan liabilities.
- Amortisation of finance costs.
- Interest receivable in respect of cash and cash equivalents.
- Unwinding of the discount on provisions.
- Fair value movements on derivative financial instruments.

## Other accounting policies continued

### Taxation

Taxation comprises current and deferred tax. Tax is recognised in the Consolidated Income Statement except to the extent that it relates to items recognised directly in Total equity, in which case it too is recognised in Total equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, along with any adjustment to tax payable in respect of previous years. Taxable profit differs from net profit as reported in the Consolidated Income Statement because it excludes items that are never taxable or deductible.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes and is accounted for using the balance sheet liability method, apart from the following differences which are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities, using tax rates and laws, which are expected to apply in the year when the liability is settled, or the asset is realised. Deferred tax assets are only recognised to the extent that recovery is probable.

### Foreign currencies

The Group presents its accounts in Sterling. Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates prevailing at that date. Non-monetary assets and liabilities denominated in foreign currencies are measured in terms of historical costs using the exchange rate at the date of the initial transaction. Any gain or loss arising on monetary assets and liabilities from subsequent exchange rate movements is included as an exchange gain or loss in the Consolidated Income Statement.

Net assets of overseas subsidiary companies are expressed in Sterling at the rates of exchange ruling at the end of the financial year, and trading results and cash flows at the average rates of exchange for the financial year. Goodwill arising on the acquisition of a foreign business is treated as an asset of the foreign entity and is translated at the rate of exchange ruling at the end of the financial year. Exchange gains or losses arising on these translations are taken to the Translation reserve within Total equity.

In the event that an overseas subsidiary is disposed of or closed, the profit or loss on disposal or closure will be determined after taking into account the cumulative translation difference held within the Translation reserve attributable to that subsidiary. As permitted by IFRS 1, the Group has elected to deem the translation to be £nil at 4 April 2004. Accordingly, the profit or loss on disposal or closure of foreign subsidiaries will not include any currency translation differences which arose before 4 April 2004.

### Other intangible assets

#### *(a) Computer software*

Computer software that is not integral to an item of property, plant or equipment is recognised separately as an intangible asset and is amortised through the Consolidated Income Statement on a straight-line basis from the point at which the asset is ready to use over its estimated economic life of between three and five years.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Where the Group enters into a SaaS cloud computing arrangement to access software, there are limited cases for capitalisation of attributable implementation costs. If the arrangement contains a lease as defined by IFRS 16, lease accounting rules apply including capitalisation of directly attributable costs. Alternatively, directly attributable software costs can create an intangible asset if the software can be controlled by the entity, either through the option to be run on the entity's or a third-party's infrastructure or where the development of the software creates customised software that the entity has exclusive rights to.

#### *(b) Other intangibles*

Other intangibles are amortised through the Consolidated Income Statement on a straight-line basis over their estimated economic lives of between three and ten years.

### Property, plant and equipment

Property, plant and equipment is stated at historical cost less provisions for accumulated impairment and accumulated depreciation which, with the exception of freehold land which is not depreciated, is provided on a straight-line basis over each asset's estimated economic life. The principal annual rates used for this purpose are:

| | |
|---|---|
| Freehold property | 2% |
| Leasehold improvements | Shorter of 2% or period of lease |
| Plant, equipment and vehicles | 8% to 33.3% |

### Investments in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but without control or joint control over those policies.

## Other accounting policies continued

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Investments in associates are carried in the Consolidated Balance Sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any deficiency of the cost of acquisition below the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition (i.e. discount on acquisition) is credited in profit or loss in the year of acquisition.

Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provisioning is made for impairment.

Where the Group disposes of its entire interest in an associate a gain or loss is recognised in the income statement on the difference between the amount received on the sale of the associate less the carrying value and costs of disposal.

### Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) comprise equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise as FVOCI. The Group considers this classification relevant as these are strategic investments.

Financial assets at FVOCI are adjusted to the fair value of the asset at the balance sheet date with any gain or loss being recognised in other comprehensive income and held as part of other reserves. On disposal any gain or loss is recognised in other comprehensive income and the cumulative gains or losses are transferred from other reserves to retained earnings.

### Impairment of non-current assets

All non-current assets are tested for impairment whenever events or circumstances indicate that their carrying value may be impaired. Additionally, goodwill and capitalised development expenditure relating to a product that is not yet in full production are subject to an annual impairment test.

An impairment loss is recognised in the Consolidated Income Statement to the extent that an asset's carrying value exceeds its recoverable amount, which represents the higher of the asset's 'fair value less costs to dispose' and its 'value in use'. An asset's 'value in use' represents the present value of the future cash flows expected to be derived from the asset or from the cash generating unit to which it relates. The present value is calculated using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset concerned.

Impairment losses recognised in previous periods for an asset other than goodwill are reversed if there has been a change in the estimates used to determine the asset's recoverable amount, but only to the extent that the carrying amount of the asset does not exceed its carrying amount had no impairment loss been recognised in previous periods. Such reversals are recognised in the Consolidated Income Statement. Impairment losses in respect of goodwill are not reversed.

### Inventories

Inventories and work in progress are included at the lower of cost and net realisable value. Cost is calculated either on a 'first in, first out' or an average cost basis and includes direct materials and the appropriate proportion of production and other overheads considered by the Directors to be attributable to bringing the inventories to their location and condition at the year end. Net realisable value represents the estimated selling price less all estimated costs to complete and costs to be incurred in marketing, selling and distribution.

### Cash and cash equivalents

Cash and cash equivalents comprise cash balances, deposits with an initial maturity of less than three months, and bank overdrafts that are repayable on demand.

### Contract assets and liabilities

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of time, for example the completion of future performance obligations under the terms of the contract with the customer.

In some instances, the Group receives payments from customers based on a billing schedule, as established in the contract, which may not match with the pattern of performance under the contract. A contract liability is only recognised on non-cancellable contracts that provide unconditional rights to payment from the customer for products and services that the Group has not yet completed providing or that it will provide in the near future. Where performance obligations are satisfied ahead of billing then a contract asset will be recognised.

Contract assets are recognised within Trade and other receivables and are assessed for impairment on a forward-looking basis using the expected lifetime losses approach, as required by IFRS 9 ('Financial Instruments').

### Costs to obtain or fulfil a contract

The incremental costs of obtaining a contract with a customer are capitalised as an asset if the Group expects to recover them. Costs such as sales commissions may be incurred when the Group enters into a new contract. Costs to obtain or fulfil a contract are presented in the Consolidated Balance Sheet as assets until the performance obligation to which they relate has been met. These assets are amortised on a consistent basis with how the related revenue is recognised.

**Other accounting policies** continued
The Group applies the practical expedient in IFRS 15 (paragraph 94) and recognises incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the Group would otherwise have recognised is one year or less.

**Trade payables**
Trade payables are non-interest bearing and are stated at amortised cost.

**Interest bearing loans and borrowings**
Interest bearing loans and borrowings are initially recognised in the Consolidated Balance Sheet at fair value less directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method.

**Provisions and contingent liabilities**
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of the cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

Contingent liabilities are disclosed where a possible obligation dependent on uncertain future events exists as at the end of the reporting period or a present obligation for which payment either cannot be measured or is not considered to be probable is noted. Contingent liabilities are not accrued for and no contingent liability is disclosed where the possibility of payment is considered to be remote.

**Derivative financial instruments and hedge accounting**
The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risk using forward exchange contracts. Further details of derivative financial instruments are disclosed in note 27. The Group continues to apply the requirements of IAS 39 for hedge accounting.

Derivative financial instruments are classified as fair value through profit and loss (held for trading) unless they are in a designated hedge relationship.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the Consolidated Income Statement, unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the Consolidated Income Statement depends on the nature of the hedge relationship. The Group designates certain derivatives as hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

**Cash flow hedge accounting**
The Group designates certain hedging instruments as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument has been or is expected to be highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 27 sets out details of the fair values of the derivative instruments used for hedging purposes and the movements in the Hedging reserve in equity.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion as a result of being over hedged is recognised immediately in the Consolidated Income Statement.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to the Consolidated Income Statement in the periods when the hedged item is recognised in the Consolidated Income Statement. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income at that time is accumulated in equity and is recognised, when the forecast transaction is ultimately recognised, in the Consolidated Income Statement. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the Consolidated Income Statement.

### Net investment hedge accounting
The Group uses foreign currency denominated borrowings as a hedge against the translation exposure on the Group's net investment in overseas companies. Where the hedge is fully effective at hedging, the variability in the net assets of such companies caused by changes in exchange rates and the changes in value of the borrowings are recognised in the Consolidated Statement of Comprehensive Income and accumulated in the Translation reserve. The ineffective part of any change in value caused by changes in exchange rates is recognised in the Consolidated Income Statement.

### Leases
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where the Group determines the contract is, or contains, a lease a right-of-use asset and a lease liability is recognised at the lease commencement date.

The lease term is determined from the commencement date of the lease and covers the non-cancellable term. If the Group has an extension option, which it considers reasonably certain to exercise, then the lease term will be considered to extend beyond that non-cancellable period. If the Group has a termination option, which it considers it reasonably certain to exercise, then the lease term will be considered to be until the point the termination option will take effect. The group deem that it is not reasonably certain to exercise an extension option or a termination option with an exercise date past the planning horizon of five years.

The right-of-use asset is initially measured at cost, comprising the initial amount of the lease liability plus any initial direct costs incurred and an estimate of costs to restore the underlying asset, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term unless the right-of-use asset is deemed to have a useful life shorter than the lease term. The Group has taken the practical expedient to not separate lease and non-lease components and so account for both as a single lease component.

The right-of-use assets are also subject to impairment testing under IAS 36. Refer to the previous section on Impairment of non-current assets for further details.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the incremental borrowing rate. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees are not material to the group. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. The lease liability is measured at amortised cost using the effective interest method by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made. The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or a rate or a change in the Group's assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the right-of-use asset.

Payments associated with short-term leases or low-value assets are recognised on a straight-line basis as an expense in the Consolidated Income Statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets mostly comprise of IT equipment and small items of office furniture. Lease payments for short-term leases, low-value assets and variable lease payments not included in the measurement of the lease liability are classified as cash flows from operating activities within the consolidated cash flow statement. The Group has classified the principal and interest portions of lease payments within financing activities.

### Employee share plans
Share-based incentives are provided to employees under the Group's share incentive plan, the performance share plan and the executive share plan.

#### *(a) Share incentive plan*
Awards of shares under the share incentive plan are made to qualifying employees depending on salary and service criteria. The shares awarded under this plan are purchased in the market by the plan's trustees at the time of the award, and are then held in trust for a minimum of three years. The costs of this plan are recognised in the Consolidated Income Statement over the three-year vesting period of the awards.

#### *(b) Executive share plan*
Under the Executive share plan, awards of shares are made to Executive Directors and certain senior employees participate. Grants under this plan are in the form of Performance Awards or Deferred Share Awards.

Performance Awards are subject to non-market-based vesting criteria, and Deferred Share Awards are subject only to continuing service of the employee. Share awards are equity-settled. The fair value of the awards at the date of grant, which is estimated to be equal to the market value, is charged to the Consolidated Income Statement on a straight-line basis over the vesting period, with appropriate adjustments being made during this period to reflect expected and actual forfeitures. The corresponding credit is to Other reserves within Total equity.

#### *(c) Cash-settled*
For cash-settled awards, a liability equal to the portion of the services received is recognised at the current fair value determined at each balance sheet date.

### Dividends
Dividends payable to the Company's shareholders are recognised as a liability in the period in which the distribution is approved by the Company's shareholders.

## 1 Segmental analysis and revenue from contracts with customers

### Sector analysis and disaggregation of revenue

From 1 April 2021, the Group aligned its organisational structure and financial reporting with its purpose and focus on safety, environmental and health markets. The Group now has three main operating and reportable segments (Safety, Environmental & Analysis and Medical), which are defined by markets rather than product type. Each segment includes businesses with similar operating and market characteristics. These segments are consistent with the internal reporting as reviewed by the Group Chief Executive.

***Nature of goods and services***

The following is a description of the principal activities – separated by reportable segments, which are defined by markets rather than product type – from which the Group generates its revenue.

Further disaggregation of sector revenue by geography and by the pattern of revenue recognition depicts how economic factors affect the timing and uncertainty of the Group's revenues.

**Safety** sector generates revenue from providing products that protect people, property and assets and enable safe movement in public spaces. Products include: fire detection systems; specialist fire suppression systems; elevator safety systems; security sensors; people and vehicle flow technologies; specialised interlocks that control critical processes safely; and explosion protection and corrosion monitoring systems. Products are generally sold separately, with contracts typically less than one year in length. Warranties are typically of an assurance nature. Revenue is recognised as control passes on delivery or despatch.

Payment is typically due within 60 days of invoice, except where a retention is held for documentation.

**Environmental & Analysis** generates revenue providing products and technologies that monitor and protect the environment, ensuring the quality and availability of life-critical resources, and use optical and imaging technologies in materials analysis. Products include: market-leading optical, optoelectronic and spectral imaging systems; water, air and gases monitoring technologies; instruments that detect hazardous gases and analyse air quality and systems for water analysis and treatment. Products and services are generally sold separately. Warranties are typically of an assurance nature, but some companies within the Group offer extended warranties. Depending on the nature of the performance obligation, revenue may be recognised as control passes on delivery, despatch or as the service is delivered. Contracts are typically less than one year in length, but some companies have contracts where certain service-related performance obligations are delivered over a number of years; this can result in contract liabilities where those performance obligations are invoiced ahead of performance.

Payment is typically due within 60 days of invoice.

**Medical** sector generates revenue from providing products and services that enhance the quality of life for patients and improve quality of care delivered by healthcare providers. Products include: critical fluidic components used by medical diagnostics and Original Equipment Manufacturers (OEMs), laboratory devices and systems that provide valuable information to understand patient health and enable providers to make decisions across the continuum of care; technologies and solutions to enable in-vitro diagnostic systems and life-science discoveries and development; and technologies that enable positive outcomes across clinical specialties. Products are generally sold separately, and warranties are typically of an assurance nature. Depending on the nature of the performance obligation, revenue is recognised as control passes on delivery or despatch or as the service is delivered. Contracts are typically less than one year in length, but a limited number of companies have contracts where certain service-related performance obligations are delivered over a number of years; this can result in contract liabilities where those performance obligations are invoiced ahead of performance.

Payment is typically due within 60 days of invoice.

## 1 Segmental analysis and revenue from contracts with customers continued

### Segment revenue disaggregation (by location of external customer)

| | Year ended 31 March 2022 Revenue by sector and destination (all continuing operations) | | | | | | |
|---|---|---|---|---|---|---|---|
| | United States of America £m | Mainland Europe £m | United Kingdom £m | Asia Pacific £m | Africa, Near and Middle East £m | Other countries £m | Total £m |
| Safety | **164.6** | **180.0** | **147.0** | **101.8** | **29.4** | **18.6** | **641.4** |
| Environmental & Analysis | **209.6** | **56.7** | **77.6** | **78.4** | **12.3** | **8.3** | **442.9** |
| Medical | **224.3** | **71.4** | **42.4** | **70.6** | **11.9** | **21.7** | **442.3** |
| Inter-segmental sales | **(1.3)** | **–** | **–** | **–** | **–** | **–** | **(1.3)** |
| **Revenue for the year** | **597.2** | **308.1** | **267.0** | **250.8** | **53.6** | **48.6** | **1,525.3** |

| | Year ended 31 March 2021 Revenue by sector and destination (all continuing operations) Restated* | | | | | | |
|---|---|---|---|---|---|---|---|
| | United States of America £m | Mainland Europe £m | United Kingdom £m | Asia Pacific £m | Africa, Near and Middle East £m | Other countries £m | Total £m |
| Safety | 143.7 | 170.8 | 124.9 | 90.9 | 34.1 | 22.6 | 587.0 |
| Environmental & Analysis | 165.1 | 44.2 | 70.1 | 65.9 | 9.2 | 6.6 | 361.1 |
| Medical | 200.6 | 61.0 | 19.2 | 59.3 | 10.8 | 20.4 | 371.3 |
| Inter-segmental sales | (0.6) | – | (0.6) | – | – | – | (1.2) |
| Revenue for the year | 508.8 | 276.0 | 213.6 | 216.1 | 54.1 | 49.6 | 1,318.2 |

* Restated to reflect the new reporting segments

Inter-segmental sales are charged at prevailing market prices and have not been disclosed separately by segment as they are not considered material. Revenue derived from the rendering of services was £69.9m (2021: £52.6m). All revenue was otherwise derived from the sale of products.

| | Year ended 31 March 2022 | | |
|---|---|---|---|
| | Revenue recognised over time £m | Revenue recognised at a point in time £m | Total Revenue £m |
| Safety | **8.2** | **633.2** | **641.4** |
| Environmental & Analysis | **99.8** | **343.1** | **442.9** |
| Medical | **49.6** | **392.7** | **442.3** |
| Inter-segmental sales | **–** | **(1.3)** | **(1.3)** |
| **Revenue for the year** | **157.6** | **1,367.7** | **1,525.3** |

| | Year ended 31 March 2021 Restated* | | |
|---|---|---|---|
| | Revenue recognised over time £m | Revenue recognised at a point in time £m | Total Revenue £m |
| Safety | 3.4 | 583.6 | 587.0 |
| Environmental & Analysis | 69.8 | 291.3 | 361.1 |
| Medical | 20.6 | 350.7 | 371.3 |
| Inter-segmental sales | – | (1.2) | (1.2) |
| Revenue for the year | 93.8 | 1,224.4 | 1,318.2 |

* Restated to reflect the new reporting segments

## 1 Segmental analysis and revenue from contracts with customers continued

### Segment revenue disaggregation continued

| | Year ended 31 March 2022 | | | |
|---|---|---|---|---|
| | Revenue from performance obligations entered into and satisfied in the year £m | Revenue previously included as contract liabilities £m | Revenue from performance obligations satisfied in previous periods £m | Total Revenue £m |
| Safety | **638.1** | **3.3** | **–** | **641.4** |
| Environmental & Analysis | **436.3** | **6.6** | **–** | **442.9** |
| Medical | **432.8** | **5.6** | **3.9** | **442.3** |
| Inter-segmental sales | **(1.3)** | **–** | **–** | **(1.3)** |
| **Revenue for the year** | **1,505.9** | **15.5** | **3.9** | **1,525.3** |

| | Year ended 31 March 2021 Restated* | | | |
|---|---|---|---|---|
| | Revenue from performance obligations entered into and satisfied in the year £m | Revenue previously included as contract liabilities £m | Revenue from performance obligations satisfied in previous periods £m | Total Revenue £m |
| Safety | 585.6 | 1.4 | – | 587.0 |
| Environmental & Analysis | 354.4 | 6.7 | – | 361.1 |
| Medical | 365.8 | 5.2 | 0.3 | 371.3 |
| Inter-segmental sales | (1.2) | – | – | (1.2) |
| Revenue for the year | 1,304.6 | 13.3 | 0.3 | 1,318.2 |

* Restated to reflect the new reporting segments

The Group has unsatisfied (or partially satisfied) performance obligations at the balance sheet date with an aggregate amount of transaction price as follows. The time bands represented present the expected timing of when the remaining transaction price will be recognised as revenue.

| | Aggregate transaction price allocated to unsatisfied performance obligations | | | |
|---|---|---|---|---|
| | 31 March 2022 Total £m | Recognised < 1 year £m | Recognised 1-2 years £m | Recognised > 2 years £m |
| Safety | **27.0** | **15.2** | **4.5** | **7.3** |
| Environmental & Analysis | **15.3** | **7.0** | **3.4** | **4.9** |
| Medical | **14.4** | **12.9** | **1.5** | **–** |
| Inter-segmental sales | **–** | **–** | **–** | **–** |
| Total | **56.7** | **35.1** | **9.4** | **12.2** |

| | Aggregate transaction price allocated to unsatisfied performance obligations Restated* | | | |
|---|---|---|---|---|
| | 31 March 2021 Total £m | Recognised < 1 year £m | Recognised 1-2 years £m | Recognised > 2 years £m |
| Safety | 18.0 | 13.3 | 0.5 | 4.2 |
| Environmental & Analysis | 15.6 | 6.6 | 3.0 | 6.0 |
| Medical | 6.7 | 6.3 | 0.4 | – |
| Inter-segmental sales | – | – | – | – |
| Total | 40.3 | 26.2 | 3.9 | 10.2 |

* Restated to reflect the new reporting segments

## 1 Segmental analysis and revenue from contracts with customers continued

### Segment results

| | Profit (all continuing operations) | |
|---|---|---|
| | Year ended 31 March 2022 £m | Year ended 31 March 2021 Restated** £m |
| Segment profit before allocation of adjustments* | | |
| Safety | **146.2** | 135.3 |
| Environmental & Analysis | **109.8** | 89.3 |
| Medical | **99.5** | 86.6 |
| | **355.5** | 311.2 |
| Segment profit after allocation of adjustments* | | |
| Safety | **163.5** | 117.3 |
| Environmental & Analysis | **96.9** | 101.7 |
| Medical | **83.3** | 66.8 |
| Segment profit | **343.7** | 285.8 |
| Central administration costs | **(30.9)** | (22.9) |
| Net finance expense | **(8.4)** | (10.0) |
| Group profit before taxation | **304.4** | 252.9 |
| Taxation | **(60.2)** | (49.6) |
| **Profit for the year** | **244.2** | 203.3 |

* Adjustments include the amortisation of acquired intangible assets; acquisition items; and significant restructuring costs and profit or loss on disposal of operations. Note 3 provides more information on alternative performance measures.
** Restated to reflect the new reporting segments.

Financial Statements

## 1 Segmental analysis and revenue from contracts with customers continued

**Segment results** continued

Acquisition transaction costs, adjustments to contingent consideration and release of fair value adjustments to inventory (collectively 'acquisition items') are recognised in the Consolidated Income Statement. Segment profit, before these acquisition items and the other adjustments, is disclosed separately on the previous page as this is the measure reported to the Group Chief Executive for the purpose of allocation of resources and assessment of segment performance. These adjustments are analysed as follows:

Year ended 31 March 2022

| | | Acquisition items | | | | | |
|---|---|---|---|---|---|---|---|
| | Amortisation of acquired intangible assets £m | Transaction costs £m | Adjustments to contingent consideration £m | Release of fair value adjustments to inventory £m | Total amortisation charge and acquisition items £m | Disposal of operations and restructuring (note 30) £m | Total £m |
| Safety | **(14.9)** | **(0.5)** | **–** | **(1.3)** | **(16.7)** | **34.0** | **17.3** |
| Environmental & Analysis | **(10.3)** | **(1.6)** | **0.1** | **(1.1)** | **(12.9)** | **–** | **(12.9)** |
| Medical | **(17.5)** | **(2.1)** | **4.4** | **(1.0)** | **(16.2)** | **–** | **(16.2)** |
| **Total Segment & Group** | **(42.7)** | **(4.2)** | **4.5** | **(3.4)** | **(45.8)** | **34.0** | **(11.8)** |

The transaction costs arose mainly on the acquisitions during the year. In Safety, they related to the acquisition of Ramtech (£0.4m) and IBIT (£0.1m). In Environmental & Analysis, they related to the acquisition of Dancutter (£0.3m), Sensitron (£0.4m), Orca (£0.1m), Anton (£0.1m) and ILT (£0.2m) in the current year and Deep Trekker (£0.5m) that was acquired in April 2022. In Medical, they related to the acquisition of PeriGen (£1.4m), Infinite Leap (£0.3m), Clayborn Lab (£0.1m), Meditech (£0.1m) and RNK (£0.1m), in the current year and the acquisition of Visiometrics in a previous year (£0.1m).

The £4.5m adjustment to contingent consideration comprised of a credit of £0.1m in Environmental & Analysis arising from a decrease in the estimate of the payables for Invenio (£0.3m) offset by an increase in the estimate of the payable for Orca (£0.2m) and a credit of £4.4m in Medical arising from a decrease in estimates of the payables for NovaBone (£1.3m), NeoMedix (£3.0m) and Spreo (£0.1m) partially offset by an increase in the estimate of the payable for Infowave (£0.3m) and a credit of £0.3m arising from exchange differences on balances denominated in Euros.

The £3.4m release of fair value adjustments to inventory related to Ramtech (£1.3m) in Safety; Dancutter (£0.1m), Orca (£0.6m) Sensitron (£0.2m) and ILT (£0.2m) in Environmental & Analysis; and Meditech (£1.0m) in Medical. All amounts have been released in relation to Dancutter, Ramtech, Orca and Sensitron.

Year ended 31 March 2021
Restated*

| | | Acquisition items | | | | | |
|---|---|---|---|---|---|---|---|
| | Amortisation of acquired intangible assets £m | Transaction costs £m | Adjustments to contingent consideration £m | Release of fair value adjustments to inventory £m | Total amortisation charge and acquisition items £m | Disposal of operations and restructuring (note 30) £m | Total £m |
| Safety | (15.6) | – | (2.4) | – | (18.0) | – | (18.0) |
| Environmental & Analysis | (10.2) | – | 1.3 | (0.8) | (9.7) | 22.1 | 12.4 |
| Medical | (16.5) | (1.9) | 0.4 | (1.8) | (19.8) | – | (19.8) |
| Total Segment & Group | (42.3) | (1.9) | (0.7) | (2.6) | (47.5) | 22.1 | (25.4) |

* Restated to reflect the new reporting segments

In the prior year, the transaction costs arose on the acquisition of Static Systems (£0.5m) during the year and costs relating to Visiometrics (£1.4m), both in the Medical sector.

The £0.7m adjustment to contingent consideration comprised: a charge of £2.4m in Safety arising from an increase in the estimate of the payables for Navtech (£1.5m) and FireMate (£0.9m); a credit of £1.3m in Environmental & Analysis arising from a decrease in estimate of the payables for Invenio (£0.8m) and Enoveo (£0.5m), and a credit of £0.4m in Medical arising from a decrease in the estimated payable for NeoMedix (£1.7m), offset by an increase in estimate of the payable for Infowave (£0.9m) and Spreo (£0.2m), and a charge of £0.2m arising from exchange differences on balances denominated in Euros.

The £2.6m release of fair value adjustments to inventory relates to Sensit (£0.8m) in Environmental & Analysis and NovaBone (£1.3m), Maxtec (£0.2m) and Static Systems (£0.3m) in Medical. As at the prior year end all amounts had been released in relation to Sensit, NovaBone, Maxtec and Static Systems.

## 1 Segmental analysis and revenue from contracts with customers continued

### Segment assets and liabilities

| Before goodwill, interest in associates and other investments and acquired intangible assets are allocated to specific segment assets/liabilities | Assets 31 March 2022 £m | Assets 31 March 2021 Restated* £m | Liabilities 31 March 2022 £m | Liabilities 31 March 2021 Restated* £m |
|---|---|---|---|---|
| Safety | **295.9** | 276.9 | **101.1** | 95.6 |
| Environmental & Analysis | **176.6** | 136.2 | **74.0** | 56.8 |
| Medical | **196.1** | 155.7 | **73.0** | 54.0 |
| Total segment assets/liabilities excluding goodwill, interest in associates and other investments and acquired intangible assets | **668.6** | 568.8 | **248.1** | 206.4 |
| Goodwill | **908.7** | 808.5 | **–** | – |
| Interest in associate and other investments | **8.2** | 9.3 | **–** | – |
| Acquired intangible assets | **275.7** | 241.7 | **–** | – |
| **Total segment assets/liabilities including goodwill, interest in associates and other investments and acquired intangible assets** | **1,861.2** | 1,628.3 | **248.1** | 206.4 |

| After goodwill, interest in associates and other investments and acquired intangible assets are allocated to specific segment assets/liabilities | Assets 31 March 2022 £m | Assets 31 March 2021 Restated* £m | Liabilities 31 March 2022 £m | Liabilities 31 March 2021 Restated* £m |
|---|---|---|---|---|
| Safety | **684.5** | 665.8 | **101.1** | 95.6 |
| Environmental & Analysis | **440.5** | 345.0 | **74.0** | 56.8 |
| Medical | **736.2** | 617.5 | **73.0** | 54.0 |
| Total segment assets/liabilities including goodwill, interest in associates and other investments and acquired intangible assets | **1,861.2** | 1,628.3 | **248.1** | 206.4 |
| Cash and bank balances/borrowings | **157.4** | 134.1 | **360.1** | 325.3 |
| Derivative financial instruments | **0.7** | 1.7 | **0.9** | 0.7 |
| Other unallocated assets/liabilities | **177.7** | 113.8 | **184.8** | 177.9 |
| **Total Group** | **2,197.0** | 1,877.9 | **793.9** | 710.3 |

* Restated to reflect the new reporting segments

Segment assets and liabilities, excluding the allocation of goodwill, interest in associate and other investments and acquired intangible assets, have been disclosed separately above as this is the measure reported to the Group Chief Executive for the purpose of monitoring segment performance and allocating resources between segments. Other unallocated assets include land and buildings, right-of-use assets, retirement benefit assets, deferred tax assets and other central administration assets. Unallocated liabilities include contingent purchase consideration, retirement benefit obligations, deferred tax liabilities, lease liabilities and other central administration liabilities.

### Other segment information

| | Additions to non-current assets Year ended 31 March 2022 £m | Additions to non-current assets Year ended 31 March 2021 Restated* £m | Depreciation, amortisation and impairment Year ended 31 March 2022 £m | Depreciation, amortisation and impairment Year ended 31 March 2021 Restated* £m |
|---|---|---|---|---|
| Safety | **30.1** | 19.6 | **29.0** | 29.5 |
| Environmental & Analysis | **70.3** | 10.6 | **19.3** | 19.4 |
| Medical | **82.6** | 49.6 | **24.7** | 24.1 |
| Total segment additions/depreciation, amortisation and impairment | **183.0** | 79.8 | **73.0** | 73.0 |
| Unallocated | **31.5** | 33.8 | **18.8** | 20.1 |
| **Total Group** | **214.5** | 113.6 | **91.8** | 93.1 |

* Restated to reflect the new reporting segments

Non-current asset additions comprise acquired and purchased goodwill, other intangible assets, property, plant and equipment, interests in associates and other investments.

During the year impairment losses of £3.2m were recognised on Property, plant and equipment and intangible assets, of which £1.0m was recognised in Safety, £1.7m was recognised in Environmental & Analysis and £0.5m was recognised in Medical (2021: £2.8m comprising £0.9m in Safety, £0.9m in Environmental & Analysis, £0.5m in Medical and £0.5m was unallocated). Impairment losses mainly related to capitalised development costs and were recorded as a result of changes in the expected outcome of projects.

## 1 Segmental analysis and revenue from contracts with customers continued

**Geographic information**

The Group's non-current assets by geographic location are detailed below:

| | Non-current assets | |
|---|---|---|
| | 31 March 2022 £m | 31 March 2021 £m |
| United States of America | **758.9** | 659.7 |
| Mainland Europe | **290.1** | 240.7 |
| United Kingdom | **255.7** | 263.1 |
| Asia Pacific | **122.6** | 118.7 |
| Other countries | **8.8** | 6.4 |
| | **1,436.1** | 1,288.6 |

Non-current assets comprise goodwill, intangible assets, interest in associate and other investments, and property, plant and equipment.

**Information about major customers**

No single customer accounts for more than 10% (2021: 10%) of the Group's revenue.

## 2 Earnings per ordinary share

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to the equity shareholders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to the ordinary equity shareholders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Adjusted earnings are calculated as earnings from continuing operations excluding the amortisation of acquired intangible assets; acquisition items; profit or loss on disposal of operations and the associated taxation thereon and in the current year the increase in the UK's corporation tax rate from 19% to 25%. The Directors consider that adjusted earnings, which constitute an alternative performance measure, represent a more consistent measure of underlying performance as it excludes amounts not directly linked with trading. A reconciliation of earnings and the effect on basic and diluted earnings per share figures is as follows:

**Basic earnings per share**

| | | | Per ordinary share | |
|---|---|---|---|---|
| | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m | Year ended 31 March 2022 pence | Year ended 31 March 2021 pence |
| **Earnings from continuing operations attributable to owners of the parent** | **244.4** | 203.4 | **64.54** | 53.61 |
| Amortisation of acquired intangible assets (after tax) | **33.1** | 32.0 | **8.73** | 8.44 |
| Acquisition transaction costs (after tax) | **3.8** | 1.6 | **0.99** | 0.43 |
| Adjustments to contingent consideration (after tax) | **(4.5)** | 0.7 | **(1.19)** | 0.20 |
| Release of fair value adjustments to inventory (after tax) | **2.6** | 2.0 | **0.70** | 0.52 |
| Disposal of operations and restructuring (after tax) | **(34.0)** | (17.1) | **(8.98)** | (4.53) |
| Impact of UK rate change | **2.6** | – | **0.69** | – |
| **Adjusted earnings attributable to owners of the parent** | **248.0** | 222.6 | **65.48** | 58.67 |
| **Weighted average number of ordinary shares in issue for basic earnings per share, million** | **378.7** | 379.2 | | |

**Diluted earnings per share**

| | | | Per ordinary share | |
|---|---|---|---|---|
| | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m | Year ended 31 March 2022 pence | Year ended 31 March 2021 pence |
| **Earnings from continuing operations attributable to owners of the parent** | **244.4** | 203.4 | **64.42** | 53.50 |
| **Weighted average number of ordinary shares in issue for basic earnings per share, million** | **378.7** | 379.2 | | |
| Dilutive potential ordinary shares – share awards, million | **0.7** | 0.8 | | |
| **Weighted average number of ordinary shares in issue for diluted earnings per share, million** | **379.4** | 380.0 | | |

### 3 Alternative performance measures

The Board uses certain alternative performance measures to help it effectively monitor the performance of the Group. The Directors consider that these represent a more consistent measure of underlying performance by removing non-trading items that are not closely related to the Group's trading or operating cash flows. These measures include Return on Total Invested Capital (ROTIC), Return on Capital Employed (ROCE), Organic growth at constant currency, Adjusted operating profit and Adjusted operating cash flow.

Note 1 provides further analysis of the adjusting items in reaching adjusted profit measures.

**Return on Total Invested Capital**

| | 31 March 2022 £m | 31 March 2021 £m |
|---|---|---|
| Profit after tax | **244.2** | 203.3 |
| Adjustments[1] | **3.7** | 19.2 |
| Adjusted profit after tax[1] | **247.9** | 222.5 |
| Total equity | **1,403.1** | 1,167.6 |
| (Less)/add back net retirement benefit (assets)/obligations | **(30.5)** | 22.5 |
| Deferred tax (liabilities)/assets on retirement benefits | **7.7** | (4.0) |
| Investment fair value adjustments through other comprehensive income | **1.7** | – |
| Cumulative amortisation of acquired intangible assets | **345.7** | 297.2 |
| Historical adjustments to goodwill[2] | **89.5** | 89.5 |
| **Total Invested Capital** | **1,817.2** | 1,572.8 |
| **Average Total Invested Capital[3]** | **1,695.0** | 1,543.7 |
| **Return on Total Invested Capital (ROTIC)[4]** | **14.6%** | 14.4% |

**Return on Capital Employed**

| | 31 March 2022 £m | 31 March 2021 £m |
|---|---|---|
| Profit before tax | **304.4** | 252.9 |
| Adjustments[1] | **11.8** | 25.4 |
| Net finance costs | **8.4** | 10.0 |
| Lease interest | **(2.3)** | (2.3) |
| **Adjusted operating profit[1] after share of results of associates and lease interest** | **322.3** | 286.0 |
| Computer software costs within intangible assets | **4.2** | 6.0 |
| Capitalised development costs within intangible assets | **41.7** | 38.9 |
| Other intangibles within intangible assets | **3.6** | 3.4 |
| Property, plant and equipment | **194.0** | 180.8 |
| Inventories | **228.8** | 167.8 |
| Trade and other receivables | **325.1** | 268.0 |
| Current trade and other payables | **(242.7)** | (186.7) |
| Current lease liabilities | **(15.5)** | (13.3) |
| Current provisions | **(20.7)** | (35.4) |
| Net tax receivable | **3.8** | 7.5 |
| Non-current trade and other payables | **(19.0)** | (16.8) |
| Non-current provisions | **(7.7)** | (8.4) |
| Non-current lease liabilities | **(56.6)** | (51.7) |
| Add back contingent purchase consideration | **15.2** | 29.4 |
| **Capital Employed** | **454.2** | 389.5 |
| **Average Capital Employed[3]** | **421.9** | 403.2 |
| **Return on Capital Employed (ROCE)[4]** | **76.4%** | 70.9% |

1 Adjustments include the amortisation of acquired intangible assets; acquisition items; and significant restructuring costs and profit or loss on disposal of operations. Where after-tax measures, these also include the associated taxation on adjusting items. Note 1 provides more information on these items.
2 Includes goodwill amortised prior to 3 April 2004 and goodwill taken to reserves.
3 The ROTIC and ROCE measures are expressed as a percentage of the average of the current and prior year's Total Invested Capital and Capital Employed respectively. Using an average as the denominator is considered to be more representative. The 1 April 2020 Total Invested Capital and Capital Employed balances were £1,514.6m and £416.9m respectively.
4 The ROTIC and ROCE measures are calculated as Adjusted profit after tax divided by Average Total Invested Capital and Adjusted operating profit after share of results of associates and lease interest divided by Average Capital Employed respectively.

## 3 Alternative performance measures continued

### Organic growth at constant currency

Organic growth measures the change in revenue and profit from continuing Group operations. This measure equalises the effect of acquisitions by:

a. removing from the year of acquisition their entire revenue and profit before taxation;

b. in the following year, removing the revenue and profit for the number of months equivalent to the pre-acquisition period in the prior year; and

c. removing from the year prior to acquisition, any revenue generated by sales to the acquired company which would have been eliminated on consolidation had the acquired company been owned for that period.

The results of disposals are removed from the prior period reported revenue and profit before taxation.

Constant currency measures the change in revenue and profit excluding the effects of currency movements. The measure restates the current year's revenue and profit at last year's exchange rates.

Organic growth at constant currency has been calculated for the Group as follows:

***Group***

| | Revenue | | | Adjusted* profit before taxation | | |
|---|---|---|---|---|---|---|
| | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m | % growth | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m | % growth |
| Continuing operations | **1,525.3** | 1,318.2 | **15.7%** | **316.2** | 278.3 | **13.6%** |
| Acquired and disposed revenue/profit | **(63.5)** | (37.4) | | **(9.9)** | (4.6) | |
| **Organic growth** | **1,461.8** | 1,280.8 | **14.1%** | **306.3** | 273.7 | **11.9%** |
| Constant currency adjustment | **42.1** | – | | **9.5** | – | |
| **Organic growth at constant currency** | **1,503.9** | 1,280.8 | **17.4%** | **315.8** | 273.7 | **15.4%** |

### Sector Organic growth at constant currency

Organic growth at constant currency is calculated for each segment using the same method as described above.

***Safety***

| | Revenue | | | Adjusted* segment profit | | |
|---|---|---|---|---|---|---|
| | Year ended 31 March 2022 £m | Year ended 31 March 2021 Restated** £m | % growth | Year ended 31 March 2022 £m | Year ended 31 March 2021 Restated** £m | % growth |
| Continuing operations | **641.4** | 587.0 | **9.3%** | **146.2** | 135.3 | **8.1%** |
| Acquisition and currency adjustments | **7.2** | (27.2) | | **2.4** | (4.1) | |
| **Organic growth at constant currency** | **648.6** | 559.8 | **15.9%** | **148.6** | 131.2 | **13.3%** |

***Environmental & Analysis***

| | Revenue | | | Adjusted* segment profit | | |
|---|---|---|---|---|---|---|
| | Year ended 31 March 2022 £m | Year ended 31 March 2021 Restated** £m | % growth | Year ended 31 March 2022 £m | Year ended 31 March 2021 Restated** £m | % growth |
| Continuing operations | **442.9** | 361.1 | **22.6%** | **109.8** | 89.3 | **23.0%** |
| Acquisition and currency adjustments | **(6.0)** | (10.2) | | **(0.4)** | (0.5) | |
| **Organic growth at constant currency** | **436.9** | 350.9 | **24.5%** | **109.4** | 88.8 | **23.3%** |

***Medical***

| | Revenue | | | Adjusted* segment profit | | |
|---|---|---|---|---|---|---|
| | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m | % growth | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m | % growth |
| Continuing operations | **442.3** | 371.3 | **19.1%** | **99.5** | 86.6 | **15.0%** |
| Acquisition and currency adjustments | **(22.6)** | – | | **(3.9)** | – | |
| **Organic growth at constant currency** | **419.7** | 371.3 | **13.0%** | **95.6** | 86.6 | **10.5%** |

* Adjustments include in the current and prior year the amortisation of acquired intangible assets; acquisition items and significant restructuring costs and profit or loss on disposal of operations.
** Restated to reflect the new reporting segments

## 3 Alternative performance measures continued

### Adjusted operating profit

| | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m |
|---|---|---|
| **Operating profit** | **278.9** | 240.8 |
| Add back: | | |
| Acquisition items (note 1) | **3.1** | 5.2 |
| Amortisation of acquired intangible assets | **42.7** | 42.3 |
| **Adjusted operating profit** | **324.7** | 288.3 |

### Adjusted operating cash flow

| | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m |
|---|---|---|
| **Net cash from operating activities (note 26)** | **237.4** | 277.6 |
| Add back: | | |
| Net acquisition costs paid | **4.1** | 2.4 |
| Taxes paid | **56.0** | 53.8 |
| Proceeds from sale of property, plant and equipment and capitalised development costs | **1.1** | 0.9 |
| Share awards vested not settled by own shares (note 24) | **7.1** | 7.8 |
| Deferred consideration paid in excess of payable estimated on acquisition | **7.5** | – |
| Less: | | |
| Purchase of property, plant and equipment (excluding Right of use assets) | **(25.2)** | (22.8) |
| Purchase of computer software and other intangibles | **(1.4)** | (4.0) |
| Development costs capitalised | **(13.4)** | (15.4) |
| **Adjusted operating cash flow** | **273.2** | 300.3 |
| **Cash conversion % (adjusted operating cash flow/adjusted operating profit)** | **84%** | 104% |

## 4 Finance income

| | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m |
|---|---|---|
| Interest receivable | **0.2** | 0.8 |
| Net interest credit on pension plan liabilities | **–** | 0.1 |
| Fair value movement on derivative financial instruments | **0.4** | 0.1 |
| | **0.6** | 1.0 |

## 5 Finance expense

| | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m |
|---|---|---|
| Interest payable on borrowings | **5.6** | 7.7 |
| Interest payable on lease obligations | **2.3** | 2.3 |
| Amortisation of finance costs | **0.7** | 0.7 |
| Net interest charge on pension plan liabilities | **0.3** | – |
| Other interest payable | **0.1** | 0.1 |
| | **9.0** | 10.8 |
| Fair value movement on derivative financial instruments | **–** | 0.2 |
| | **9.0** | 11.0 |

### 6 Profit before taxation

Profit before taxation comprises:

| | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m |
|---|---|---|
| Revenue | **1,525.3** | 1,318.2 |
| Direct materials/direct labour | **(640.3)** | (551.0) |
| Production overhead | **(121.4)** | (113.9) |
| Selling costs | **(137.4)** | (120.3) |
| Distribution costs | **(30.6)** | (24.3) |
| Administrative expenses | **(316.7)** | (267.9) |
| Operating profit | **278.9** | 240.8 |
| Share of loss of associate | **(0.1)** | – |
| Profit on disposal of operations | **34.0** | 22.1 |
| Net finance expense | **(8.4)** | (10.0) |
| **Profit before taxation** | **304.4** | 252.9 |

Included within administrative expenses are the amortisation of acquired intangible assets, transaction costs, and adjustments to contingent consideration. Included within direct materials/direct labour is the release of fair value adjustments to inventory.

| | | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m |
|---|---|---|---|
| Profit before taxation is stated after charging/ (crediting): | | | |
| Depreciation | | **35.8** | 37.3 |
| Amortisation | | **52.8** | 53.0 |
| Impairment of intangible assets | | **2.9** | 2.3 |
| Impairment of property, plant and equipment | | **0.3** | 0.5 |
| Net impairment loss on trade receivables (reversed)/recognised (note 16) | | **(4.1)** | 0.5 |
| Research costs* | | **72.0** | 54.9 |
| Foreign exchange (gain)/loss | | **(1.2)** | 2.8 |
| Profit on disposal of operations (note 30) | | **(34.0)** | (21.6) |
| Loss on sale of property, plant and equipment and computer software | | **0.8** | 0.7 |
| Cost of inventories recognised as an expense | | **761.7** | 664.9 |
| Staff costs (note 7) | | **429.7** | 366.4 |
| Auditors' remuneration | Audit services to the Company | **0.5** | 0.5 |
| | Audit of the Company's subsidiaries | **1.6** | 1.2 |
| | Total audit fees | **2.1** | 1.7 |
| | Audit related fees – interim review | **0.1** | 0.1 |
| | Other services** | **–** | – |
| | Total non-audit fees | **0.1** | 0.1 |
| | Total fees | **2.2** | 1.8 |

* A further £13.4m (2021: £15.4m) of development costs has been capitalised in the year. See note 12.
** Refer to the Audit Committee Report on pages 129–130 for further details.

## 7 Employee information

The average number of persons employed by the Group (including Directors) by entity location was:

| | Year ended 31 March 2022 Number | Year ended 31 March 2021 Number |
|---|---|---|
| United States of America | **2,418** | 2,427 |
| Mainland Europe | **1,283** | 1,152 |
| United Kingdom | **2,425** | 2,201 |
| Asia Pacific | **1,284** | 1,246 |
| Other countries | **112** | 94 |
| | **7,522** | 7,120 |

The monthly average number of persons employed by the Group (including Directors) by employee location was:

| | Year ended 31 March 2022 Number | Year ended 31 March 2021 Number |
|---|---|---|
| United States of America | **2,368** | 2,395 |
| Mainland Europe | **1,310** | 1,117 |
| United Kingdom | **2,427** | 2,224 |
| Asia Pacific | **1,249** | 1,237 |
| Other countries | **168** | 147 |
| | **7,522** | 7,120 |

Group employee costs comprise:

| | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m |
|---|---|---|
| Wages and salaries | **350.6** | 300.7 |
| Social security costs | **50.3** | 40.8 |
| Pension costs (note 29) | **14.2** | 11.5 |
| Share-based payment charge (note 24) | **14.6** | 13.4 |
| | **429.7** | 366.4 |

## 8 Directors' remuneration

The remuneration of the Directors is set out on pages 133 to 148 within the Annual Remuneration Report described as being audited and forms part of these financial statements.

Directors' remuneration comprises:

| | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m |
|---|---|---|
| Wages, salaries and fees | **5.7** | 4.0 |
| Pension costs | **0.1** | 0.1 |
| Share-based payment charge | **3.0** | 3.1 |
| | **8.8** | 7.2 |

## 9 Taxation

### Recognised in the Consolidated Income Statement

| | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m |
|---|---|---|
| **Current tax** | | |
| UK corporation tax at 19% (2021: 19%) | **16.7** | 11.5 |
| Overseas taxation | **46.0** | 40.7 |
| Adjustments in respect of prior years | **0.5** | 1.7 |
| **Total current tax charge** | **63.2** | 53.9 |
| **Deferred tax** | | |
| Origination and reversal of timing differences | **(5.7)** | (4.4) |
| Adjustments in respect of prior years | **0.1** | 0.1 |
| Changes in tax rates – UK | **2.6** | – |
| **Total deferred tax credit** | **(3.0)** | (4.3) |
| **Total tax charge recognised in the Consolidated Income Statement** | **60.2** | 49.6 |
| Reconciliation of the effective tax rate: | | |
| Profit before tax | **304.4** | 252.9 |
| Tax at the UK corporation tax rate of 19% (2021: 19%) | **57.8** | 48.1 |
| Profit on disposal of business | **(6.5)** | – |
| Overseas tax rate differences | **6.2** | 6.3 |
| Effect of intra-group financing | **–** | (6.5) |
| Tax incentives, exemptions and credits (including patent box, R&D and High-Tech status) | **(4.2)** | (4.4) |
| Changes in tax rates – UK | **2.6** | – |
| Permanent differences | **3.7** | 4.3 |
| Adjustments in respect of prior years | **0.6** | 1.8 |
| **Total tax charge recognised in the Consolidated Income Statement** | **60.2** | 49.6 |
| **Effective tax rate** | **19.8%** | 19.6% |

| | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m |
|---|---|---|
| Adjusted* profit before tax | **316.2** | 278.3 |
| Total tax charge on adjusted* profit | **68.3** | 55.8 |
| **Effective tax rate** | **21.6%** | 20.1% |

* Adjustments include the amortisation of acquired intangible assets, acquisition items, significant restructuring costs and profit or loss on disposal of operations. Note 3 provides more information on alternative performance measures.

The Group's future Effective Tax Rate (ETR) will mainly depend on the geographic mix of profits and whether there are any changes to tax legislation in the Group's most significant countries of operations. The Finance Bill 2021 received Royal Assent on 10 June 2021 and included the increase in the UK corporation tax rate from 19% to 25% from 1 April 2023. Accordingly, our UK deferred tax balances have been restated to 25%, resulting in a £2.6m charge to the profit and loss account, included as an adjusting item.

## 9 Taxation continued

### Recognised in the Consolidated Statement of Comprehensive Income and Expenditure

In addition to the amount charged to the Consolidated Income Statement, the following amounts relating to tax have been recognised directly in the Consolidated Statement of Comprehensive Income and Expenditure:

| | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m |
|---|---|---|
| **Current tax** | | |
| Retirement benefit obligations | **(2.3)** | (2.5) |
| **Deferred tax (note 22)** | | |
| Retirement benefit obligations | **11.9** | (3.4) |
| Effective portion of changes in fair value of cash flow hedges | **(0.4)** | 0.2 |
| | **9.2** | (5.7) |

### Recognised directly in equity

In addition to the amounts charged to the Consolidated Income Statement and the Consolidated Statement of Comprehensive Income and Expenditure, the following amounts relating to tax have been recognised directly in equity:

| | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m |
|---|---|---|
| **Current tax** | | |
| Excess tax deductions related to share-based payments on exercised awards | **(1.3)** | (1.6) |
| **Deferred tax (note 22)** | | |
| Change in estimated excess tax deductions related to share-based payments | **0.2** | 0.4 |
| | **(1.1)** | (1.2) |

## 10 Dividends

| | Per ordinary share | | | |
|---|---|---|---|---|
| | Year ended 31 March 2022 pence | Year ended 31 March 2021 pence | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m |
| **Amounts recognised as distributions to shareholders in the year** | | | | |
| Final dividend for the year ended 31 March 2021 (31 March 2020) | **10.78** | 9.96 | **40.8** | 37.7 |
| Interim dividend for the year ended 31 March 2022 (31 March 2021) | **7.35** | 6.87 | **27.9** | 26.0 |
| | **18.13** | 16.83 | **68.7** | 63.7 |
| **Dividends declared in respect of the year** | | | | |
| Interim dividend for the year ended 31 March 2022 (31 March 2021) | **7.35** | 6.87 | **27.9** | 26.0 |
| Proposed final dividend for the year ended 31 March 2022 (31 March 2021) | **11.53** | 10.78 | **43.6** | 40.8 |
| | **18.88** | 17.65 | **71.5** | 66.8 |

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 21 July 2022 and has not been included as a liability in these financial statements.

## 11 Goodwill

| | 31 March 2022 £m | 31 March 2021 £m |
|---|---|---|
| **Cost** | | |
| At beginning of year | **808.5** | 838.4 |
| Additions (note 25) | **80.2** | 20.6 |
| Adjustments to prior years | **–** | 3.6 |
| Disposals (note 30) | **(9.0)** | (3.8) |
| Exchange adjustments | **29.0** | (50.3) |
| At end of year | **908.7** | 808.5 |
| **Provision for impairment** | | |
| At beginning and end of year | **–** | – |
| **Carrying amounts** | **908.7** | 808.5 |

The Group identifies cash generating units (CGUs) at the operating company level as this represents the lowest level at which cash inflows are largely independent of other cash inflows. However, often the goodwill which arises as a result of a business acquisition, will benefit more than one CGU and so at acquisition, goodwill is allocated to the groups of CGUs that are expected to benefit from that business combination.

Where goodwill has been allocated to a cash-generating unit (CGU) group and part of the operation within that group is disposed of, the goodwill associated with the disposed operation must be included in the carrying amount when determining the gain or loss on disposal. The amount included is measured on the basis of the relative values of the operation disposed of and the portion of the CGU group that is retained.

Before recognition of any impairment losses, the carrying amount of goodwill has been allocated to CGU groups as follows:

| | 31 March 2022 £m | 31 March 2021 Restated* £m |
|---|---|---|
| **Safety** | | |
| Fire | **126.8** | 114.2 |
| Doors, Security and Elevators | **104.0** | 112.2 |
| Safety Interlocks and Corrosion Monitoring | **58.5** | 55.9 |
| Bursting Discs | **8.8** | 8.4 |
| | **298.1** | 290.7 |
| **Environmental & Analysis** | | |
| Water | **85.2** | 74.4 |
| Photonics | **76.6** | 64.1 |
| Environmental Monitoring | **13.3** | 12.7 |
| Gas Detection* | **24.9** | 14.4 |
| | **200.0** | 165.6 |
| **Medical** | | |
| Life Sciences | **39.9** | 37.6 |
| Healthcare Assessment | **231.5** | 184.4 |
| Therapeutic Solutions | **139.2** | 130.2 |
| | **410.6** | 352.2 |
| **Total Group** | **908.7** | 808.5 |

* Restated to reflect the new reporting segments

## 11 Goodwill continued

### Impairment testing

Goodwill values have been tested for impairment by comparing them against the 'value in use' in perpetuity of the relevant CGU group. The 'value in use' calculations were based on projected cash flows, derived from the latest budgets prepared by management and strategic plans approved by the Board, discounted at CGU group specific, risk adjusted, discount rates to calculate their net present value.

#### *Key assumptions used in 'value in use' calculations*

The calculation of 'value in use' is most sensitive to the following assumptions:

— CGU specific operating assumptions that are reflected in the budget period for the financial year to March 2023;
— Discount rates; and
— Growth rates used to extrapolate risk adjusted cash flows beyond the forecast period.

CGU specific operating assumptions are applicable to the forecasted cash flows for the year to March 2023 and relate to revenue forecasts, expected project outcomes and forecast operating margins in each of the operating companies. The relative value ascribed to each assumption will vary between CGUs as the forecasts are built up from the underlying operating companies within each CGU group. A short-term growth rate is applied to the March 2023 forecast to derive the cash flows arising in the years to March 2024 and March 2025. A long-term rate is applied to these values for the year to March 2026 and onwards. The potential impacts of climate change on long-term growth rates have been considered. For example, where any CGU group has exposure to customers in the oil and gas industry a reduction in the long-term growth has been applied. Additional capital expenditure to meet the Group's emission targets and physical risks have also been factored in to future cash flow estimates. No further significant adjustments to future cash flows from climate change are expected and therefore have not been recognised in the calculations. All CGU groups have significant headroom and any future impacts of climate change are not expected to have a material impact on the carrying value of goodwill.

Short-term growth rates for the years 2024 and 2025 for all CGU groups are based on sector strategic plans. Long-term growth rates are capped at the weighted average GDP growth rates of the markets into which that CGU group sells.

Discount rates have been calculated in a consistent manner to previous years and are based on estimations of the assumptions that market participants operating in similar sectors to Halma would make, using the Group's economic profile as a starting point and adjusting appropriately. Discount rates are not adjusted for estimated impacts of inflation, which is consistent with the calculation of the future operating cash flows to which they are applied. The Directors do not currently expect any significant change in the present average base discount rate for the Group of 9.22% (2021: 9.26%) and they do not expect that future potential changes would have a significant impact on the results of the impairment review. The base discount rate, which is pre-tax and is based on short-term variables, may differ from the Weighted Average Cost of Capital (WACC). Discount rates are adjusted for economic risks that are not already captured in the specific operating assumptions for each CGU group. This results in the impairment testing using discount rates ranging from 8.33% to 11.85% (2021: 7.92% to 12.58%) across the CGU groups.

#### *Significant CGU groups*

CGU groups to which 10% or more of the total goodwill balance is allocated are deemed to be significant. The assumptions used to determine 'value in use' for these CGU groups are:

| | Risk adjusted discount rate | | Short-term growth rates | | Long-term growth rates | |
|---|---|---|---|---|---|---|
| | **31 March 2022** | 31 March 2021 | **31 March 2022** | 31 March 2021 | **31 March 2022** | 31 March 2021 |
| Fire | **11.73%** | 11.43% | **10.06%** | 10.14% | **2.49%** | 2.04% |
| Doors, Security and Elevators | **10.99%** | 10.50% | **10.06%** | 10.14% | **2.19%** | 2.04% |
| Healthcare Assessment | **11.92%** | 12.58% | **9.96%** | 8.32% | **2.18%** | 1.87% |
| Therapeutic Solutions | **10.77%** | 10.95% | **9.96%** | 8.32% | **2.59%** | 1.87% |

### Sensitivity to changes in assumptions

The Directors believe that no reasonably possible change in any of the above key assumptions would cause the carrying value of any unit to exceed its recoverable amount.

## 12 Other intangible assets

| | Acquired intangible assets | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Customer and supplier relationship[1] £m | Technical know-how[2] £m | Trademarks, brands and patents[3] £m | Total £m | Internally generated capitalised development costs[4] £m | Computer software £m | Other intangibles[5] £m | Total £m |
| **Cost** | | | | | | | | |
| At 1 April 2020 | 335.4 | 148.6 | 82.8 | 566.8 | 107.7 | 22.9 | 5.0 | 702.4 |
| Assets of businesses acquired | 7.3 | 5.9 | 2.2 | 15.4 | – | – | – | 15.4 |
| Assets of business sold | (1.9) | (2.9) | (2.1) | (6.9) | (0.4) | (0.4) | (0.5) | (8.2) |
| Additions at cost | – | – | – | – | 15.4 | 2.8 | 1.2 | 19.4 |
| Disposals and retirements | – | – | – | – | (4.4) | (1.1) | – | (5.5) |
| Transfers | – | – | – | – | (0.4) | 1.0 | – | 0.6 |
| Exchange adjustments | (20.9) | (10.5) | (4.9) | (36.3) | (4.6) | (1.0) | (0.5) | (42.4) |
| **At 31 March 2021** | **319.9** | **141.1** | **78.0** | **539.0** | **113.3** | **24.2** | **5.2** | **681.7** |
| Assets of businesses acquired (note 25) | **36.3** | **25.3** | **6.1** | **67.7** | **–** | **0.1** | **–** | **67.8** |
| Assets of business sold | **(5.6)** | **(1.4)** | **–** | **(7.0)** | **(2.9)** | **(0.5)** | **–** | **(10.4)** |
| Additions at cost | **–** | **–** | **–** | **–** | **13.4** | **0.9** | **0.5** | **14.8** |
| Disposals and retirements | **–** | **–** | **–** | **–** | **(2.2)** | **(2.4)** | **(0.1)** | **(4.7)** |
| Exchange adjustments | **12.8** | **5.9** | **3.0** | **21.7** | **2.4** | **0.4** | **0.3** | **24.8** |
| **At 31 March 2022** | **363.4** | **170.9** | **87.1** | **621.4** | **124.0** | **22.7** | **5.9** | **774.0** |
| **Accumulated amortisation & impairment** | | | | | | | | |
| **At 1 April 2020** | 193.3 | 45.1 | 45.1 | 283.5 | 71.6 | 17.0 | 1.9 | 374.0 |
| Charge for the year | 25.2 | 12.0 | 5.1 | 42.3 | 7.9 | 2.4 | 0.4 | 53.0 |
| Assets of business sold | (1.9) | (2.9) | (2.1) | (6.9) | – | (0.3) | (0.3) | (7.5) |
| Impairment | – | – | – | – | 1.9 | 0.4 | – | 2.3 |
| Disposals and retirements | – | – | – | – | (4.4) | (1.0) | – | (5.4) |
| Transfers | – | – | – | – | – | 0.5 | – | 0.5 |
| Exchange adjustments | (14.5) | (3.9) | (3.2) | (21.6) | (2.6) | (0.8) | (0.2) | (25.2) |
| **At 31 March 2021** | **202.1** | **50.3** | **44.9** | **297.3** | **74.4** | **18.2** | **1.8** | **391.7** |
| Charge for the year | **23.5** | **13.7** | **5.5** | **42.7** | **7.0** | **2.5** | **0.6** | **52.8** |
| Assets of business sold | **(5.6)** | **(1.4)** | **–** | **(7.0)** | **(2.1)** | **(0.5)** | **–** | **(9.6)** |
| Impairment | **–** | **–** | **–** | **–** | **2.9** | **–** | **–** | **2.9** |
| Disposals and retirements | **–** | **–** | **–** | **–** | **(1.0)** | **(2.1)** | **(0.2)** | **(3.3)** |
| Exchange adjustments | **8.5** | **2.4** | **1.8** | **12.7** | **1.1** | **0.4** | **0.1** | **14.3** |
| **At 31 March 2022** | **228.5** | **65.0** | **52.2** | **345.7** | **82.3** | **18.5** | **2.3** | **448.8** |
| **Carrying amounts** | | | | | | | | |
| **At 31 March 2022** | **134.9** | **105.9** | **34.9** | **275.7** | **41.7** | **4.2** | **3.6** | **325.2** |
| At 31 March 2021 | 117.8 | 90.8 | 33.1 | 241.7 | 38.9 | 6.0 | 3.4 | 290.0 |

1 Customer and supplier relationship assets are amortised over their useful economic lives estimated to be between 3 and 20 years. Within this balance individually material balances relate to:
- CenTrak: £12.7m (2021: £13.5m);
- Mini-Cam: £9.3m (2021: £11.0m);
- Ampac: £12.7m (2021: £13.4m); and
- Infinite Leap £9.9m (2021: £Nil).

The remaining amortisation periods for these assets are 9 years, six years, 11 years and 16 years respectively.

2 Technical know-how assets are amortised over their useful economic lives, estimated to be between 3 and 15 years. Within this balance individually material balances relate to:
- NeoMedix £8.2m (2021: £8.5m); and
- NovaBone £20.2m (2021: £20.8m).

The remaining amortisation periods for these assets are 12 years, and 13 years respectively.

3 Trademarks, brands and patents (which include protected intellectual property) are amortised over their useful economic lives estimated to be between 3 and 20 years. There are no individually material items within this balance.

4 Internally generated capitalised development costs are amortised over their useful economic lives estimated to be three years from the date of product launch. There are no individually material items within this balance, which comprises capitalised costs arising from the development phase of the R&D projects undertaken by the Group.

5 Other intangibles comprise licence and product registration costs, and customer lists, amortised over their useful economic lives, estimated to be between three and five years.

## 13 Property, plant and equipment

| | Right-of-use assets (Note 28) £m | Owned assets<br>Freehold land and buildings £m | <br>Leasehold buildings and improvements £m | <br>Plant, equipment and vehicles £m | Total £m |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 April 2020 | 109.3 | 59.2 | 25.6 | 214.3 | 408.4 |
| Transfer between category | – | 0.1 | (0.1) | (0.7) | (0.7) |
| Assets of businesses acquired (note 25) | 0.6 | 2.4 | – | 0.6 | 3.6 |
| Assets of business sold | (4.0) | – | (0.4) | (6.6) | (11.0) |
| Additions at cost | 23.7 | 4.6 | 1.3 | 16.9 | 46.5 |
| Disposals and retirements | (16.6) | – | (4.4) | (9.9) | (30.9) |
| Exchange adjustments | (6.1) | (2.7) | (0.9) | (9.6) | (19.3) |
| **At 31 March 2021** | **106.9** | **63.6** | **21.1** | **205.0** | **396.6** |
| Transfer between category | **(0.1)** | **0.1** | **–** | **(0.6)** | **(0.6)** |
| Assets of businesses acquired (note 25) | **4.6** | **2.6** | **–** | **1.0** | **8.2** |
| Assets of business sold | **(3.9)** | **–** | **(0.6)** | **(9.1)** | **(13.6)** |
| Additions at cost | **18.4** | **1.8** | **2.5** | **20.9** | **43.6** |
| Disposals and retirements | **(1.8)** | **–** | **(0.2)** | **(14.8)** | **(16.8)** |
| Exchange adjustments | **4.2** | **1.2** | **0.8** | **4.5** | **10.7** |
| **At 31 March 2022** | **128.3** | **69.3** | **23.6** | **206.9** | **428.1** |
| **Accumulated depreciation** | | | | | |
| At 1 April 2020 | 53.9 | 15.8 | 14.8 | 139.6 | 224.1 |
| Transfer between category | – | 0.1 | (0.1) | (0.6) | (0.6) |
| Charge for the year | 14.4 | 1.2 | 3.2 | 18.5 | 37.3 |
| Impairment | 0.2 | – | – | 0.3 | 0.5 |
| Assets of business sold | (2.4) | – | (0.3) | (3.9) | (6.6) |
| Disposals and retirements | (16.2) | – | (4.1) | (8.7) | (29.0) |
| Exchange adjustments | (2.6) | (0.7) | (0.5) | (6.1) | (9.9) |
| **At 31 March 2021** | **47.3** | **16.4** | **13.0** | **139.1** | **215.8** |
| Transfer between category | **(0.1)** | **–** | **–** | **(0.5)** | **(0.6)** |
| Charge for the year | **14.6** | **1.2** | **2.0** | **18.0** | **35.8** |
| Impairment | **–** | **–** | **–** | **0.3** | **0.3** |
| Assets of business sold | **(1.6)** | **–** | **(0.5)** | **(5.2)** | **(7.3)** |
| Disposals and retirements | **(0.8)** | **–** | **(0.2)** | **(14.1)** | **(15.1)** |
| Exchange adjustments | **1.9** | **0.3** | **0.4** | **2.6** | **5.2** |
| **At 31 March 2022** | **61.3** | **17.9** | **14.7** | **140.2** | **234.1** |
| **Carrying amounts** | | | | | |
| **At 31 March 2022** | **67.0** | **51.4** | **8.9** | **66.7** | **194.0** |
| At 31 March 2021 | 59.6 | 47.2 | 8.1 | 65.9 | 180.8 |

Note 28 Leases contains further details of the Group's right-of-use assets. None of the property, plant and equipment has been pledged as security.

## 14 Interest in associate and other investments

| | 31 March 2022 £m | 31 March 2021 £m |
|---|---|---|
| Interest in associate | **1.3** | 1.4 |
| Financial assets at fair value through other comprehensive income | | |
| – Equity instruments | **6.9** | 7.9 |
| | **8.2** | 9.3 |

### Interest in associate

| | 31 March 2022 £m | 31 March 2021 £m |
|---|---|---|
| **Interest in associate** | | |
| At beginning of the year | **1.4** | – |
| Additions in the year (note 30) | **–** | 1.4 |
| Group's share of loss of associate | **(0.1)** | – |
| **At end of year** | **1.3** | 1.4 |

During the prior year, the Group incorporated a new entity, OneThird B.V., to spin out the food technology start-up business from Ocean Insight, investing £0.9m on set up. On 26 March 2021, OneThird B.V., issued new shares to external investors that reduced the Group's ownership interest from 60% to 35.3%, valuing the Group's share at €1.5m (£1.4m) and resulting in a gain on deemed disposal of £0.5m. Following the deemed disposal, OneThird B.V. has been accounted for as an associate.

In the current year, One Third B.V., issued further new shares to external investors that reduced the Group's ownership from 35.3% to 30.0%. There was no gain or loss on deemed disposal.

| | 31 March 2022 £m | 31 March 2021 £m |
|---|---|---|
| **Aggregated amounts relating to associate** | | |
| Current assets | **1.6** | 1.2 |
| Current liabilities | **(0.1)** | – |
| Net assets | **1.5** | 1.2 |
| Group's share of net assets of associate | **0.5** | 0.4 |
| | | |
| Total revenue | **–** | – |
| Loss | **(0.3)** | – |
| Group's share of loss of associate | **(0.1)** | – |

### Financial assets at fair value through other comprehensive income (FVOCI)

Movements in equity investments at FVOCI comprise the following:

| | 31 March 2022 £m | 31 March 2021 £m |
|---|---|---|
| Unlisted securities | | |
| At beginning of the year | **7.9** | 4.8 |
| Additions in the year | **0.7** | 3.1 |
| Changes in fair value recognised in other comprehensive income | **(1.7)** | – |
| **At end of year** | **6.9** | 7.9 |

Unlisted securities comprise of investments in Owlytics Healthcare Limited, Valencell Inc. and Oxbotica Limited.

Further information on methods and assumptions used in determining fair value is provided in note 27.

## 15 Inventories

| | 31 March 2022 £m | 31 March 2021 £m |
|---|---|---|
| Raw materials and consumables | **131.8** | 92.0 |
| Work in progress | **21.5** | 15.8 |
| Finished goods and goods for resale | **75.5** | 60.0 |
| | **228.8** | 167.8 |

The above is stated net of provision for slow-moving and obsolete stock, movements of which are shown below:

| | 31 March 2022 £m | 31 March 2021 £m |
|---|---|---|
| At beginning of the year | **30.5** | 27.1 |
| Write downs of inventories recognised as an expense | **4.7** | 7.4 |
| Recognition of provisions for businesses acquired | **1.2** | 1.2 |
| Derecognition of provisions for businesses disposed | **(0.7)** | (0.4) |
| Utilisation and amounts reversed against inventories previously impaired | **(0.7)** | (3.1) |
| Exchange adjustments | **1.1** | (1.7) |
| At end of the year | **36.1** | 30.5 |

In the year ended 31 March 2022, previous write-downs against inventory were reversed as a result of increased sales in certain markets or where previously written down inventories have been disposed.

There is no material difference between the original cost of inventories and their cost of replacement. None of the inventory has been pledged as security.

## 16 Trade and other receivables

| | 31 March 2022 £m | 31 March 2021 £m |
|---|---|---|
| Trade receivables | **259.8** | 238.8 |
| Allowance for doubtful debts | **(6.6)** | (11.2) |
| | **253.2** | 227.6 |
| Other receivables | **16.6** | 8.7 |
| Prepayments | **23.9** | 17.4 |
| Contract assets (note 18) | **31.4** | 14.3 |
| | **325.1** | 268.0 |

Other receivables comprise various assets across the Group, including sales tax receivables and other non-trade balances.

Receivables due in more than one year comprise of £nil (2021: £nil) in trade receivables and £0.5m in other receivables (2021: £1.9m).

The movement in the allowance for doubtful debts in respect of trade receivables during the year was as follows:

| | 31 March 2022 £m | 31 March 2021 £m |
|---|---|---|
| At beginning of the year | **11.2** | 12.7 |
| Net impairment loss (reversed)/recognised | **(4.1)** | 0.5 |
| Amounts recovered against trade receivables previously written down/amounts utilised | **(0.8)** | (1.8) |
| Recognition of provisions for businesses acquired | **0.2** | 0.1 |
| Exchange adjustments | **0.1** | (0.3) |
| At end of the year | **6.6** | 11.2 |

The Group assesses on a forward-looking basis the expected credit losses associated with its trade and other receivables carried at amortised cost.

The Group assessed that no provisions or impairments were required in relation to contract assets (2021: £nil).

The fair value of trade and other receivables approximates to book value due to the short-term maturities associated with these items. There is no impairment risk identified with regards to prepayments or other receivables where no amounts are past due.

## 16 Trade and other receivables continued

The ageing of trade receivables was as follows:

| | Gross trade receivables | | Trade receivables net of doubtful debts | |
|---|---|---|---|---|
| | 31 March 2022 £m | 31 March 2021 £m | 31 March 2022 £m | 31 March 2021 £m |
| Not yet due | **196.5** | 181.2 | **196.1** | 181.0 |
| Up to one month overdue | **35.4** | 32.0 | **35.3** | 31.5 |
| Between one and two months overdue | **10.3** | 7.7 | **10.0** | 7.5 |
| Between two and three months overdue | **4.7** | 5.7 | **4.5** | 5.5 |
| Over three months overdue | **12.9** | 12.2 | **7.3** | 2.1 |
| | **259.8** | 238.8 | **253.2** | 227.6 |

## 17 Trade and other payables: falling due within one year

| | 31 March 2022 £m | 31 March 2021 £m |
|---|---|---|
| Trade payables | **102.5** | 84.8 |
| Other taxation and social security | **10.2** | 11.4 |
| Other payables | **6.5** | 6.0 |
| Accruals | **97.5** | 67.1 |
| Contract liabilities (note 18) | **25.5** | 16.0 |
| Deferred government grant income | **0.5** | 1.4 |
| | **242.7** | 186.7 |

Other payables comprise various balances across the Group including share-based payments related amounts of £1.1m (2021: £2.0m), deferred R&D expenditure tax credits and other non-trade payables. These comprise £5.8m of financial liabilities and £0.7m of non-financial liabilities.

## 18 Contract balances

| | 31 March 2022 £m | 31 March 2021 £m |
|---|---|---|
| **Contract costs** | **0.6** | – |
| **Contract assets (note 16)** | **31.4** | 14.3 |
| Contract liabilities current (note 17) | **25.5** | 16.0 |
| Contract liabilities non-current (note 21) | **14.6** | 11.0 |
| **Total contract liabilities** | **40.1** | 27.0 |

Contract costs represent an asset the Group has recognised in relation to costs to fulfil long-term contracts. This is presented within other receivables in the balance sheet.

| | Contract assets | | Contract liabilities | |
|---|---|---|---|---|
| | 31 March 2022 £m | 31 March 2021 £m | 31 March 2022 £m | 31 March 2021 £m |
| **Amounts included in contract balances at the beginning of the year** | **14.3** | 20.2 | **(27.0)** | (26.2) |
| Transfers to receivables during the year | **(14.1)** | (17.7) | **–** | |
| **Performance obligations arising in the current reporting year** | | | | |
| Increases as a result of billing ahead of performance | **–** | – | **(28.2)** | (16.7) |
| Decreases as a result of revenue recognised in the year | **–** | – | **16.2** | 15.1 |
| Increases as a result of performance in advance of billing | **30.6** | 13.7 | | |
| Amounts arising through business combinations | **–** | – | **(0.8)** | – |
| Exchange movements | **0.6** | (1.9) | **(0.3)** | 0.8 |
| **Amounts included in contract balances at the end of the year** | **31.4** | 14.3 | **(40.1)** | (27.0) |

In some cases, the Group receives payments from customers based on a billing schedule, as established in our contracts. The contract assets relate to revenue recognised for performance in advance of scheduled billing and has decreased as the Group has provided less services ahead of the agreed payment schedules for certain contracts. The contract liability relates to payments received in advance of performance under contract and varies based on performance under these contracts.

## 19 Borrowings

| | 31 March 2022 £m | 31 March 2021 £m |
|---|---|---|
| Loan notes falling due within one year | **71.2** | – |
| Overdrafts | **0.7** | 3.0 |
| Unsecured bank loans falling due within one year | **0.6** | – |
| **Total borrowings falling due within one year** | **72.5** | 3.0 |
| Unsecured loan notes falling due after more than one year | **35.0** | 105.3 |
| Unsecured bank loans falling due after more than one year | **252.6** | 217.0 |
| **Total borrowings falling due after more than one year** | **287.6** | 322.3 |
| **Total borrowings** | **360.1** | 325.3 |

The loan notes falling due within one year at 31 March 2022, related to the second repayment due under the United States Private Placement completed in November 2015 which are due in January 2023.

In the current and prior year, the loan notes falling due after more than one year relate to the remainder of the United States Private Placement.

Information concerning the security, currency, interest rates and maturity of the Group's borrowings is given in note 27.

## 20 Provisions

Provisions are presented as:

| | 31 March 2022 £m | 31 March 2021 £m |
|---|---|---|
| Current | **20.7** | 35.4 |
| Non-current | **7.7** | 8.4 |
| | **28.4** | 43.8 |

| | Contingent purchase consideration £m | Dilapidations £m | Product warranty £m | Legal, contractual and other £m | Total £m |
|---|---|---|---|---|---|
| **At 31 March 2021** | **29.4** | **2.5** | **7.9** | **4.0** | **43.8** |
| Additional provision in the year | **0.5** | **1.0** | **3.5** | **0.8** | **5.8** |
| Arising on acquisition (note 25) | **3.8** | **–** | **0.2** | **–** | **4.0** |
| Liabilities of business sold | **–** | **–** | **(0.2)** | **–** | **(0.2)** |
| Utilised during the year | **(14.2)** | **–** | **(1.1)** | **(1.6)** | **(16.9)** |
| Released during the year | **(4.7)** | **–** | **(2.8)** | **(0.5)** | **(8.0)** |
| Transfers | **–** | **(0.7)** | **–** | **–** | **(0.7)** |
| Exchange adjustments | **0.4** | **–** | **0.1** | **0.1** | **0.6** |
| **At 31 March 2022** | **15.2** | **2.8** | **7.6** | **2.8** | **28.4** |

## 20 Provisions continued

### Contingent purchase consideration

The provision at the beginning of the year comprised £29.4m, of which £26.1m was payable within one year, included amounts based on actual results for the final earnout period for Navtech, the first earnout periods for Infowave, Spreo and NeoMedix, and the second earnout period for Invenio. It also included estimates for the final earnout period for Visiometrics, for the year ended 31 December 2018, which is subject to final agreement, estimates for the future earnouts for NeoMedix and LAN and the remaining holdback amount for NovaBone.

The £0.5m additional provision in the year related to revisions to the estimate of Infowave (£0.3m increase) and Orca (£0.2m increase).

The £14.2m utilised during the year related to the third and final earnout period for Navtech (£9.4m) and LAN (£0.1m), the first and second earnout period for NeoMedix (£3.0m), and the second earnout period for Infowave (£1.5m) and Invenio (£0.2m).

The £4.7m released during the year related to the revisions to the estimate of NeoMedix (£3.0m reduction), Invenio (£0.3m reduction), NovaBone (£1.3m reduction) and Meditech (£0.1m).

The closing total provision is £15.2m, of which £13.2m is payable within one year, includes amounts based on actual results for the final earnout period for Infowave and Invenio. It also includes estimates for the final earnout period for Visiometrics, for the year ended 31 December 2018, which is subject to final agreement.

The balance due after more than one year of £2.0m comprises the estimated future earnouts for Spreo, Orca, Clayborn Lab and Infinite Leap.

The total contingent purchase consideration payable in future for the existing acquisitions is a minimum of £3.9m with a maximum possible payable of £49.1m.

The basis for the calculation of each contingent consideration arrangement is set out on page 221 in note 27, including sensitivity of the estimation of the liabilities to changes in the assumptions.

### Dilapidations

The dilapidations provisions are for the continuing obligations under leases in respect of property dilapidation and reinstatement provisions. The provisions comprise the Directors' best estimates of future payments to restore the fabric of buildings to their original condition where it is a condition of the leases, prior to return of the properties.

These commitments cover the period from 2022 to 2029 though they predominantly fall due within five years.

### Product warranty

Product warranty provisions reflect commitments made to customers on the sale of goods in the ordinary course of business and included within the Group companies' standard terms and conditions. The warranties represent assurance type warranties within the definition of IFRS 15. Warranty commitments cover a period of between one and five years and typically apply for a 12-month period. The provision represents the Directors' best estimate of the Group's liability based on past experience.

### Legal, contractual and other

Legal, contractual and other provisions comprise mainly amounts reserved against open legal and contractual disputes. The Company has on occasion been required to take legal or other actions to defend itself against proceedings brought by other parties. Provisions are made for the expected costs associated with such matters, based on past experience of similar items and other known factors, taking into account professional advice received, and represent Directors' best estimate of the likely outcome. The timing of utilisation of these provisions is frequently uncertain reflecting the complexity of issues and the outcome of various court proceedings and negotiations. Contractual and other provisions represent the Directors' best estimate of the cost of settling future obligations. Unless specific evidence exists to the contrary, these reserves are shown as current. Management's assessment of the potential impacts of climate change, as well as the Group's climate strategy as laid out on pages 80 to 95, has not resulted in the recognition of any additional provisions or disclosure of any contingent liabilities.

However, no provision is made for proceedings which have been or might be brought by other parties against Group companies unless the Directors, taking into account professional advice received, assess that it is more likely than not that such proceedings may be successful.

## 21 Trade and other payables: falling due after one year

| | **31 March 2022 £m** | 31 March 2021 £m |
|---|---|---|
| Other payables | **2.4** | 2.0 |
| Other taxation and social security | **–** | 2.5 |
| Accruals | **0.9** | 0.6 |
| Contract liabilities (note 18) | **14.6** | 11.0 |
| Deferred government grant income | **1.1** | 0.7 |
| | **19.0** | 16.8 |

## 22 Deferred tax

| | Retirement benefit obligations £m | Acquired intangible assets £m | Accelerated tax depreciation £m | Short-term timing differences £m | Share-based payment £m | Goodwill timing differences £m | Total £m |
|---|---|---|---|---|---|---|---|
| **At 1 April 2021** | **4.0** | **(58.7)** | **(6.0)** | **2.8** | **5.2** | **13.4** | **(39.3)** |
| Credit/(charge) to Consolidated Income Statement | **0.2** | **6.6** | **(0.3)** | **1.1** | **0.2** | **(4.8)** | **3.0** |
| Credit/(charge) to Consolidated Statement of Comprehensive Income | **(11.9)** | **–** | **–** | **0.4** | **–** | **–** | **(11.5)** |
| Charge to equity | **–** | **–** | **–** | **–** | **(0.2)** | **–** | **(0.2)** |
| Arising on acquisition (note 25) | **–** | **(17.5)** | **–** | **3.0** | **–** | **7.5** | **(7.0)** |
| Deferred tax of business sold (note 30) | **–** | **–** | **(0.1)** | **0.1** | **–** | **–** | **–** |
| Exchange adjustments | **–** | **(2.2)** | **(0.3)** | **0.4** | **–** | **1.0** | **(1.1)** |
| **At 31 March 2022** | **(7.7)** | **(71.8)** | **(6.7)** | **7.8** | **5.2** | **17.1** | **(56.1)** |

| | Retirement benefit obligations £m | Acquired intangible assets £m | Accelerated tax depreciation £m | Short-term timing differences £m | Share-based payment £m | Goodwill timing differences £m | Total £m |
|---|---|---|---|---|---|---|---|
| At 1 April 2020 | 0.5 | (69.4) | (6.3) | 4.1 | 5.6 | 18.1 | (47.4) |
| Credit/(charge) to Consolidated Income Statement | 0.1 | 10.3 | (1.2) | (1.6) | – | (3.3) | 4.3 |
| Credit/(charge) to Consolidated Statement of Comprehensive Income | 3.4 | – | – | (0.2) | – | – | 3.2 |
| Charge to equity | – | – | – | – | (0.4) | – | (0.4) |
| Arising on acquisition (note 25) | – | (2.9) | (0.2) | 0.7 | – | (0.1) | (2.5) |
| Deferred tax of business sold (note 30) | – | – | 1.2 | 0.1 | – | 0.9 | 2.2 |
| Exchange adjustments | – | 3.3 | 0.5 | (0.3) | – | (2.2) | 1.3 |
| At 31 March 2021 | 4.0 | (58.7) | (6.0) | 2.8 | 5.2 | 13.4 | (39.3) |

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

| | 31 March 2022 £m | 31 March 2021 £m |
|---|---|---|
| Deferred tax liability | **(58.5)** | (40.6) |
| Deferred tax asset | **2.4** | 1.3 |
| **Net deferred tax liability** | **(56.1)** | (39.3) |

Deferred tax balances expected to unwind in less than one year are insignificant.

Movement in net deferred tax liability:

| | 31 March 2022 £m | 31 March 2021 £m |
|---|---|---|
| At beginning of year | **(39.3)** | (47.4) |
| (Charge)/credit to Consolidated Income Statement: | | |
| UK | **(0.2)** | (2.0) |
| Overseas | **3.2** | 6.3 |
| Charge to Consolidated Statement of Comprehensive Income | **(11.5)** | 3.2 |
| Charge to equity | **(0.2)** | (0.4) |
| Arising on acquisition (note 25) | **(6.8)** | (2.5) |
| Deferred tax of business sold (note 30) | **–** | 2.2 |
| Exchange adjustments | **(1.3)** | 1.3 |
| At end of year | **(56.1)** | (39.3) |

It is likely that the unremitted earnings of overseas subsidiaries would qualify for the UK dividend exemption such that no UK tax would be due upon remitting those earnings to the UK. However, £112.6m (2021: £84.7m) of those earnings may still result in a tax liability, principally as a result of the dividend withholding taxes levied by the overseas jurisdictions in which those subsidiaries operate. These tax liabilities are not expected to exceed £7.9m (2021: £6.4m) of which only £0.7m has been provided as the Group is able to control the timing of the dividends. It is not expected that further amounts will crystallise in the foreseeable future. Temporary timing differences in connection with the interest in associate are insignificant.

## 22 Deferred tax continued

At 31 March 2022, deferred tax assets of £0.4m and £2.5m (2021: £0.3m and £0.8m) in respect of unused capital tax losses and other tax losses have not been recognised.

## 23 Share capital

| | Issued and fully paid | |
|---|---|---|
| | 31 March 2022 £m | 31 March 2021 £m |
| Ordinary shares of 10p each | **38.0** | 38.0 |

The number of ordinary shares in issue at 31 March 2022 was 379,645,332 (2021: 379,645,332), including shares held by the Employee Benefit Trust of 1,175,080 (2021: 891,622).

## 24 Share-based payments

The total cost recognised in the Consolidated Income Statement in respect of share-based payment plans (the 'employee share plans') was as follows:

| | Year ended 31 March 2022 | | | Year ended 31 March 2021 | | |
|---|---|---|---|---|---|---|
| | Equity-settled £m | Cash-settled £m | Total £m | Equity-settled £m | Cash-settled £m | Total £m |
| Share incentive plan | **1.1** | **–** | **1.1** | 1.1 | – | 1.1 |
| Executive share plan | **12.5** | **1.0** | **13.5** | 11.9 | 0.4 | 12.3 |
| | **13.6** | **1.0** | **14.6** | 13.0 | 0.4 | 13.4 |

### Share incentive plan

Shares awarded under this Plan are purchased in the market by the Plan's trustees at the time of the award and are held in trust until their transfer to qualifying employees; vesting is conditional upon completion of three years' service. Forfeited shares are reallocated in subsequent grants. The costs of providing this Plan are recognised in the Consolidated Income Statement over the three-year vesting period.

### Executive share plan (ESP)

Under the ESP, in which Executive Directors and certain senior employees participate, deferred share awards are made as either performance awards or deferred awards. Performance awards vest after three years based on Earnings Per Share and Return on Total Invested Capital (ROTIC) targets, and after two or three years for deferred share awards based on continuing service of the employee only. Awards which do not vest lapse on the second or third anniversary of their grant. Shares awarded under this Plan are purchased in the market by the Plan's trustees and are held as own shares until their transfer to qualifying employees. Under the terms of the trust deed, Halma is required to provide the trust with the necessary funds to purchase the shares ahead of vesting. Dividends accrue on unvested awards and are settled in cash on vesting.

The following table shows the number of deferred shares granted and outstanding at the beginning and end of the reporting period for the ESP:

| | 2022 Number of shares awarded | 2021 Number of shares awarded |
|---|---|---|
| Outstanding at beginning of year | **1,806,330** | 2,175,864 |
| Granted during the year | **759,832** | 726,410 |
| Vested during the year (pro-rated for 'good leavers') | **(660,019)** | (870,681) |
| Lapsed during the year | **(183,437)** | (225,263) |
| Outstanding at end of year | **1,722,706** | 1,806,330 |
| Exercisable at end of year | **–** | – |

The performance shares outstanding at 31 March 2022 had a weighted average remaining contractual life of 16 months (2021: 13 months). The weighted average share price at the date of exercise of vested shares during the year was 2,705p (2021: 2,195p).

The fair value of the awards was calculated using an appropriate simulation method, with the inputs below:

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| Expected life (years) | **2 or 3** | 2 or 3 | 2 or 3 |
| Share price on date of grant (p) | **2,732.0** | 2,260.0 | 2,046.0 |
| Option price (p) | **Nil** | Nil | Nil |
| Fair value per option (%) | **100%** | 100% | 100% |
| Fair value per option (p) | **2,732.0** | 2,260.0 | 2,046.0 |

## 24 Share-based payments continued

### Cash-settled

Awards under the above plans are normally settled in shares but may be settled in cash at the Board's discretion or where required by local regulations. Cash-settled awards follow the same vesting conditions as the plans under which they are awarded.

### Net settlement feature for withholding tax obligations

The Group withholds an amount for an employee's tax obligation associated with a share-based payment and transfers that amount in cash to the relevant tax authority on the employee's behalf. The deferred shares granted under the ESP include a net settlement feature under which shares are withheld in order to settle the employee's tax obligations.

Where permitted by local regulations, the Group is settling the deferred share grant on a net basis by withholding the number of shares with a fair value equal to the monetary value of the employee's tax obligation and only issuing the remaining shares on completion of the vesting period. An amount of £7.1m was withheld and paid to the taxation authority in relation to the deferred shares granted in July 2018 (2021: £7.8m).

## 25 Acquisitions

In accounting for acquisitions, adjustments are made to the book values of the net assets of the companies acquired to reflect their fair values to the Group. Other previously unrecognised assets and liabilities at acquisition are included and accounting policies are aligned with those of the Group where appropriate.

During the year ended 31 March 2022, the Group made 13 acquisitions namely:

- Dancutter A/S;
- Orca GmbH;
- PeriGen, Inc.;
- Ramtech Electronics Limited;
- Sensitron S.R.L.;
- Infinite Leap Inc.;
- International Light Technologies Inc.;
- Meditech Kft;
- Anton Industrial Services Limited;
- Certain trade and assets of FluidSentry Pty;
- Certain trade and assets of RNK Products Inc.;
- Certain trade and assets of IBIT S.R.L.;
- Certain trade and assets of Clayborn Lab.

Set out on the following pages are summaries of the assets acquired and liabilities assumed and the purchase consideration of:

a) the total of acquisitions;

b) Dancutter A/S;

c) Orca GmbH;

d) PeriGen, Inc.;

e) Ramtech Electronics Limited;

f) Sensitron S.R.L.;

g) Infinite Leap Inc.;

h) International Light Technologies Inc.;

i) Other acquisitions.

Due to their contractual dates, the fair value of receivables acquired approximate to the gross contractual amounts receivable. The amount of gross contractual receivables not expected to be recovered is immaterial.

There are no material contingent liabilities recognised in accordance with paragraph 23 of IFRS 3 (revised).

The acquisitions contributed £39.9m of revenue and £7.4m of profit after tax for year ended 31 March 2022.

If these acquisitions had been held since the start of the financial year, it is estimated that the Group's reported revenue and profit after tax would have been £23.0m and £3.3m higher respectively.

As at the date of approval of the financial statements, the accounting for all current year acquisitions is provisional; relating to finalisation of the valuation of acquired intangible assets, the initial consideration, which is subject to agreement of certain contractual adjustments, and certain other provisional balances.

## 25 Acquisitions continued

### a) Total of acquisitions

| | Total £m |
|---|---|
| **Non-current assets** | |
| Intangible assets | **67.8** |
| Property, plant and equipment | **8.2** |
| Deferred tax | **5.3** |
| **Current assets** | |
| Inventories | **10.0** |
| Trade and other receivables | **15.5** |
| Tax | **0.4** |
| Cash and cash equivalents | **18.2** |
| **Total assets** | **125.4** |
| **Current liabilities** | |
| Payables | **(19.3)** |
| Borrowings and lease liabilities | **(0.7)** |
| Provisions | **(0.2)** |
| Tax | **(0.8)** |
| **Non-current liabilities** | |
| Borrowings and lease liabilities | **(3.9)** |
| Deferred tax | **(12.3)** |
| **Total liabilities** | **(37.2)** |
| **Net assets of businesses acquired** | **88.2** |
| | |
| Initial cash consideration paid | **151.2** |
| Other adjustments | **13.1** |
| Other amounts to be paid | **0.3** |
| Contingent purchase consideration including retentions estimated to be paid | **3.8** |
| **Total consideration** | **168.4** |
| | |
| **Total goodwill** | **80.2** |

***Analysis of cash outflow in the Consolidated Cash Flow Statement***

| | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m |
|---|---|---|
| Initial cash consideration paid | **151.2** | 37.0 |
| Cash acquired on acquisitions | **(18.2)** | (7.9) |
| Initial cash consideration adjustment on current year acquisitions | **13.1** | 6.9 |
| Contingent consideration paid and loan notes repaid in cash in relation to prior year acquisitions | **14.2** | 10.4 |
| **Net cash outflow relating to acquisitions** | **160.3** | 46.4 |
| **Included in cash flows from operating activities** | **7.5** | – |
| **Included in cash flows from investing activities** | **152.8** | 46.4 |

Contingent consideration included in cash flows from operating activities reflect amounts paid in excess of that estimated in the acquisition balance sheets.

## 25 Acquisitions continued

### b) Dancutter A/S

| | £m |
|---|---|
| **Non-current assets** | |
| Intangible assets | **8.8** |
| Property, plant and equipment | **1.3** |
| **Current assets** | |
| Inventories | **0.5** |
| Trade and other receivables | **0.5** |
| Cash and cash equivalents | **0.9** |
| **Total assets** | **12.0** |
| **Current liabilities** | |
| Payables | **(0.5)** |
| Borrowings and lease liabilities | **(0.1)** |
| Provisions | **(0.1)** |
| Tax | **(0.1)** |
| **Non-current liabilities** | |
| Borrowings and lease liabilities | **(1.1)** |
| Deferred tax | **(1.9)** |
| **Total liabilities** | **(3.8)** |
| **Net assets of businesses acquired** | **8.2** |
| | |
| Initial cash consideration paid | **15.0** |
| Other adjustments | **0.5** |
| Retention amount | **0.4** |
| **Total consideration** | **15.9** |
| | |
| **Total goodwill** | **7.7** |

On 24 June 2021, the Group acquired the entire share capital of Dancutter A/S and Repipe Lining Systems A/S (together 'Dancutter') for consideration of €18.1m (£15.5m), which comprised the purchase price of €18.0m (£15.4m) plus net cash/(debt) adjustments of €0.6m (£0.5m) less a retention amount of €0.5m (£0.4m). The retention amount, held in place of escrow balances, is due 18 months from the date of acquisition. There is no contingent consideration payable. The maximum total cash consideration, excluding cash and debt acquired, is £15.0m.

Dancutter, located in Denmark, is a designer and manufacturer of trenchless pipeline rehabilitation equipment. This is used to maintain and extend the life of wastewater networks, reducing blockages and leakage and ultimately reducing environmental contamination. Dancutter will be managed as part of Halma's MiniCam business and will become part of Halma's Environmental & Analysis sector. Key members of Dancutter's leadership team will remain with the business and it will continue to operate in its current facility.

The excess of the fair value of the consideration paid over the fair value of the assets acquired is represented by customer related intangibles of £6.4m; trade name of £0.7m and technology related intangibles of £1.7m; with residual goodwill arising of £7.7m.

The goodwill represents:

a) the technical expertise of the acquired workforce;

b) the opportunity to leverage this expertise across some of Halma's businesses through future technologies; and

c) the ability to exploit the Group's existing customer base.

Dancutter contributed £2.7m of revenue and £0.4m of profit after tax for the year ended 31 March 2022. If this acquisition had been held since the start of the financial year, it is estimated that the Group's reported revenue and profit after tax would have been £1.1m higher and £0.2m higher respectively.

Acquisition costs totalling £0.3m were recorded in administrative expenses in the Consolidated Income Statement.

The goodwill arising on this acquisition is not expected to be deductible for tax purposes.

## 25 Acquisitions continued

### c) Orca GmbH

| | £m |
|---|---|
| **Non-current assets** | |
| Intangible assets | **2.4** |
| Property, plant and equipment | **0.1** |
| **Current assets** | |
| Inventories | **1.1** |
| Trade and other receivables | **0.4** |
| Cash and cash equivalents | **1.0** |
| **Total assets** | **5.0** |
| **Current liabilities** | |
| Payables | **(0.2)** |
| Tax | **(0.5)** |
| **Non-current liabilities** | |
| Deferred tax | **(0.9)** |
| **Total liabilities** | **(1.6)** |
| **Net assets of business acquired** | **3.4** |
| | |
| Initial cash consideration paid | **5.4** |
| Other adjustments | **0.5** |
| Contingent purchase consideration estimated to be paid | **0.4** |
| **Total consideration** | **6.3** |
| | |
| **Total goodwill** | **2.9** |

On 3 May 2021, the Group acquired the entire share capital of Orca GmbH ('Orca'), for €6.8m (£5.9m), which comprised the purchase price of €6.2m (£5.4m) plus net cash/(debt) adjustments of €0.6m (£0.5m). The maximum contingent consideration payable is €2.5m (£2.1m) based on profit-based targets for the years ending 31 March 2022, 31 March 2023 and 31 March 2024. The maximum total consideration, excluding cash and debt acquired, is £7.0m.

Orca is a German manufacturer of ultraviolet disinfection systems, primarily for the food and beverage sector. Orca has joined the Group as part of UV Group, part of the Group's Environmental & Analysis sector.

The excess of the fair value of the consideration paid over the fair value of the assets acquired is represented by customer related intangibles of £0.7m; trade name of £0.1m and technology related intangibles of £1.6m; with residual goodwill arising of £2.9m.

The goodwill represents:

a) the technical expertise of the acquired workforce;

b) the opportunity to leverage this expertise across some of Halma's businesses through future technologies; and

c) the ability to exploit the Group's existing customer base.

Orca contributed £2.7m of revenue and £0.5m of profit after tax for the year ended 31 March 2022. If this acquisition had been held since the start of the financial year, it is estimated that the Group's reported revenue and profit after tax would have been £0.3m and £0.1m higher respectively.

Acquisition costs totalling £0.1m were recorded in administrative expenses in the Consolidated Income Statement.

The goodwill arising on the Orca acquisition is not expected to be deductible for tax purposes.

## 25 Acquisitions continued

### d) PeriGen, Inc.

| | £m |
|---|---|
| **Non-current assets** | |
| Intangible assets | **16.5** |
| Property, plant and equipment | **2.0** |
| Deferred tax | **5.0** |
| **Current assets** | |
| Inventories | **0.2** |
| Trade and other receivables | **5.2** |
| Tax | **0.4** |
| Cash and cash equivalents | **6.2** |
| **Total assets** | **35.5** |
| **Current liabilities** | |
| Payables | **(8.3)** |
| Borrowings and lease liabilities | **(0.3)** |
| **Non-current liabilities** | |
| Borrowings and lease liabilities | **(1.6)** |
| Deferred tax | **(4.3)** |
| **Total liabilities** | **(14.5)** |
| **Net assets of businesses acquired** | **21.0** |
| | |
| Initial cash consideration paid | **40.6** |
| Other adjustments | **5.4** |
| Other amounts to be paid | **0.3** |
| **Total consideration** | **46.3** |
| | |
| **Total goodwill** | **25.3** |

On 27 April 2021, the Group acquired the entire share capital of PeriGen, Inc., ('PeriGen') for an initial cash consideration of US$58.0m (£40.6m). Additional amounts determined in respect of working capital adjustments were determined to be US$8.2m (£5.7m). The maximum total consideration, excluding cash and debt acquired, is £40.1m.

PeriGen, based in North Carolina, USA offers innovative perinatal software solutions, and its advanced technology protects mothers and their unborn babies by alerting doctors, midwives and nurses to potential problems during childbirth. The company continues to run under its own management team and has become part of the Group's Medical sector.

The excess of the fair value of the consideration paid over the fair value of the assets acquired is represented by customer related intangibles of £6.4m; trade name of £1.8m and technology related intangibles of £8.3m; with residual goodwill arising of £25.3m.

The goodwill represents:

a) the technical expertise of the acquired workforce;

b) the opportunity to leverage this expertise across some of Halma's businesses through future technologies; and

c) the ability to exploit the Group's existing customer base.

PeriGen contributed £14.7m of revenue and £4.1m of profit after tax for the year ended 31 March 2022. If this acquisition had been held since the start of the financial year, it is estimated that the Group's reported revenue and profit after tax would have been £1.0m and £0.2m higher respectively.

Acquisition costs totalling £1.4m were recorded in administrative expenses in the Consolidated Income Statement.

The goodwill arising on the PeriGen acquisition is not expected to be deductible for tax purposes.

## 25 Acquisitions continued

### e) Ramtech Electronics Limited

| | £m |
|---|---|
| **Non-current assets** | |
| Intangible assets | **4.6** |
| Property, plant and equipment | **1.4** |
| **Current assets** | |
| Inventories | **3.2** |
| Trade and other receivables | **1.5** |
| Cash and cash equivalents | **3.9** |
| **Total assets** | **14.6** |
| **Current liabilities** | |
| Payables | **(2.5)** |
| **Non-current liabilities** | |
| Deferred tax | **(1.5)** |
| **Total liabilities** | **(4.0)** |
| **Net assets of businesses acquired** | **10.6** |
| | |
| Initial cash consideration paid | **15.5** |
| Other adjustments | **4.1** |
| **Total consideration** | **19.6** |
| | |
| **Total goodwill** | **9.0** |

On 29 July 2021, the Group acquired the Ramtech group of companies ('Ramtech'), for an initial cash consideration of £15.5m, adjustable for cash acquired. Additional amounts paid in respect of cash acquired and other adjustments were determined to be £4.1m. The maximum total consideration, excluding cash and debt acquired, is £15.7m.

Ramtech is headquartered in Nottingham, UK and supplies wireless fire systems for temporary sites, primarily in the construction and leisure markets. The company continues to run under its own management team and has become part of the Group's Safety sector.

The excess of the fair value of the consideration paid over the fair value of the assets acquired is represented by customer related intangibles of £1.4m; trade name of £0.8m and technology related intangibles of £2.4m; with residual goodwill arising of £9.0m.

The goodwill represents:

a) the technical expertise of the acquired workforce;

b) the opportunity to leverage this expertise across some of Halma's businesses through future technologies; and

c) the ability to exploit the Group's existing customer base.

Ramtech contributed £7.3m of revenue and £0.6m of profit after tax for the year ended 31 March 2022. If this acquisition had been held since the start of the financial year, it is estimated that the Group's reported revenue and profit after tax would have been £3.7m and £0.3m higher respectively.

Acquisition costs totalling £0.4m were recorded in administrative expenses in the Consolidated Income Statement.

The goodwill arising on the Ramtech acquisition is not expected to be deductible for tax purposes.

## 25 Acquisitions continued

### f) Sensitron S.R.L.

| | £m |
|---|---|
| **Non-current assets** | |
| Intangible assets | **9.5** |
| Property, plant and equipment | **0.6** |
| Deferred tax | **0.1** |
| **Current assets** | |
| Inventories | **1.4** |
| Trade and other receivables | **2.9** |
| Cash and cash equivalents | **4.3** |
| **Total assets** | **18.8** |
| **Current liabilities** | |
| Payables | **(3.4)** |
| Borrowings and lease liabilities | **(0.1)** |
| Tax | **(0.1)** |
| **Non-current liabilities** | |
| Borrowings and lease liabilities | **(0.3)** |
| Deferred tax | **(2.7)** |
| **Total liabilities** | **(6.6)** |
| **Net assets of business acquired** | **12.2** |
| Initial cash consideration paid | **21.4** |
| **Total consideration** | **21.4** |
| **Total goodwill** | **9.2** |

On 29 July 2021, the Group acquired the entire share capital of Sensitron S.R.L. ('Sensitron') for a cash consideration of €25.0m (£21.4m). The maximum total consideration, excluding cash and debt acquired, is £17.1m.

Sensitron, located in Milan, Italy, is a gas detection company whose devices, which include detectors for hazardous locations and for new refrigerant gases, enhance safety by detecting the release of gases harmful to people and the environment. Sensitron will continue to run under its own management team and will become part of Halma's Environmental & Analysis sector.

The excess of the fair value of the consideration paid over the fair value of the assets acquired is represented by customer related intangibles of £4.2m; trade name of £1.3m and technology related intangibles of £4.0m; with residual goodwill arising of £9.2m.

The goodwill represents:

a) the technical expertise of the acquired workforce;

b) the opportunity to leverage this expertise across some of Halma's businesses through future technologies; and

c) the ability to exploit the Group's existing customer base.

Sensitron contributed £5.9m of revenue and £0.8m of profit after tax for the year ended 31 March 2022. If this acquisition had been held since the start of the financial year, it is estimated that the Group's reported revenue and profit after tax would have been £3.5m and £0.6m higher respectively.

Acquisition costs totalling £0.4m were recorded in administrative expenses in the Consolidated Income Statement.

The goodwill arising on this acquisition is not expected to be deductible for tax purposes.

## 25 Acquisitions continued

### g) Infinite Leap Inc.

| | £m |
|---|---|
| **Non-current assets** | |
| Intangible assets | **11.9** |
| Deferred tax | **0.1** |
| **Current assets** | |
| Trade and other receivables | **3.0** |
| **Total assets** | **15.0** |
| **Current liabilities** | |
| Payables | **(2.8)** |
| **Total liabilities** | **(2.8)** |
| **Net assets of business acquired** | **12.2** |
| Initial cash consideration paid | **22.3** |
| Other adjustments | **0.6** |
| Contingent purchase consideration estimated to be paid | **2.0** |
| **Total consideration** | **24.9** |
| **Total goodwill** | **12.7** |

On 18 November 2021, the Group acquired the entire share capital of Infinite Leap Inc. ('Infinite Leap') for an initial cash consideration of $30.0m (£22.3m). The maximum contingent consideration payable is $17.0m (£12.9m) based on profit-based targets for the financial periods ending 30 September 2022 and 30 September 2023. The maximum total consideration, excluding cash and debt acquired, is £35.8m.

Infinite Leap has joined the Group as part of CenTrak, part of the Group's Medical sector. Infinite Leap is a healthcare consulting and services provider for real-time location technologies, based in Fargo, North Dakota, USA, which is also developing unique new hardware and software solutions for applications adjacent to CenTrak's core market.

The excess of the fair value of the consideration paid over the fair value of the assets acquired is represented by customer related intangibles of £10.0m; trade name of £0.1m and technology related intangibles of £1.8m; with residual goodwill arising of £12.7m.

The goodwill represents:

a) the technical expertise of the acquired workforce;

b) the opportunity to leverage this expertise across some of Halma's businesses through future technologies; and

c) the ability to exploit the Group's existing customer base.

Infinite Leap contributed £1.8m of revenue and £0.3m of profit after tax for the year ended 31 March 2022. If this acquisition had been held since the start of the financial year, it is estimated that the Group's reported revenue and profit after tax would have been £2.6m and £0.2m higher respectively.

Acquisition costs totalling £0.3m were recorded in administrative expenses in the Consolidated Income Statement.

The goodwill arising on this acquisition is expected to be deductible for tax purposes.

## 25 Acquisitions continued

### h) International Light Technologies Inc.

| | £m |
|---|---|
| **Non-current assets** | |
| Intangible assets | **8.4** |
| Property, plant and equipment | **1.2** |
| Deferred tax | **0.1** |
| **Current assets** | |
| Inventories | **1.4** |
| Trade and other receivables | **0.8** |
| **Total assets** | **11.9** |
| **Current liabilities** | |
| Payables | **(0.7)** |
| Borrowings and lease liabilities | **(0.2)** |
| **Non-current liabilities** | |
| Borrowings and lease liabilities | **(0.9)** |
| **Total liabilities** | **(1.8)** |
| **Net assets of business acquired** | **10.1** |
| | |
| Initial cash consideration paid | **19.6** |
| Other adjustments | **(0.2)** |
| **Total consideration** | **19.4** |
| | |
| **Total goodwill** | **9.3** |

On 18 February 2022, the Group acquired the entire share capital of International Light Technologies Inc. ('ILT') for a cash consideration of $26.6m (£19.6m) on a cash and debt free basis. The maximum total consideration, excluding cash and debt acquired, is £19.4m.

ILT has joined the Group as a subsidiary of Ocean Insight, part of the Group's Environmental & Analysis sector. ILT, based in Peabody, Massachusetts, USA, is a leading developer of technical lighting sources and light measurement systems, which are used in biomedical, environmental, agricultural, food and beverage, and industrial applications. The excess of the fair value of the consideration paid over the fair value of the assets acquired is represented by customer related intangibles of £4.0m; trade name of £0.9m and technology related intangibles of £3.5m; with residual goodwill arising of £9.3m.

The goodwill represents:

a) the technical expertise of the acquired workforce;

b) the opportunity to leverage this expertise across some of Halma's businesses through future technologies; and

c) the ability to exploit the Group's existing customer base.

ILT contributed £0.9m of revenue and £0.2m of profit after tax for the year ended 31 March 2022. If this acquisition had been held since the start of the financial year, it is estimated that the Group's reported revenue and profit after tax would have been £7.6m and £1.4m higher respectively.

Acquisition costs totalling £0.2m were recorded in administrative expenses in the Consolidated Income Statement.

The goodwill arising on this acquisition is expected to be deductible for tax purposes.

## 25 Acquisitions continued

### i) Other acquisitions

| | £m |
|---|---|
| **Non-current assets** | |
| Intangible assets | **5.7** |
| Property, plant and equipment | **1.6** |
| **Current assets** | |
| Inventories | **2.2** |
| Trade and other receivables | **1.2** |
| Cash and cash equivalents | **1.9** |
| **Total assets** | **12.6** |
| **Current liabilities** | |
| Payables | **(0.9)** |
| Provisions | **(0.1)** |
| Tax | **(0.1)** |
| **Non-current liabilities** | |
| Deferred tax | **(1.0)** |
| **Total liabilities** | **(2.1)** |
| **Net assets of businesses acquired** | **10.5** |
| | |
| Initial cash consideration paid | **11.4** |
| Additional amounts paid in respect of cash acquired and other adjustments | **2.2** |
| Contingent purchase consideration including retentions estimated to be paid | **1.0** |
| **Total consideration** | **14.6** |
| | |
| **Total goodwill** | **4.1** |

On 1 April 2021, Fortress Interlocks Pty Limited, an industrial access control company in the Group's Safety sector, bought the assets and IP associated with monitored safety valves from FluidSentry Pty in Australia for consideration of A$0.6m (£0.3m).

On 26 April 2021, Argus Security S.R.L., a fire safety company in the Group's Safety sector, purchased the trade and assets of its Italian distributor, IBIT, for consideration of €0.6m (£0.5m).

On 30 April 2021, the Group acquired Anton Industrial Services Limited (Anton), the UK flue gas analyser distribution partner of Crowcon Detection Instruments Limited, a company in the Group's Environmental & Analysis sector, for consideration of £1.9m, adjustable for cash acquired. Additional amounts paid in respect of cash acquired and other adjustments was determined to be £1.3m. The consideration includes a retention amount of £0.2m held in place of escrow balances and is due 18 months from the date of acquisition. The maximum total consideration, excluding cash and debt acquired, is £1.9m.

On 7 May 2021, Rudolf Riester GmbH, a company in the Group's Medical sector acquired the trade and assets of RNK, a US-based digital stethoscope company, for consideration of US$3.0m (£2.1m).

On 1 September 2021, the Group acquired Meditech Kft, a Hungarian manufacturer of ambulatory blood pressure monitors and ECG devices, for total consideration of €5.6m (£4.8m); this includes an amount paid for working capital adjustments of €0.4m (£0.3m). The maximum contingent consideration payable is €1.0m (£0.8m) based on profit-based targets for one year post acquisition. The company has become part of the Group's Medical sector. The maximum total consideration, excluding cash and debt acquired, is £5.0m.

On 26 October 2021, Perma Pure, a company in the Group's Medical sector acquired certain trade and assets of Clayborn Lab, a US-based provider of custom heat tape solutions, for an initial consideration of US$4.5m (£3.3m). The consideration includes a retention amount of US$0.5m (£0.4m) held in place of escrow balances and is due 15 months from the date of acquisition. The maximum contingent consideration payable is US$1.5m (£1.1m) determined by revenue-based targets for the years ending 30 September 2022 and 30 September 2023. The maximum total consideration, excluding cash and debt acquired, is £4.4m.

In respect of these acquisitions, the excess of the fair value of the consideration paid over the fair value of the assets acquired is represented by customer related intangibles of £3.5m; trade name of £0.3m and technology related intangibles of £1.9m; with residual goodwill arising of £4.1m.

These acquisitions contributed £3.7m of revenue and £0.5m of profit after tax cumulatively for the year ended 31 March 2022. If these acquisitions had been held since the start of the financial year, it is estimated that the Group's reported revenue and profit after tax would have been £2.8m and £0.3m higher respectively.

Acquisition costs totalling £0.5m were recorded in administrative expenses in the Consolidated Income Statement.

The goodwill arising on these acquisitions are not expected to be deductible for tax purposes.

## 26 Notes to the Consolidated Cash Flow Statement

| | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m |
|---|---|---|
| **Reconciliation of profit from operations to net cash inflow from operating activities:** | | |
| Profit on continuing operations before finance income and expense, share of results of associate and profit on disposal of operations | **278.9** | 240.8 |
| Depreciation and impairment of property, plant and equipment | **36.1** | 37.8 |
| Amortisation and impairment of computer software | **2.5** | 2.8 |
| Amortisation of capitalised development costs and other intangibles | **7.6** | 8.3 |
| Impairment of capitalised development costs | **2.9** | 1.9 |
| Amortisation of acquired intangible assets | **42.7** | 42.3 |
| Share-based payment expense in excess of amounts paid | **5.0** | 3.7 |
| Payments to defined benefit pension plans net of service costs | **(11.7)** | (13.1) |
| Loss on sale of property, plant and equipment, capitalised development costs and computer software | **0.8** | 0.7 |
| Operating cash flows before movement in working capital | **364.8** | 325.2 |
| Increase in inventories | **(51.9)** | (6.7) |
| (Increase)/decrease in receivables | **(43.6)** | 4.3 |
| Increase in payables and provisions | **36.1** | 7.9 |
| Revision to estimate and exchange difference on contingent consideration payable less amounts paid in excess of payable estimated on acquisition | **(12.0)** | 0.7 |
| **Cash generated from operations** | **293.4** | 331.4 |
| Taxation paid | **(56.0)** | (53.8) |
| **Net cash inflow from operating activities** | **237.4** | 277.6 |

| | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m |
|---|---|---|
| **Analysis of cash and cash equivalents** | | |
| Cash and bank balances | **157.4** | 134.1 |
| Overdrafts (included in current borrowings) | **(0.7)** | (3.0) |
| **Cash and cash equivalents** | **156.7** | 131.1 |

| | 31 March 2021 £m | Cash flow £m | Net cash/(debt) acquired £m | Net (cash)/debt disposed £m | Additions and reclassifications £m | Exchange adjustments £m | 31 March 2022 £m |
|---|---|---|---|---|---|---|---|
| **Analysis of net debt** | | | | | | | |
| Cash and bank balances | **134.1** | **4.8** | **18.2** | **(4.5)** | **–** | **4.8** | **157.4** |
| Overdrafts | **(3.0)** | **2.3** | **–** | **–** | **–** | **–** | **(0.7)** |
| Cash and cash equivalents | **131.1** | **7.1** | **18.2** | **(4.5)** | **–** | **4.8** | **156.7** |
| Loan notes falling due within one year | **–** | **–** | **–** | **–** | **(71.2)** | **–** | **(71.2)** |
| Loan notes falling due after more than one year | **(105.3)** | **–** | **–** | **–** | **71.2** | **(0.9)** | **(35.0)** |
| Bank loans falling due within one year | **–** | **–** | **–** | **–** | **(0.6)** | **–** | **(0.6)** |
| Bank loans falling due after more than one year | **(217.0)** | **(28.9)** | **–** | **–** | **0.6** | **(7.3)** | **(252.6)** |
| Lease liabilities | **(65.0)** | **16.8** | **(4.6)** | **2.1** | **(19.0)** | **(2.4)** | **(72.1)** |
| **Total net debt** | **(256.2)** | **(5.0)** | **13.6** | **(2.4)** | **(19.0)** | **(5.8)** | **(274.8)** |

The net increase in cash and cash equivalents of £20.8m comprised cash inflow of £7.1m, cash acquired of £18.2m and cash disposed of £4.5m.

During the period, the Group changed the presentation of the proceeds from and the repayments of bank borrowings in the Consolidated Cash Flow Statement. In the year ended 31 March 2021, these were presented as net repayments of £7.3m, which has been updated to proceeds of £129.4m and repayments of £136.7m.

## 26 Notes to the Consolidated Cash Flow Statement continued

### Reconciliation of movements of the Group's liabilities from financing activities

Liabilities from financing activities are those for which cash flows were, or will be, classified as cash flows from financing activities in the Consolidated Cash Flow Statement.

| | Borrowings £m | Leases £m | Overdraft £m | Total liabilities from financing activities £m | Trade and other payables falling due within one year £m |
|---|---|---|---|---|---|
| At 1 April 2020 | 419.2 | 61.5 | 0.9 | 481.6 | 186.7 |
| Cash flows from financing activities | (79.5) | (16.4) | – | (95.9) | (7.8) |
| Acquisition/disposal of subsidiaries | – | (1.3) | – | (1.3) | 2.7 |
| Exchange adjustments | (17.4) | (3.8) | – | (21.2) | (5.2) |
| Other changes* | – | 25.0 | 2.1 | 27.1 | 10.3 |
| **At 31 March 2021** | **322.3** | **65.0** | **3.0** | **390.3** | **186.7** |
| Cash flows from financing activities | **28.9** | **(16.8)** | **–** | **12.1** | **(5.9)** |
| Acquisition/disposal of subsidiaries | **–** | **2.5** | **–** | **2.5** | **11.7** |
| Exchange adjustments | **8.2** | **2.4** | **–** | **10.6** | **7.3** |
| Other changes* | **–** | **19.0** | **(2.3)** | **16.7** | **42.9** |
| **At 31 March 2022** | **359.4** | **72.1** | **0.7** | **432.2** | **242.7** |

* Other changes include movements in overdraft which is treated as cash, interest accruals, reclassifications from non-current to current liabilities, lease additions and other movements in working capital balances.

## 27 Financial instruments

### Policy

The Group's treasury policies seek to minimise financial risks and to ensure sufficient liquidity for the Group's operations and strategic plans. No complex derivative financial instruments are used, and no trading or speculative transactions in financial instruments are undertaken. Where the Group does use financial instruments, these are mainly to manage the currency risks arising from normal operations and its financing. Operations are financed mainly through retained profits and, in certain geographic locations, bank borrowings. Foreign currency risk is the most significant aspect for the Group in the area of financial instruments. It is exposed to a lesser extent to other risks such as interest rate risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and these policies are summarised below. The Group's policies have remained unchanged since the beginning of the financial year.

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases of recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in the Accounting Policies note.

### Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 19 to the Financial statements, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity.

The Group is not subject to externally imposed capital requirements.

### Foreign currency risk

The Group is exposed to foreign currency risk as a consequence of both trading with foreign companies and owning subsidiaries located in foreign countries.

The Group earns a significant proportion of its profit in currencies other than Sterling. This gives rise to translational currency risk, where the Sterling value of profits earned by the Group's foreign subsidiaries fluctuates with the strength of Sterling relative to their operating (or 'functional') currencies. The Group does not hedge this risk, so its reported profit is sensitive to the strength of Sterling, particularly against the US Dollar and Euro. The Group also has transactional currency exposures. These arise on sales or purchases by operating companies in currencies other than the companies' operating (or 'functional') currency. Significant sales and purchases are matched where possible and a proportion of the net exposure is hedged by means of forward foreign currency contracts.

The Group has significant investments in overseas operations in the USA and EU, with further investments in Australia, New Zealand, Singapore, Switzerland, Brazil, China and India. As a result, the Group's balance sheet can be affected by movements in these countries' exchange rates. Where significant and appropriate, currency denominated net assets are hedged by currency borrowings. These currency exposures are reviewed regularly.

### Interest rate risk

The Group is exposed to interest rate fluctuations on its borrowings and cash deposits. Where bank borrowings are used to finance operations they tend to be short-term with floating interest rates. Longer-term funding is provided by the Group's bank loan facilities which are at floating rates, or by the Group's fixed rate United States Private Placement completed in November 2015.

Surplus funds are placed on short-term fixed rate deposit or in floating rate deposit accounts.

### Credit risk

Credit risk is defined as the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. Credit ratings are supplied by independent agencies where available, and if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. Credit exposure is controlled by counterparty limits that are reviewed regularly.

Trade receivables consist of a large number of customers, spread across diverse industries and geographic areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

The carrying amount of trade, tax and other receivables, contract assets, derivative financial instruments and cash of £474.7m (2021: £402.8m) represents the Group's maximum exposure to credit risk as no collateral or other credit enhancements are held.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

### Liquidity risk

The Group has a syndicated multi-currency revolving credit facility of £550m. The facility, in Sterling, US Dollar, Euro, Australian Dollar and Swiss Franc, currently runs to November 2023. Subsequent to the year-end, in May 2022, the Revolving Credit Facility was refinanced. The new facility remains at £550m and matures in May 2027 with two one-year extension options.

In addition, in November 2015, the Group completed a United States Private Placement and issued US$250m of loan notes in January 2016, repayable at five, seven and ten-year intervals. Subsequent to the year-end, in May 2022, a new Private Placement of £330m was completed. These facilities are the main sources of long-term funding for the Group with further detail below in the borrowing facilities section.

The financial covenants on the facilities at year-end are for leverage (net debt/adjusted EBITDA) of not more than three times and for adjusted interest cover of not less than four times. Net debt and adjusted EBITDA are on a pre-IFRS 16 basis. All covenants have been complied with. For the new facilities put in place in May 2022 the financial covenants are for leverage (net debt/adjusted EBITDA) of not more than 3.5 times and for adjusted interest cover of not less than four times with net debt and adjusted EBITDA including the impact of IFRS 16.

The Group has a strong cash flow and the funds generated by operating companies are managed regionally based on geographic location.

Funds are placed on deposit with secure, highly-rated banks. For short-term working capital purposes, some operating companies utilise local bank overdrafts. These practices allow a balance to be maintained between continuity of funding, security and flexibility.

### Currency exposures

#### *Translational exposures*

It is estimated, by reference to the Group's US Dollar and Euro denominated profits, that a one per cent change in the value of the US Dollar relative to Sterling would have had a £1.6m (2021: £1.4m) impact on the Group's reported profit before tax; and a one per cent change in the value of the Euro relative to Sterling would have had a £0.4m (2021: £0.3m) impact on the Group's profit before tax for the year ended 31 March 2022.

#### *Transactional exposures*

The Group has net foreign currency monetary assets and liabilities that are assets and liabilities not denominated in the functional currency of the underlying company. These comprise cash and overdrafts as well as certain trade receivable and payable balances. These foreign currency monetary assets and liabilities give rise to the net currency gains and losses recognised in the Consolidated Income Statement as a result of movement in exchange rates. The exposures are predominantly US Dollar and Euro. Group policy is for a significant portion of foreign currency exposures, including sales and purchases, to be hedged by forward foreign exchange contracts in the company in which the transaction is recorded.

### Interest rate risk profile

The Group's financial assets which are subject to interest rate fluctuations comprise interest-bearing cash equivalents which totalled £1.4m at 31 March 2022 (2021: £3.9m). These comprised Sterling denominated bank deposits of £0.3m (2021: £0.1m), and Euro, US Dollar and Renminbi bank deposits of £1.1m (2021: £3.8m) which earn interest at local market rates. Cash balances of £156.0m (2021: £130.1m) earn interest at local market rates.

The financial liabilities which are subject to interest rate fluctuations comprise bank loans and overdrafts which totalled £253.9m at 31 March 2022 (2021: £220.0m). where the fixed period can be up to six months. Bank loans bear interest at floating rates based either on the LIBOR or risk-free overnight rates of the currency in which the liabilities arise plus a margin. Bank overdrafts bear interest at local market rates. Where interest is based on LIBOR rates the fixed period can be up to six months.

The loan notes related to the United States Private Placement attract interest at a weighted average fixed rate of 2.62%.

Subsequent to the year-end, in May 2022, a new Private Placement of £330m was completed. The unsecured loan notes will be drawn on 12 July 2022 at a weighted average fixed interest rate of 2.81%. The new private placement will reduce the amount of financial liabilities subject to interest rate fluctuations.

### 27 Financial instruments continued

The Group's weighted average interest cost on net debt for the year was 2.78% (2021: 3.22%). Excluding IFRS16 lease liabilities, the weighted average interest cost on net debt for the year was 2.23% (2021: 3.13%).

| | 31 March 2022 £m | 31 March 2021 £m |
|---|---|---|
| **Analysis of interest-bearing financial liabilities** | | |
| Sterling denominated bank loans | **28.0** | 44.0 |
| US Dollar denominated bank loans | **125.9** | 110.7 |
| Euro denominated bank loans | **65.1** | 23.9 |
| Australian Dollar denominated bank loans | **15.5** | 21.0 |
| Swiss Franc denominated bank loans | **18.2** | 17.0 |
| Brazilian Reais denominated bank loans | **0.5** | 0.4 |
| **Total bank loans** | **253.2** | 217.0 |
| Overdrafts (principally Sterling and US Dollar denominated) | **0.7** | 3.0 |
| Sterling denominated loan notes | **59.0** | 59.0 |
| US Dollar denominated loan notes | **23.5** | 22.5 |
| Euro denominated loan notes | **23.7** | 23.8 |
| **Total interest-bearing financial liabilities** | **360.1** | 325.3 |

For the year ended 31 March 2022, it is estimated that a general increase of one percentage point in interest rates would have reduced the Group's profit before tax by £2.6m (2021: £2.2m).

***Interest rate benchmark reform***

During the current year, as a result of interest rate benchmark reform, borrowings in certain currencies have been transitioned from LIBOR rates to risk free overnight rates. Bank loans denominated in Sterling, US Dollar and Swiss Franc have been moved from LIBOR rates to SONIA (Sterling Overnight Index Average), SOFR (Secured Overnight Financing Rate) and SARON (Swiss Average Rate Overnight) respectively. Bank loans denominated in EURO and Australian Dollar continue to bear interest based on EURIBOR and ICE LIBOR rates respectively.

The main difference between LIBOR and the risk overnight rates is that LIBORs are forward looking rates published for a period (e.g. 3 months) at the beginning of the period and include an inter-bank credit spread, whereas risk free overnight rates are published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate payments which will require additional liquidity management.

**Maturity of financial liabilities**

The gross contractual maturities of the Group's non-derivative financial liabilities that are neither current nor on demand are as follows.

| | One to two years £m | Between two and five years £m | After more than five years £m | Gross maturities £m | Effect of discounting/ financing rates £m | Total £m |
|---|---|---|---|---|---|---|
| **At 31 March 2022** | | | | | | |
| Accruals | **0.4** | **0.1** | **0.4** | **0.9** | **–** | **0.9** |
| Other payables | **1.1** | **0.1** | **1.2** | **2.4** | **–** | **2.4** |
| Contingent purchase consideration | **1.4** | **0.6** | **–** | **2.0** | **–** | **2.0** |
| Bank loans | **252.6** | **–** | **–** | **252.6** | **–** | **252.6** |
| Loan notes | **1.1** | **37.1** | **–** | **38.2** | **(3.2)** | **35.0** |
| Lease liabilities | **17.2** | **37.5** | **14.6** | **69.3** | **(12.7)** | **56.6** |
| | **273.8** | **75.4** | **16.2** | **365.4** | **(15.9)** | **349.5** |

| | One to two years £m | Between two and five years £m | After more than five years £m | Gross maturities £m | Effect of discounting/ financing rates £m | Total £m |
|---|---|---|---|---|---|---|
| At 31 March 2021 | | | | | | |
| Accruals | 0.1 | 0.4 | 0.1 | 0.6 | – | 0.6 |
| Other payables | 0.8 | 0.1 | 1.1 | 2.0 | – | 2.0 |
| Contingent purchase consideration | 3.0 | 0.3 | – | 3.3 | – | 3.3 |
| Bank loans | 0.4 | 216.6 | – | 217.0 | – | 217.0 |
| Loan notes | 73.1 | 38.2 | – | 111.3 | (6.0) | 105.3 |
| Lease liabilities | 16.1 | 37.7 | 17.3 | 71.1 | (19.4) | 51.7 |
| | 93.5 | 293.3 | 18.5 | 405.3 | (25.4) | 379.9 |

The Group's bank loans are revolving credit facilities and the amount and timing of future payments and drawdowns is unknown. It is therefore not possible to calculate the interest arising on these loans and we have therefore not disclosed the maturity of the gross cash flows (including interest) in relation to these liabilities.

## 27 Financial instruments continued

### Borrowing facilities

The Group's principal sources of long-term funding are its unsecured five-year £550m Revolving Credit Facility and its US$250m United States Private Placement.

The Revolving Credit Facility was refinanced in November 2016 and initially ran to November 2021. Effective November 2017, the Group extended this facility for a further year to November 2022, and effective November 2018 for a further year to November 2023. Subsequent to the year-end, in May 2022, the Revolving Credit Facility was refinanced. The new facility remains at £550m and matures in May 2027 with two one-year extension options.

The United States Private Placement of US$250m was completed in November 2015. The unsecured loan notes were drawn on 6 January 2016 as £82m, €56m and US$64m at a weighted average fixed interest rate of 2.53%. The loan notes mature at five, seven and ten-year intervals, with the first tranche of £72.2m maturing in January 2021. The remaining loan notes as at 31 March 2022 were £59m, €28m and US$31m at a weighted average interest rate of 2.63%. Interest is payable half yearly.

Subsequent to the year-end, in May 2022, a new Private Placement of £330m was completed. The unsecured loan notes will be drawn on 12 July 2022 as £85m, €160m, US$100m and CHF40m at a weighted average fixed interest rate of 2.81%. The loan notes have yearly maturities from year four to year ten, with the first tranche of £26m maturing in July 2026.

The Group's undrawn committed facilities available at 31 March 2022 were £297.4m (2021: £333.4m) of which £nil (2021: £nil) matures within one year and £297.4m (2021: £333.4m) between two and five years.

The Group has an additional short-term unsecured and committed US bank facility of £12m maturing in November 2023. The facility was undrawn at 31 March 2022.

The Group has a Brazilian Reais bank loan of £0.5m (2021: £0.4m) maturing in February 2023.

Other short-term operational funding is provided by cash generated from operations and by local bank overdrafts. These overdraft facilities are uncommitted and are generally renewed on an annual or ongoing basis and hence the facilities expire within one year or less.

As part of our cash pooling arrangements UK companies have cross-guaranteed net overdraft facilities of £13.2m (2021: £14.7m). Total net overdrafts relating to cash pooling as at 31 March 2022 were £Nil (2021: £Nil). Total overdrafts for the Group as at 31 March 2022 were £0.7m (2021: £3.0m).

### Fair values of financial assets and financial liabilities

With the exception of the Group's fixed rate loan notes, there were no significant differences between the book value and fair value (as determined by market value) of the Group's financial assets and liabilities.

The fair value of floating borrowings approximates to the carrying value because interest rates are reset to market rates at intervals of less than one year.

The fair value of the Group's fixed rate loan notes arising from the United States Private Placement completed in January 2016 is estimated to be £106.0m (2021: £107.5m). The fair value is estimated by discounting the future contracted cash flow using readily available market data and represents a level 2 measurement in the fair value hierarchy under IFRS 7.

The fair value of derivative financial instruments is estimated by discounting the future contracted cash flow, using readily available market data, and represents a level 2 measurement in the fair value hierarchy under IFRS 7.

The fair value of equity investments held at fair value through other comprehensive income is based on the latest observable price where available. Where there are no recent observable prices, adjustments are made based on qualitative indicators, such as the financial performance of the entity, performance against operational milestones and future outlook. This represents a level 3 measurement in the fair value hierarchy under IFRS 7.

The fair value of deferred contingent consideration arising on acquisitions is calculated by estimating the possible future cash flows for the acquired company identified as best, base and worst-case scenarios, using probability weightings of 25%, 50% and 25% respectively. These scenarios are based on management's knowledge of the business and how the current economic environment is likely to impact it. The relevant future cash flows are dependent on the specific terms of the sale and purchase agreement. Those terms are as follows:

- Spreo – Based on 30% of qualifying healthcare revenue for the year ended 31 March 2022 and the 18-month period ended 30 September 2023 up to a maximum earn out of US$2.0m (£1.6m) in each period.
- Meditech – Based on 2 times multiple of EBIT above a target threshold of €1.8m (£1.5m) for the year ended 30 September 2022 subject to a maximum earnout of €1.0m (£0.8m).
- Orca – Based on 3 times multiple of EBIT above a target threshold of €0.9m (£0.8m) for the year ended 31 March 2022. Based on 3 times multiple of EBIT above the higher of the target threshold of €0.9m (£0.8m) or prior year EBIT for the periods ending 31 March 2023 and 31 March 2024. Subject to a maximum overall earnout of €2.5m (£2.1m).
- Clayborn Lab – Equal to revenue in excess of an annual revenue target of $3.2m (£2.4m) pro-rata for the period from acquisition to 30 September 2022, subject to a maximum of $0.5m (£0.4m). Equal to revenue in excess of the higher of an annual revenue target of $3.5m (£2.7m) or the prior period revenue for the year ended 30 September 2023, subject to a maximum of $1.0m (£0.8m).
- Infinite Leap – Based on a split of the business between Enterprise Solutions and Prompt Health. For Enterprise Solutions based on 4 times multiple of annual gross margin above an annual target threshold of $5.3m pro-rata for the period from acquisition to 30 September 2022 subject to a maximum of $4.0m. For Prompt Health based on 3.3 times multiple of annual gross margin from recurring revenue above an annual target threshold of $1.2m pro-rata for the period from acquisition to 30 September 2022 subject to a maximum of $3.0m.

## 27 Financial instruments continued

— Infinite Leap continued – For Enterprise Solutions based on 4 times multiple of gross margin above the higher of a target threshold of $6.1m or the prior year gross margin for the year ended 30 September 2023 subject to a maximum of $6.0m and a maximum earnout for the first two periods of $8.0m. For Prompt Health based on 2.3 times multiple of gross margin from recurring revenue above the higher of a target threshold of $4.3m or the prior year gross margin for the year ended 30 September 2023 subject to a maximum of $7.5m and a maximum earnout for the first two periods of $9.0m.

For Prompt Health based on 2 times multiple of gross margin from recurring revenue above the prior year gross margin for the year ended 30 September 2024 subject to a maximum of $4.0m.

This calculation represents a level 3 measurement in the fair value hierarchy under IFRS 7. The fair value is sensitive to the weighting assigned to the expected future cash flows. For those earnouts where the payable is based on expectations of future cash flows, a change in weighting of 10 percentage points towards the best-case scenario would result in an increase in the estimate of future cash flows as follows:

| | Current expected future cash flow £m | 10 pp shift in weighting towards upside expectation £m |
|---|---|---|
| Spreo | **0.4** | – |
| Meditech | **–** | – |
| Orca | **0.6** | – |
| Clayborn Lab | **0.7** | **0.1** |
| Infinite Leap | **2.1** | **0.7** |

### Classification of financial assets and liabilities

All financial assets and liabilities, with the exception of financial assets at fair value through other comprehensive income, derivatives and contingent purchase consideration, are classified as amortised cost for accounting purposes.

Derivatives in a hedging relationship are classified as cash flow hedging instruments. Derivatives not in a hedging relationship are classified as fair value through profit or loss.

Contingent purchase consideration is classified as fair value through profit or loss.

### Hedging

The Group's policy is to hedge significant sales and purchases denominated in foreign currency using forward currency contracts. These instruments are initially recognised at fair value, which is typically £nil, and subsequent changes in fair value are taken to the Consolidated Income Statement, unless hedge accounted.

The following table details the foreign currency contracts outstanding as at the year end, which mostly mature within one year and, therefore, the cash flows and resulting effect on profit and loss are expected to occur within the next 12 months:

| | Average exchange rate/£ | | Foreign currency | | Contract value | | Fair value | |
|---|---|---|---|---|---|---|---|---|
| | 31 March 2022 | 31 March 2021 | 31 March 2022 m | 31 March 2021 m | 31 March 2022 £m | 31 March 2021 £m | 31 March 2022 £m | 31 March 2021 £m |
| **Forward contracts not in a designated cash flow hedge** | | | | | | | | |
| US Dollars | **–** | 1.37 | **–** | 11.8 | **–** | 8.6 | **–** | – |
| Euros | **–** | 1.11 | **–** | 1.8 | **–** | 1.6 | **–** | (0.1) |
| Other currencies | **–** | – | **–** | – | **3.4** | 8.1 | **0.2** | – |
| | | | | | **3.4** | 18.3 | **0.2** | (0.1) |
| **Forward contracts in a designated cash flow hedge** | | | | | | | | |
| US Dollars | **1.37** | 1.42 | **10.1** | 8.3 | **7.4** | 5.9 | **(0.3)** | 0.2 |
| Euros | **1.18** | 1.12 | **18.6** | 22.8 | **15.8** | 20.3 | **–** | 0.8 |
| Other currencies | **–** | – | **–** | – | **7.9** | 7.1 | **(0.1)** | 0.1 |
| | | | | | **31.1** | 33.3 | **(0.4)** | 1.1 |
| **Total forward contracts** | | | | | | | | |
| US Dollars | **1.37** | 1.39 | **10.1** | 20.1 | **7.4** | 14.5 | **(0.3)** | 0.2 |
| Euros | **1.18** | 1.12 | **18.6** | 24.6 | **15.8** | 22.0 | **–** | 0.7 |
| Other currencies | **–** | – | **–** | – | **11.3** | 15.2 | **0.1** | 0.1 |
| | | | | | **34.5** | 51.7 | **(0.2)** | 1.0 |
| Amounts recognised in the Consolidated Income Statement | | | | | | | **0.2** | (0.1) |
| Amounts recognised in the Consolidated Statement of Comprehensive Income and Expenditure | | | | | | | **(0.4)** | 1.1 |
| | | | | | | | **(0.2)** | 1.0 |

## 27 Financial instruments continued

The fair values of the forward contracts are disclosed as a £0.7m (2021: £1.7m) asset and £0.9m (2021: £0.7m) liability in the Consolidated Balance Sheet.

Any movements in the fair values of the contracts in a designated cash flow hedge are recognised in equity until the hedged transaction occurs, when gains/losses are recycled to finance income or finance expense.

| | 31 March 2022 £m | 31 March 2021 £m |
|---|---|---|
| **Analysis of movement in the Hedging reserve** | | |
| Amounts removed from Consolidated Statement of Changes in Equity and included in Consolidated Income Statement during the year | **(1.1)** | (0.1) |
| Amounts recognised in the Consolidated Statement of Comprehensive Income and Expenditure | **(0.4)** | 1.1 |
| Net movement in the Hedging reserve in the year in relation to the effective portion of changes in fair value of cash flow hedges | **(1.5)** | 1.0 |

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

There was no ineffectiveness arising with regards to forward contracts in a designated cash flow hedge.

The foreign currency forwards are denominated in the same currency as the highly probable future transactions.

With the exception of currency exposures, the disclosures in this note exclude short-term receivables and payables.

### Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group enters into derivative financial instruments to manage its exposure to foreign currency risk, including:

- forward foreign exchange contracts to hedge the exchange rate risk arising on the export of goods to and from the USA, Mainland Europe and the UK; and
- foreign exchange loans to hedge the exchange rate risk arising on translation of the Group's investment in foreign operations which have the Euro, US Dollar, Australian Dollar and Swiss Franc as their functional currencies.

Bank loans and loan notes with a carrying value set out in the table on page 220 as well as non-GBP intercompany loans are used as net investment hedges for foreign currency net assets with carrying value of €105.0m (2021: €56.0m), US$196.5m (2021: US$183.5m), A$27.0m (2021: A$38.0m), CHF22.1m (2021: CHF22.1m) and NZ$11.3m (2021: NZ$10.9m). The hedging ratio was 1:1. The change in the carrying value of the borrowings that was recognised in other comprehensive income was a loss of £8.6m (2021: gain of £19.9m).

Market risk exposures are measured using sensitivity analysis as described below.

There has been no change to the Group's exposure to market risks or in the manner in which these risks are managed and measured.

### Foreign currency sensitivity analysis

The Group is mainly exposed to the currency of the USA (US Dollar) and the currency of Mainland Europe (Euro).

The carrying amount of the Group's US Dollar and Euro denominated monetary assets and monetary liabilities at the reporting date are as follows:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | 31 March 2022 £m | 31 March 2021 £m | 31 March 2022 £m | 31 March 2021 £m |
| US Dollar | **1,058.0** | 895.1 | **300.7** | 266.5 |
| Euro | **296.1** | 251.3 | **144.6** | 97.3 |

If Sterling increased by 10% against the US Dollar and the Euro, profits before taxation and other equity would decrease as follows:

| | US Dollar | | Euro | |
|---|---|---|---|---|
| | 31 March 2022 £m | 31 March 2021 £m | 31 March 2022 £m | 31 March 2021 £m |
| Profit | **14.4** | 12.7 | **3.3** | 3.2 |
| Other equity | **68.8** | 57.1 | **13.8** | 14.0 |

The profit sensitivity arises mainly from the translation of overseas profits earned during the year. 10% is the sensitivity rate which management assesses to be a reasonably possible change in foreign exchange rates. The Group's profit sensitivity has increased against the US Dollar because more of the Group's profits is earned in this currency.

## 28 Leases

The Group has lease contracts for land and buildings, as well as various items of plant, machinery, vehicles and other equipment used in its operations. The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

### Right-of-use assets by asset category

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period, split by asset category:

| | Land and buildings £m | Plant, equipment and vehicles £m | Total £m |
|---|---|---|---|
| **Cost, net of accumulated depreciation and accumulated impairment** | | | |
| **At 1 April 2021** | **57.6** | **2.0** | **59.6** |
| Transfer between categories | | | |
| Assets of businesses acquired (note 25) | **4.4** | **0.2** | **4.6** |
| Additions at cost | **17.1** | **1.3** | **18.4** |
| Assets of business sold | **(2.3)** | **–** | **(2.3)** |
| Impairment | **–** | **–** | **–** |
| Disposals and retirements | **(1.0)** | **–** | **(1.0)** |
| Depreciation charge for the year | **(13.6)** | **(1.0)** | **(14.6)** |
| Exchange adjustments | **2.3** | **–** | **2.3** |
| **At 31 March 2022** | **64.5** | **2.5** | **67.0** |
| **At 31 March 2022** | | | |
| Cost | **124.0** | **4.3** | **128.3** |
| Accumulated depreciation and accumulated impairment | **(59.5)** | **(1.8)** | **(61.3)** |
| **Net carrying amount** | **64.5** | **2.5** | **67.0** |

### Lease liabilities

Set out below are the carrying amounts of lease liabilities included under current and non-current liabilities and the movements during the period:

| | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m |
|---|---|---|
| **At 1 April 2021** | **65.0** | 61.5 |
| Additions | **16.8** | 22.7 |
| Accretion of interest | **2.2** | 2.3 |
| Payments | **(16.8)** | (16.4) |
| Liabilities of business acquired | **4.6** | 0.5 |
| Liabilities of business disposed | **(2.1)** | (1.8) |
| Exchange adjustments | **2.4** | (3.8) |
| **At 31 March 2022** | **72.1** | 65.0 |
| Current | **15.5** | 13.3 |
| Non-current | **56.6** | 51.7 |
| **At 31 March 2022** | **72.1** | 65.0 |

The maturity analysis of lease liabilities is disclosed in note 27.

The following are the amounts recognised in Consolidated Income Statement:

| | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m |
|---|---|---|
| Depreciation expense of right-of-use assets | **14.6** | 14.4 |
| Impairment expense of right-of-use assets | **–** | 0.2 |
| Interest expense on lease liabilities | **2.3** | 2.3 |
| Expense relating to short-term leases and leases of low-value assets | **0.3** | 0.3 |
| **Total amount recognised in Consolidated Income Statement** | **17.2** | 17.2 |

The Group had total cash outflows for leases of £16.8m in the year (2021: £16.4m).

The Group did not have any leases impacted by the COVID-19-Related Rent Concessions – amendment to IFRS 16 Leases.

## 28 Leases continued

### Extension options

Some leases of buildings contain extension options exercisable by the Group before the end of the non-cancellable contract period. Where practical, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not the lessors. For extension options exercisable within 5 years of commencement the Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. For options that are exercisable more than 5 years from commencement the Group assesses whether it is reasonably certain to exercise the option when this option becomes exercisable within 5 years. The Group will also reassess whether it is reasonably certain to exercise the option where there is a significant event or change in circumstances within its control.

As at 31 March 2022, potential future cash outflows of £28.7m (undiscounted) (2021: £23.0m) have not been included in the lease liability because it is not reasonably certain that the leases will be extended. During the current year the financial effect of revising lease terms to reflect the exercising of extension and termination options was an increase in recognised lease liabilities and right-of-use assets of £0.1m (2021: £0.2m). No other lease modifications occurred during the year.

The future cash outflows relating to leases that have not yet commenced are £Nil (2021: £3.0m).

## 29 Retirement benefits

Group companies operate both defined benefit and defined contribution pension plans. The Halma Group Pension Plan and the Apollo Pension and Life Assurance Plan (both UK) have defined benefit sections with assets held in separate trustee administered funds. Both of these sections had already closed to new entrants in 2002/03 and closed to future benefit accruals for 2014/15. From that date, the former defined benefit members joined the existing defined contribution section within the Halma Group Pension Plan.

Overseas subsidiaries have adopted mainly defined contribution plans, with the exception of small defined benefit plans in the Swiss entities of Medicel AG and Robutec AG.

Total pension costs of £14.2m (2021: £11.5m) recognised in employee costs (note 7), comprise £13.7m (2021: £10.9m) related to defined contribution plans and £0.5m (2021: £0.6m) related to defined benefit plans, including administration expenses of £nil (2021: £nil).

### Defined contribution plans

The amount charged to the Consolidated Income Statement in respect of defined contribution plans was £13.7m (2021: £10.9m) and represents contributions payable to these plans by the Group at rates specified in the rules of the plans. The assets of the plans are held separately from those of the Group in funds under the control of trustees. Where there are employees who leave the plans prior to vesting fully in the contributions, the ancillary contributions payable by the Group may be reduced by the amount of forfeited contributions.

### Defined benefit plans

The Group's significant defined benefit plans are for qualifying employees of its UK subsidiaries. Under the plans, the employees are entitled to retirement benefits of up to two-thirds of final pensionable salary on attainment of a retirement age of 60, for members of the Executive Board, and 65, for all other qualifying employees. No other post-retirement benefits are provided. The plans are funded plans.

The most recent actuarial valuation of the Halma Group Pension Plan was carried out for the Trustees of the Plan as at 30 November 2020 by Mr M Whitcombe, Fellow of the Institute and Faculty of Actuaries, of Mercer Limited. The present value of the liabilities was measured using the Projected Unit method. This method is an accrued benefits valuation method in which the plan liabilities include an allowance for projected earnings.

The most recent actuarial valuation of the Apollo Pension and Life Assurance Plan was carried out for the Trustees of the Plan as at 1 April 2021 by Mr M Whitcombe, Fellow of the Institute and Faculty of Actuaries, also of Mercer Limited. The same Projected Unit method was used.

The plans' triennial actuarial valuation reviews, rather than the accounting basis, determine any cash deficit payments. Based on these valuations, the Trustees of the UK Schemes, having consulted with the Group, agreed past service deficit recovery payments totalling £14-15m per year will be made for the immediate future with the objective of eliminating the pension deficit.

An alternative to the projected unit credit method is a valuation on a solvency basis, which is an estimate of the cost of buying out benefits with a suitable insurance company. This amount represents the amount that would be required to settle the plan liabilities rather than the Group continuing to fund the ongoing liabilities of the Plans. The most recent estimate of the solvency liability was £106.1m as at 30 November 2020 for the Halma Group Pension Plan and £44.1m as at 1 April 2021 for the Apollo Pension and Life Assurance Plan.

## 29 Retirement benefits continued

| | 31 March 2022 | 31 March 2021 | 31 March 2020 |
|---|---|---|---|
| **Key assumptions used (UK plans):** | | | |
| Discount rate | **2.80%** | 1.95% | 2.55% |
| Expected return on plan assets | **2.80%** | 1.95% | 2.55% |
| Expected rate of salary increases (while still applicable) | **n/a** | n/a | n/a |
| Pension increases LPI 2.5% | **2.20%** | 2.10% | 1.85% |
| Pension increases LPI 3.0% | **2.55%** | 2.40% | 2.05% |
| Inflation – RPI | **3.60%** | 3.20% | 2.50% |
| Inflation – CPI | **2.85%** | 2.40% | 1.70% |

### Mortality assumptions

The base mortality tables utilised are consistent with those used in the last completed triennial valuations. The latest CMI mortality projection tables (CMI2021) have been used. The assumed life expectations on retirement at age 65 are:

| | 31 March 2022 Years | 31 March 2021 Years | 31 March 2020 Years |
|---|---|---|---|
| Retiring today: | | | |
| Males | **22.4** | 22.4 | 22.1 |
| Females | **24.8** | 24.3 | 24.0 |
| Retiring in 20 years: | | | |
| Males | **23.9** | 24.2 | 23.5 |
| Females | **26.2** | 26.2 | 25.5 |

The sensitivities regarding the principal assumptions used to measure the UK plan liabilities are set out below:

| Assumption | Change in assumption | Impact on plan liabilities |
|---|---|---|
| Discount rate | Increase/decrease by 0.5% | Decrease by 8.3%/increase by 9.2% |
| Rate of inflation | Increase/decrease by 0.5% | Increase by 5.6%/decrease by 5.2% |
| Rate of mortality | Increase by one year | Increase by 3.6% |

These sensitivities have been calculated to show the impact on the plan liabilities in isolation and assume no other changes in market conditions at the reporting date. This may not be representative of the actual change as the changes in assumptions would likely not occur in isolation – for example, a change in discount rate is unlikely to occur without any movement in the value of the assets held by the Group's Schemes.

Amounts recognised in the Consolidated Income Statement in respect of the UK and Swiss defined benefit plans are as follows:

| | | | 31 March 2022 | | | 31 March 2021 |
|---|---|---|---|---|---|---|
| | UK defined benefit plans £m | Other defined benefit plans £m | Total £m | UK defined benefit plans £m | Other defined benefit plans £m | Total £m |
| Current service cost | **–** | **0.4** | **0.4** | – | 0.6 | 0.6 |
| Net interest charge/(credit) on pension plan liabilities | **0.3** | **–** | **0.3** | (0.1) | – | (0.1) |
| | **0.3** | **0.4** | **0.7** | (0.1) | 0.6 | 0.5 |

Actuarial gains and losses have been reported in the Consolidated Statement of Comprehensive Income and Expenditure. The actual return on plan assets was a gain of £12.2m (2021: gain of £30.8m).

The cumulative amount of actuarial losses recognised in the Consolidated Statement of Comprehensive Income and Expenditure since the date of transition to IFRS is £48.3m (2021: £89.8m).

The amount included in the Consolidated Balance Sheet arising from the Group's asset/obligations in respect of its defined benefit retirement plans is as follows:

| | | | 31 March 2022 | | | 31 March 2021 |
|---|---|---|---|---|---|---|
| | UK defined benefit plans £m | Other defined benefit plans £m | Total £m | UK defined benefit plans £m | Other defined benefit plans £m | Total £m |
| Present value of defined benefit obligations | **(308.7)** | **(8.4)** | **(317.1)** | (347.6) | (8.0) | (355.6) |
| Fair value of plan assets | **339.8** | **7.8** | **347.6** | 327.0 | 6.1 | 333.1 |
| **Net Retirement benefit asset/(obligation)** | **31.1** | **(0.6)** | **30.5** | (20.6) | (1.9) | (22.5) |
| **Plans with net retirement benefit assets** | **31.1** | **–** | **31.1** | – | – | – |
| **Plans with net retirement benefit obligations** | **–** | **(0.6)** | **(0.6)** | (20.6) | (1.9) | (22.5) |

## 29 Retirement benefits continued

Movements in the present value of the UK and Swiss defined benefit obligations were as follows:

| | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m |
|---|---|---|
| At beginning of year | **(355.6)** | (304.0) |
| Service cost | **(0.5)** | (0.6) |
| Interest cost | **(6.7)** | (7.4) |
| Remeasurement gains/(losses): | | |
| Actuarial losses and gains arising from changes in financial assumptions | **44.2** | (53.7) |
| Actuarial gains and losses arising from experience adjustments | **(8.4)** | (0.2) |
| Contributions from plan members | **(0.2)** | (0.9) |
| Benefits paid | **10.7** | 10.6 |
| Exchange adjustments | **(0.6)** | 0.6 |
| At end of year | **(317.1)** | (355.6) |

Movements in the fair value of the UK and Swiss plan assets were as follows:

| | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m |
|---|---|---|
| At beginning of year | **333.1** | 298.8 |
| Interest income | **6.4** | 7.5 |
| Actuarial gains/(losses) excluding interest income | **5.8** | 23.3 |
| Contributions from the sponsoring companies | **12.2** | 13.7 |
| Contributions from plan members | **0.2** | 0.9 |
| Benefits paid | **(10.7)** | (10.6) |
| Exchange adjustments | **0.6** | (0.5) |
| At end of year | **347.6** | 333.1 |

The net movement on actuarial gains and losses of the UK and Swiss plans was as follows:

| | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m |
|---|---|---|
| Defined benefit obligations | **35.8** | (53.9) |
| Fair value of plan assets | **5.8** | 23.3 |
| **Net actuarial gains/(losses)** | **41.6** | (30.6) |

The analysis of the UK plan assets and the expected rate of return at the balance sheet date were as follows:

***Fair value of UK plan assets***

| | 31 March 2022 £m | 31 March 2021 £m |
|---|---|---|
| Equity instruments | **101.1** | 94.8 |
| Debt instruments | **200.9** | 204.8 |
| Property/infrastructure/cash | **37.8** | 27.4 |
| | **339.8** | 327.0 |

The assets of the schemes are primarily held in pooled investment vehicles which are unquoted. The pooled investment vehicles hold both quoted and unquoted investments. Scheme assets include neither direct investments in the Company's ordinary shares nor any property assets occupied by Group companies nor other assets used by the Group.

Equity instruments include UK and Overseas equity funds as well as diversified growth funds. Debt instruments include corporate, government and private debt funds and a liquidity fund. Property/Infrastructure/cash includes private infrastructure funds, managed property funds and cash at bank.

## 29 Retirement benefits continued

| | Expected rate of return 31 March 2022 % | 31 March 2021 % |
|---|---|---|
| Equity instruments | **2.80** | 1.95 |
| Debt instruments | **2.80** | 1.95 |
| Property/infrastructure/cash | **2.80** | 1.95 |
| | **2.80** | 1.95 |

Assets in the non-UK plans are primarily insurance assets.

In conjunction with the trustees, the Group conducts asset-liability reviews for its defined benefit pension plan. The results of these reviews are used to assist the trustees and the Group to determine the optimal long-term asset allocation with regard to the structure of the liabilities of the plan. They are also used to assist the trustees in managing the volatility in the underlying investment performance and risk of a significant increase in the defined benefit deficit by providing information used to determine the plan's investment strategy.

As a consequence, the Group is progressively giving more emphasis to a closer return matching of plan assets and liabilities, both to ensure the long-term security of its defined benefit commitment and to reduce earnings and balance sheet volatility.

Based on the most recent actuarial valuation, the estimated amount of contributions expected to be paid to the UK and Swiss plans during the year ended 31 March 2023 is £15.0m.

The levels of contributions are based on the current service cost and the expected future cash flows of the defined benefit pension plans. The Group estimates the plan liabilities on average to fall due over 20 and 25 years, respectively, for the Halma and Apollo plans.

The Group has considered the requirements of IFRIC 14 with respect to the UK plans and has determined that it has an unconditional right to a refund under the plans and therefore IFRIC 14 does not have any practical impact on the plans and so no allowance for it (and, in particular, no allowance for the asset ceiling) has been made in the calculated figures.

The expected maturity analysis of the undiscounted pension obligation for the next 10 years is as follows:

| | Less than one year £m | Between one and two years £m | Between two and five years £m | Between five and ten years £m | Total £m |
|---|---|---|---|---|---|
| **At 31 March 2022** | | | | | |
| Halma | **8.0** | **8.2** | **26.4** | **49.8** | **92.4** |
| Apollo | **3.1** | **3.3** | **10.5** | **20.1** | **37.0** |

## 30 Disposal of operations

During the current year the Group recognised a profit on disposal of operations of £34.0m (2021: £22.1m), which comprised the following:

On 10 August 2021, the Group disposed of its entire interest in Texecom Limited to a third party for proceeds of £64.8m. This transaction resulted in the recognition of a gain in the Consolidated Income Statement as follows:

| | £m |
|---|---|
| Proceeds of disposal | **64.8** |
| Less: net assets on disposal | **(19.0)** |
| Less: allocation of goodwill disposed | **(9.0)** |
| Less: costs of disposal | **(2.8)** |
| **Profit on disposal** | **34.0** |

The carrying amounts of assets and liabilities at the date of the sale were

| | £m |
|---|---|
| **Non-current assets** | |
| Intangible assets | 0.8 |
| Property, plant and equipment | 6.3 |
| **Current assets** | |
| Inventories | 7.3 |
| Trade and other receivables | 10.6 |
| Cash and cash equivalents | 4.5 |
| **Total assets** | 29.5 |
| **Current liabilities** | |
| Payables | (8.4) |
| Lease liabilities | (0.3) |
| **Non-current liabilities** | |
| Lease liabilities and dilapidation provision | (1.8) |
| **Total liabilities** | (10.5) |
| **Net assets of business disposed** | 19.0 |

Cash received on disposal of operations in the year of £57.5m comprised proceeds from the sale of Texecom Limited of £64.8m, less £4.5m of cash disposed and £2.8m of disposal costs.

In the prior year, in December 2020, the Group disposed of its entire interest in Fiberguide Industries, Inc. to a third party for sale proceeds of £27.6m less disposal costs of £1.1m. Disposal costs of £0.4m relating to the spin-out and partial disposal of OneThird B.V. were also paid.

## 31 Contingent liabilities

### Group financing exemptions applicable to UK controlled foreign companies

On 24 November 2017, the European Commission (EC) published an opening decision that the United Kingdom controlled foreign company (CFC) group financing partial exemption (FCPE) constitutes State Aid. On 2 April 2019, the EC's final decision concluded that the FCPE rules, as they applied up to 31 December 2018, constitute State Aid. As previously reported, the Group has benefitted from the FCPE with the total benefit for the periods from 1 April 2013 to 31 December 2018 being approximately £15.4m in respect of tax.

Appeals had been made by the UK government, the Group and other UK-based groups to annul the EC decision. The EU General Court delivered its decision on 8 June 2022. The ruling was in favour of the European Commission but the UK Government and the taxpayer have the option to appeal this decision.

Notwithstanding these appeals, under EU law, the UK government is required to commence collection proceedings. In January 2021, the Group received a Charging Notice from HM Revenue & Customs (HMRC) for £13.9m assessed for the period from 1 April 2016 to 31 December 2018. The Group has appealed against the notice but as there is no right of postponement the amount charged was paid in full in February 2021. In February 2021, the Group received confirmation from HMRC that it was not a beneficiary of State Aid for the period from 1 April 2013 to 31 March 2016.

Whilst the EU General Court was in favour of the EC, our assessment is that there are strong grounds for appeal and we would expect such appeals to be successful. As a result, we continue to recognise a receivable of £14.7m on the Consolidated Balance Sheet within non-current assets to reflect the Group's view that the amount paid will ultimately be recovered.

In April 2021, a Charging Notice for £0.8m was received. The £0.8m comprised interest on the £13.9m assessment noted above and the interest was paid in May 2021.

The Group's maximum potential exposure at 31 March 2022 in respect of recoverability of non-current assets is £14.7m (31 March 2021: £13.9m).

## 31 Contingent liabilities continued

### Other contingent liabilities

The Group has widespread global operations and is consequently a defendant in legal, tax and customs proceedings incidental to those operations. In addition, there are contingent liabilities arising in the normal course of business in respect of indemnities, warranties and guarantees. These contingent liabilities are not considered to be unusual or material in the context of the normal operating activities of the Group. Provisions have been recognised in accordance with the Group accounting policies where required. None of these claims are expected to result in a material gain or loss to the Group.

## 32 Events subsequent to end of reporting period

On 13 April 2022, the Group acquired the entire share capital of Deep Trekker Inc. (Deep Trekker), based in Ontario, Canada for a cash consideration of C$60.0m (£36.6m) on a cash and debt free basis. Deep Trekker is a market-leading manufacturer of remotely operated underwater robots used for inspection, surveying, analysis and maintenance. Deep Trekker will be part of Halma's Environmental & Analysis sector. A detailed purchase price allocation exercise is currently being performed to calculate the goodwill arising on acquisition.

In May 2022, the Revolving Credit Facility was refinanced. The new facility remains at £550m and matures in May 2027 with two one-year extension options. In addition, in May 2022, a new Private Placement of £330m was completed. The issuance consists of Sterling, Euro, US Dollar and Swiss Franc tranches and matures in July 2032, with an amortisation profile giving it a seven year average life.

There were no other known material non-adjusting events which occurred between the end of the reporting period and prior to the authorisation of these financial statements on 16 June 2022.

## 33 Related party transactions

### Trading transactions

| | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m |
|---|---|---|
| **Associated companies** | | |
| **Transactions with associated companies** | | |
| Sales to associated companies | **–** | – |
| **Balances with associated companies** | | |
| Amounts due from associated companies | **–** | – |
| **Other related parties** | | |
| **Balances with other related parties** | | |
| Amounts due to other related parties | **–** | – |

All the transactions above are on an arm's length basis and on standard business terms.

### Remuneration of key management personnel

The remuneration of the Directors and Executive Board members, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'. Further information about the remuneration of individual Directors is provided in the audited part of the Annual Remuneration Report on pages 133 to 148.

| | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m |
|---|---|---|
| Wages and salaries | **11.9** | 6.1 |
| Pension costs | **0.1** | 0.1 |
| Share-based payment charge | **5.0** | 4.4 |
| | **17.0** | 10.6 |

## 34 Commitments

### Capital commitments

Capital expenditure relating to the purchase of equipment authorised and contracted at 31 March 2022 but not recognised in these accounts amounts to £1.5m (2021: £3.1m).

# Company Balance Sheet

| | Notes | 31 March 2022 £m | 31 March 2021 £m |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible assets | C3 | **0.6** | 0.9 |
| Tangible assets | C4 | **7.7** | 7.8 |
| Investments | C5 | **453.5** | 347.5 |
| Retirement benefit asset | C13 | **26.7** | – |
| Tax receivable | | **14.7** | – |
| Deferred tax asset | C10 | **–** | 2.9 |
| | | **503.2** | 359.1 |
| **Current assets** | | | |
| Debtors | C6 | **807.3** | 742.0 |
| Short-term deposits | | **0.1** | 0.1 |
| Tax receivable | | **6.6** | 3.3 |
| Cash at bank and in hand | | **15.1** | 11.7 |
| | | **829.1** | 757.1 |
| **Creditors: amounts falling due within one year** | | | |
| Borrowings | C7 | **75.2** | 22.6 |
| Creditors | C8 | **122.7** | 74.8 |
| | | **197.9** | 97.4 |
| **Net current assets** | | **631.2** | 659.7 |
| **Total assets less current liabilities** | | **1,134.4** | 1,018.8 |
| **Creditors: amounts falling due after more than one year** | | | |
| Borrowings | C7 | **287.6** | 321.9 |
| Retirement benefit obligations | C13 | **–** | 8.3 |
| Creditors | C9 | **13.4** | 13.1 |
| Deferred tax | C10 | **5.4** | – |
| **Net assets** | | **828.0** | 675.5 |
| **Capital and reserves** | | | |
| Share capital | C11 | **38.0** | 38.0 |
| Share premium account | | **23.6** | 23.6 |
| Own shares | | **(30.7)** | (20.9) |
| Capital redemption reserve | | **0.2** | 0.2 |
| Other reserves | | **(50.5)** | (40.6) |
| Profit and loss account | | **847.4** | 675.2 |
| **Total equity** | | **828.0** | 675.5 |

The Company reported a profit for the financial year ended 31 March 2022 of £218.8m (2021: £198.2m).

The financial statements of Halma plc, company number 00040932, were approved by the Board of Directors on 16 June 2022.

**Andrew Williams**
Director

**Marc Ronchetti**
Director

## Company Statement of Changes in Equity

| | Share capital £m | Share premium account £m | Own shares £m | Capital redemption reserve £m | Other reserves £m | Profit and loss account £m | Total £m |
|---|---|---|---|---|---|---|---|
| **At 1 April 2021** | **38.0** | **23.6** | **(20.9)** | **0.2** | **(40.6)** | **675.2** | **675.5** |
| Profit for the year | **–** | **–** | **–** | **–** | **–** | **218.8** | **218.8** |
| Other comprehensive income and expense: | | | | | | | |
| Actuarial gains on defined benefit pension plan | **–** | **–** | **–** | **–** | **–** | **27.6** | **27.6** |
| Tax relating to components of other comprehensive income and expense | **–** | **–** | **–** | **–** | **–** | **(6.5)** | **(6.5)** |
| Total other comprehensive expense for the year | **–** | **–** | **–** | **–** | **–** | **21.1** | **21.1** |
| Dividends paid | **–** | **–** | **–** | **–** | **–** | **(68.7)** | **(68.7)** |
| Share-based payment charge | **–** | **–** | **–** | **–** | **6.9** | **–** | **6.9** |
| Deferred tax on share-based payment transactions | **–** | **–** | **–** | **–** | **(0.2)** | **–** | **(0.2)** |
| Excess tax deductions related to exercised share awards | **–** | **–** | **–** | **–** | **–** | **1.0** | **1.0** |
| Purchase of own shares | **–** | **–** | **(19.3)** | **–** | **–** | **–** | **(19.3)** |
| Performance share plan awards vested | **–** | **–** | **9.5** | **–** | **(16.6)** | **–** | **(7.1)** |
| **At 31 March 2022** | **38.0** | **23.6** | **(30.7)** | **0.2** | **(50.5)** | **847.4** | **828.0** |
| At 1 April 2020 | 38.0 | 23.6 | (14.3) | 0.2 | (29.5) | 558.7 | 576.7 |
| Profit for the year | – | – | – | – | – | 198.2 | 198.2 |
| Other comprehensive income and expense: | | | | | | | |
| Actuarial losses on defined benefit pension plan | – | – | – | – | – | (23.2) | (23.2) |
| Tax relating to components of other comprehensive income and expense | – | – | – | – | – | 4.4 | 4.4 |
| Total other comprehensive income for the year | – | – | – | – | – | (18.8) | (18.8) |
| Dividends paid | – | – | – | – | – | (63.7) | (63.7) |
| Share-based payment charge | – | – | – | – | 6.6 | – | 6.6 |
| Deferred tax on share-based payment transactions | – | – | – | – | (0.3) | – | (0.3) |
| Excess tax deductions related to exercised share awards | – | – | – | – | – | 0.8 | 0.8 |
| Purchase of own shares | – | – | (16.2) | – | – | – | (16.2) |
| Performance share plan awards vested | – | – | 9.6 | – | (17.4) | – | (7.8) |
| At 31 March 2021 | 38.0 | 23.6 | (20.9) | 0.2 | (40.6) | 675.2 | 675.5 |

## C1 Accounting policies

### Corporate Information

Halma plc (the Company) is a public limited company incorporated and domiciled in England, United Kingdom (registration number 00040932). The registered address of the Company is Misbourne Court, Rectory Way, Amersham, Buckinghamshire, HP7 0DE, United Kingdom.

### Basis of preparation

The separate Company financial statements are presented as required by the Companies Act 2006 and have been prepared on the historical cost and going concern basis, and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' except for the revaluation of certain financial instruments, pension assets and contingent purchase consideration at fair value as permitted by the Companies Act 2006.

The principal accounting policies have been applied consistently in both the current and prior year.

### Financial reporting standard 101 – reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46–52 of IFRS 2 Share-based payment;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- paragraph 79(a)(iv) of IAS 1;
- paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D,111 and 134–136 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases;
- the requirements of paragraph 58 of IFRS 16;
- the requirements of IAS 7 Statement of Cash Flows and related notes;
- the effects of new but not yet effective IFRS;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).

### New Standards and Interpretations applied for the first time in the year ended 31 March 2022

The following Standards and Interpretations applied for the first time, with effect from 1 April 2021, and have been adopted in the preparation of these Company Accounts.

- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- COVID-19 Related Rent Concessions – Amendment to IFRS 16

None of the above mentioned new Standards and Interpretations have affected the Company's results.

### Significant accounting judgements and estimates

In preparing the financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis and are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

Significant accounting estimates are used is in determining the value of the future defined benefit obligation which requires estimation in respect of the assumptions used to calculate present values. These include future mortality, discount rate and inflation. Management determines these assumptions in consultation with an independent actuary. Details of the estimates made in calculating the defined benefit obligation are disclosed in note 29 to the Group accounts.

In addition, significant estimates are required in determining whether there is impairment of the Company's investments which requires estimation of the investments' 'value in use'. The 'value in use' calculation requires the Company to estimate the future cash flows expected to arise from the investments and apply suitable discount rates in order to calculate present values.

There are no significant judgements used by management in preparing the Company's financial statements.

### Summary of significant accounting policies

#### *Foreign currencies*

Transactions in foreign currency are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates prevailing at that date. Any gain or loss arising from subsequent exchange rate movements is included as an exchange gain or loss in the Profit and Loss Account.

#### *Financial Instruments*

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

## C1 Accounting policies continued

***Financial assets***

The Company recognises its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired.

Other than the financial assets in a qualifying hedging relationship, the Company's accounting policy for each category is as follows:

Fair value through profit or loss –These are carried in the balance sheet at fair value with changes in fair value recognised in the Profit and Loss Account.

Amortised costs – Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (other group companies), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The Company's receivables relate entirely to balances due from other group companies. Where the intercompany receivable is payable on demand the Company determines whether any impairment provision is required by assessing the Company's ability to repay the loan. Where it is considered that the Company does not have the capacity to repay the loan or the loan is not repayable on demand, an expected credit loss model is used to calculate the impairment provision required.

***Financial liabilities***

The Company classifies its financial liabilities into one of the categories discussed below, depending on the purpose for which the liability was acquired.

Fair value through profit or loss – These comprise out-of-the-money derivatives and contingent purchase consideration. They are carried in the balance sheet at fair value with changes in fair value recognised in the Profit and Loss Account.

At amortised cost – Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method.

***Interest bearing loans and borrowings***

Interest bearing loans and borrowings are initially recognised in the balance sheet at fair value less directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method.

***Share-based payments***

The Company has adopted IFRS 2 and the accounting policies followed are in all material respects the same as the Group's policy. This policy is shown on page 181.

***Investments***

Investments are stated at cost less provision for impairment.

***Fixed assets and depreciation***

Fixed assets are stated at cost less provisions for impairment and depreciation which, with the exception of freehold land which is not depreciated, is provided on all fixed assets on the straight-line method, each item being written off over its estimated life. The principal annual rates used for this purpose are:

| | |
|---|---|
| Freehold property | 2% |
| Plant, equipment and vehicles | 8% to 33.3% |

***Pensions***

The Company makes contributions to defined contribution pension plans, which are charged against profits when they become payable. The Company also operates a UK defined benefit pension plan. For defined benefit plans, the asset or liability recorded in the Company Balance Sheet is the difference between the fair value of the plan's assets and the present value of the defined obligation at that date. The defined benefit obligation is calculated separately for the plan on an annual basis by an independent actuary using the projected unit credit method.

Actuarial gains and losses are recognised in full in the year in which they occur, and are taken to other comprehensive income.

Current and past service costs, along with the impact of settlements or curtailments, are charged to profit and loss. The unwinding of the discounting on the net liability is recognised within finance income or expense as appropriate.

***Taxation***

Tax on the profit or loss for the year comprises both current and deferred tax. Tax is recognised in the Profit and Loss Account except to the extent that it relates to items recognised either in other comprehensive income or directly in equity.

Current tax is the expected tax payable, on the taxable income for the year, using tax rates enacted, or substantively enacted, at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred taxation is provided on taxable temporary differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases. Deferred tax is measured at the tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are only recognised if recovery is considered more likely than not on the basis of all available evidence.

The recognition of deferred tax assets is dependent on assessments of future taxable income.

## C2 Result for the year

As the Company is included in the consolidated financial statements, made up to 31 March each year, it is not required to present a separate profit and loss account as permitted by Section 408(3) of the Companies Act 2006, as such the Profit and Loss Account of Halma plc is not presented as part of these accounts. The Company has reported a profit after taxation for the financial year of £218.7m (2021: £198.2m).

Auditors' remuneration for audit services to the Company was £0.5m (2021: £0.5m).

Total employee costs (including Directors) were:

| | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m |
|---|---|---|
| Wages and salaries | **27.2** | 18.0 |
| Social security costs | **4.2** | 2.3 |
| Pension costs | **0.6** | 0.3 |
| | **32.0** | 20.6 |

Included within wages and salaries are share-based payment charges under IFRS 2 of £4.7m (2021: £4.9m).

| | Year ended 31 March 2022 Number | Year ended 31 March 2021 Number |
|---|---|---|
| Monthly average number of employees (all in the UK) | **104** | 80 |

Details of Directors' remuneration are set out on pages 129 to 139 within the Annual Remuneration Report and form part of these financial statements.

## C3 Fixed assets – intangible assets

| | Computer software £m | Other intangibles £m | Total £m |
|---|---|---|---|
| **Cost** | | | |
| At 1 April 2021 | **2.2** | **0.1** | **2.3** |
| **At 31 March 2022** | **2.2** | **0.1** | **2.3** |
| **Accumulated amortisation** | | | |
| At 1 April 2021 | **1.4** | **–** | **1.4** |
| Charge for year | **0.3** | **–** | **0.3** |
| **At 31 March 2022** | **1.7** | **–** | **1.7** |
| **Carrying amounts** | | | |
| **At 31 March 2022** | **0.5** | **0.1** | **0.6** |
| At 31 March 2021 | 0.8 | 0.1 | 0.9 |

### C4 Fixed assets – tangible assets

| | Freehold properties £m | Plant, equipment and vehicles £m | Total £m |
|---|---|---|---|
| **Cost** | | | |
| At 1 April 2021 | **8.0** | **1.7** | **9.7** |
| Additions at cost | **–** | **0.3** | **0.3** |
| **At 31 March 2022** | **8.0** | **2.0** | **10.0** |
| **Accumulated depreciation** | | | |
| At 1 April 2021 | **1.0** | **0.9** | **1.9** |
| Charge for the year | **0.1** | **0.3** | **0.4** |
| **At 31 March 2022** | **1.1** | **1.2** | **2.3** |
| **Carrying amounts** | | | |
| **At 31 March 2022** | **6.9** | **0.8** | **7.7** |
| At 31 March 2021 | 7.0 | 0.8 | 7.8 |

### C5 Investments

**Shares in Group companies**

| | 31 March 2022 £m | 31 March 2021 £m |
|---|---|---|
| At cost less amounts written off at beginning of year | **347.5** | 300.0 |
| Increase in investments | **132.6** | 48.6 |
| Decrease in investments | **(26.6)** | (1.1) |
| At cost less amounts written off at end of year | **453.5** | 347.5 |

The increase of £132.6m in the year comprises additions from the acquisition of Anton Industrial Services Limited of £3.2m and Ashton Lister Investments Limited (parent of Ramtech Electronics Limited) of £19.6m and additional investments into existing subsidiary Halma Euro Trading Limited of £109.8m. The decrease in investment of £26.6m relates to the disposal of Texecom Limited.

In the prior year the increase of £48.6m in the year comprises additions from the acquisition of Static Systems Holdings Limited of £43.9m and additional investments into existing subsidiaries: £0.5m additional investment in Halma Euro Trading Limited and £4.2m in Halma Ventures Limited. The decrease in investment of £1.1m relates to the disposal of LAN Control Systems Limited (LAN). As part of an internal group restructuring LAN was sold to FireMate Software Pty Limited, a subsidiary company 70% owned by the Group.

## C5 Investments continued

### Subsidiaries

Details of the Company's subsidiaries at 31 March 2022 are below.

| Name | Registered Address | Country | Class | Group % |
|---|---|---|---|---|
| A & G Security Electronics Limited | (1) | United Kingdom | Ordinary Shares | 100* |
| Accutome, Inc. | 3222 Phoenixville Pike, Malvern, PA 19355 | United States | Ordinary Shares | 100 |
| ADI Holdings LLC | 240 Kenneth Welch Drive, Lakeville, 02347 MA | United States | Ordinary Shares | 100 |
| Adler Diamant BV | Simon Homburgstraat 21, 5431 NN Cuijk | Netherlands | Ordinary Shares | 100 |
| Advanced Electronics Limited | The Bridges, Balliol Business Park, Newcastle Upon Tyne, Tyne and Wear, NE12 8EW | United Kingdom | Ordinary Shares | 100* |
| Advanced Fire Systems Inc. | 100 South Street, Hopkinton MA 01748 | United States | Common Stock | 100 |
| Alicat Scientific, Inc. | 7641 N Business Park Drive, Tucson, AZ 85743 | United States | Common Stock | 100 |
| Alicat Scientific India Private Limited | Plot No. A-147, Road No. 24, Next to Spraytech Circle, opp. Metropolitan Company, Wagle Industrial Estate, Thane (West), 400604, Maharashtra | India | Ordinary Shares | 100 |
| Alicat BV | Geograaf 24, 6921 EW Duiven | Netherlands | Ordinary Shares | 100 |
| Ampac Europe Limited | Unit 2, Waterbrook Estate, Waterbrook Road, Alton, Hampshire, GU34 2UD | United Kingdom | Ordinary Shares | 100* |
| Ampac NZ Limited | 125 The Terrace, Wellington Central, Wellington, 6011 | New Zealand | Ordinary Shares | 100 |
| Ampac Pty Limited | 7 Ledgar Road, Balcatta, Western Australia, 6021 | Australia | Ordinary Shares | 100 |
| Analytical Development Company Limited | (1) | United Kingdom | Ordinary Shares | 100* |
| Anton Industrial Services Limited | 172 Brook Drive, Milton Park, Milton, Abingdon, Oxfordshire OX14 4SD | United Kingdom | Ordinary Shares | 100 |
| Apollo (Beijing) Fire Products Co. Ltd | Block A5, Jinghai Industrial Park, No. 156 Jinghai Fourth Road, BDA Beijing | China | Ordinary Shares | 100 |
| Apollo America, Inc. | 25 Corporate Drive, Auburn Hills, MI 48326 | United States | Common Stock | 100 |
| Apollo Fire Detectors Limited | 36 Brookside Road, Havant, Hampshire, PO9 1JR | United Kingdom | Ordinary & Deferred Shares | 100* |
| Apollo GmbH | Am Anger 31, D-33332 Gütersloh | Germany | Ordinary Shares | 100 |
| Aquionics, Inc. | 4215, Suite E, Stuart Andrew Boulevard, Charlotte, NC, 28217 | United States | Ordinary Shares | 100 |
| Argus Italy S.R.L. | Via del Canneto 14, Muggia, 34015 | Italy | Ordinary Shares | 100 |
| Argus Security S.R.L. | Via Maurizio Gonzaga no. 7, Milan, 20123 | Italy | Quotas | 100 |
| Ashton Lister Investment Limited | Ramtech House, Castlebridge Office Village, Castle Marina Road, Nottingham, NG7 1TN | United Kingdom | Ordinary Shares | 100* |
| ASL Holdings Limited | Ty Coch House, Llantarnam Park Way, Cwmbran, Gwent NP44 3AW | United Kingdom | Ordinary Shares | 100* |
| Avire Elevator Technology India Pte. Ltd | Plot A/147, Road No. 24, Wagle Industrial Estate, Thane West, 400604 | India | Ordinary & Preference Shares | 100 |
| Avire Elevator Technology Shanghai Ltd | 4th Floor, Building 75, No.1066, Qinzhou Road, Shanghai, 200233 | China | Ordinary Shares | 100 |
| Avire Global Pte. Ltd | 80 Raffles Place, #32-01 UOB Plaza, 048624 | Singapore | Ordinary Shares | 100 |
| Avire Limited | Unit 1 The Switchback Gardner Road, Maidenhead, Berkshire SL6 7RJ | United Kingdom | Ordinary Shares | 100 |
| Avire Trading Limited | Unit 1 The Switchback Gardner Road, Maidenhead, Berkshire SL6 7RJ | United Kingdom | Ordinary Shares | 100* |
| Avire s.r.o. | Okružní 2615, České BudĞovice, 370 01 | Czech Republic | Ordinary Shares | 100 |
| Avo Photonics (Canada) Inc. | 20 Mural Street, Unit 7, Richmond Hill, Ontario L4B 1K3 | Canada | A & B Shares | 100 |
| Avo Photonics, Inc. | 120 Welsh Road, Horsham PA 19044 | United States | A & B Preferred Stock & Common Stock | 100 |
| B.E.A. Holdings, Inc. | 100 Enterprise Drive, RIDC West, Pittsburgh PA 15275 | United States | Ordinary Shares | 100 |
| B.E.A. Inc. | 100 Enterprise Drive, RIDC West, Pittsburgh PA 15275 | United States | Ordinary Shares | 100 |
| B.E.A. Investments, Inc. | 100 Enterprise Drive, RIDC West, Pittsburgh PA 15275 | United States | Ordinary Shares | 100 |

## C5 Investments continued

### Subsidiaries continued

| Name | Registered Address | Country | Class | Group % |
|---|---|---|---|---|
| Baoding Longer Precision Pump Co., Ltd | Building A, Chuangye Center, Baoding National High-Tech Development Zone, Baoding, Hebei, 071051 | China | Ordinary Shares | 100 |
| BEA Electronics (Beijing) Co Ltd | Room 5959, Shenchang Building, No.51, Zhichun Road, Haidian District, Beijing | China | Ordinary Shares | 100 |
| BEA Electronics Singapore Pte. Ltd | 16 Raffles Quay, #38-03 Hong Leong Building, Singapore 048581 | Singapore | Ordinary Shares | 100 |
| BEA Japan KK | 154-0012 Komazawa, Setagaya-ku, 3-28-11, Tokyo | Japan | Ordinary Shares | 100 |
| Beijing Ker'Kang Instrument Limited Company | Unit 316, Area 1 Tower B, Chuangxin Building, 12 Hongda North Rd, Beijing, 100176 | China | Ordinary Shares | 100 |
| Berson Milieutechniek BV | PO Box 90, 5670 AB Nuenen | Netherlands | Ordinary Shares | 100 |
| Bio-Chem Fluidics, Inc. | 85 Fulton Street, Boonton New Jersey 07005 | United States | Ordinary Shares | 100 |
| Bureau d'Electronique appliquée S.A. | Allée des Noisetiers 5, Liège Science Park B-4031 LIEGE-Angleur | Belgium | Ordinary Shares | 100 |
| Business Marketers Group, Inc (trading as Rath Communications) | 24720 N Corporate Cir, Sussex, WI 53089. | United States | Ordinary Shares | 100 |
| Cardios Sistemas Comercial e Industrial Ltda | Avenida Paulista, 509, 1° e 2° andares, conjuntos 201, 212, 213 e 214, Bela Vista, São Paulo, Estado de São Paulo, CEP 01311-910 | Brazil | Quotas | 100 |
| Cardio Dinâmica Ltda | Avenida Paulista n° 509, 16° andar, conjuntos 1601 e 1602, São Paulo, Estado de São Paulo, CEP 01311-910-0 | Brazil | Quotas | 100 |
| Castell Interlocks, Inc. | Suite 865, 150 N Michigan Avenue, Chicago Illinois 60601 | United States | Ordinary Shares | 100 |
| Castell Locks Limited | (1) | United Kingdom | Ordinary Shares | 100* |
| Castell Safety International Limited | The Castell Building, 217 Kingsbury Road, London NW9 9PQ | United Kingdom | Ordinary Shares | 100* |
| Castell Safety Technology Limited | (1) | United Kingdom | Ordinary Shares | 100* |
| CEF Safety Systems BV | Delftweg 69, 2289 BA Rijswijk | Netherlands | Ordinary Shares | 100 |
| CenTrak, Inc. | 826 Newton-Yardley Road, Newton PA 18940 | United States | Common Stock | 100 |
| Cosasco Middle East (FZE) | Dubai Silicon Oasis, Light Industrial Units Phase 5, Units B-04 P.O. Box 341487 | UAE | Common Stock | 100 |
| Cosasco Middle East (FZE) | PO Box 8186, SAIF Zone, Sharjah | UAE | Common Stock | 100 |
| Cranford Controls Limited | Unit 2, Waterbrook Estate, Waterbrook Road, Alton, Hampshire, GU34 2UD | United Kingdom | Ordinary Shares | 100 |
| Crowcon Detection Instruments Limited | 172 Brook Drive, Milton Park, Milton, Abingdon, Oxfordshire OX14 4SD | United Kingdom | A & Ordinary Shares | 100* |
| Dancutter A/S | Livovej 1, DK-8800 Viborg | Denmark | Ordinary Shares | 100 |
| Diba Industries Limited | 2 College Park, Coldhams Lane, Cambridge CB1 3HD | United Kingdom | Ordinary Shares | 100* |
| Diba Industries, Inc. | 4 Precision Road, Danbury CT 06810 | United States | Common Stock | 100 |
| E&C Medical Intelligence, Inc. | 100 Regency Forest Drive, Suite 200, Cary, NC, 27518 | United States | Common Stock | 100 |
| Eco Rupture Disc Limited | (1) | United Kingdom | Ordinary Shares | 100* |
| Eiffel APAC PTE. Ltd | 4 Shenton Way, #15-01, SGX Centre II | Singapore | Ordinary Shares | 100 |
| Eiffel Holdings Limited | (1) | United Kingdom | Ordinary Shares | 100 |
| Eiffel Investments UK Limited | (1) | United Kingdom | Ordinary Shares | 100 |
| Eiffel Management Services Ltd | Friel Stafford, 44 Fitzwilliam Place, Dublin 2, Dublin, Ireland | Ireland | Ordinary Shares | 100 |
| Elfab Hughes Limited | (1) | United Kingdom | Ordinary Shares | 100* |
| Elfab Limited | Alder Road, West Chirton Industrial Estate, North Shields, Tyne & Wear NE29 8SD | United Kingdom | Ordinary Shares | 100* |
| F.I.R.E. Panel, LLC | 8435 N. 90th St., Suite 2, Scottsdale, AZ 85258 | United States | Common Stock | 100 |
| Fabrication de Produits de Sécurité SARL | 21 Rue du Cuir, ZI Sidi Rezig, Mégrine, 2033 | Tunisia | Ordinary Shares | 100 |
| FFE B.V. | J. Keplerweg 10S, 2408AC Alphen aan den Rijn | Netherlands | Ordinary Shares | 100 |

## C5 Investments continued

### Subsidiaries continued

| Name | Registered Address | Country | Class | Group % |
|---|---|---|---|---|
| FFE Holdings Limited | (1) | United Kingdom | Deferred, A & Ordinary Shares | 100* |
| FFE Limited | 9 Hunting Gate, Hitchin, Hertfordshire SG4 0TJ | United Kingdom | Ordinary Shares | 100* |
| Fire Fighting Enterprises Limited | (1) | United Kingdom | Ordinary Shares | 100* |
| FireMate Software Pty Limited | Unit 1, 83 Alfred Street, Fortitude Valley, QLD, 4006 | Australia | Ordinary Shares | 70 |
| Firetrace Aerospace, LLC | 8435 N. 90th St., Suite 7 Scottsdale, AZ 85258 | United States | Ordinary Shares | 100 |
| Firetrace International Asia Pte. Ltd | 16 Collyer Quay, #11-01, Hitachi Tower, Singapore, 049318 | Singapore | Ordinary Shares | 100 |
| Firetrace USA, LLC | 8435 N. 90th St., Suite 2 Scottsdale, AZ, 85258 | United States | Ordinary Shares | 100 |
| Fluid Conservation Systems, Inc. | 502 Technecenter Drive, Suite B, Milford OH 45150 | United States | Ordinary Shares | 100 |
| FluxData Inc. | 176 Anderson Ave, STE F304, Rochester, NY 14607 | United States | Ordinary Shares | 100 |
| Fortress Interlocks Limited | 2 Inverclyde Drive, Wolverhampton, West Midlands WV4 6FB | United Kingdom | Ordinary & Preferred Shares | 100* |
| Fortress Interlocks Pty Ltd | Ross Wadeson Accountants, Unit 13, 20–30 Malcolm Road, Braeside VIC 3195 | Australia | Ordinary Shares | 100 |
| Halma Australasia Holdings Limited | (1) | United Kingdom | Ordinary Shares | 100 |
| Halma Australasia Pty Ltd | 7 Ledgar Road, Balcatta, Western Australia, 6021 | Australia | Ordinary Shares | 100 |
| Halma (China) Group | Block 1, 3rd Floor, No. 123, Lane 1165, Jindu Road, Minghang District, Shanghai, 201108 | China | Ordinary Shares | 100 |
| Halma Do Brasil – Equipamentos De Segurança Ltda | Av. Tancredo Neves 620, Salas 1003/1004, Caminho das Árvores, Salvador, Bahia, 41.820-020 | Brazil | Ordinary Shares | 100 |
| Halma Euro Trading Limited | (1) | United Kingdom | Ordinary Shares | 100* |
| Halma Europe DS BV | J. Keplerweg 14, 2408 AC Alphen aan den Rijn | Netherlands | Ordinary Shares | 100 |
| Halma Financing Limited | (1) | United Kingdom | Ordinary Shares | 100 |
| Halma Holding GmbH | PO Box 35, Bruckstrasse 31, D-72417 Jungingen | Germany | Ordinary Shares | 100 |
| Halma Holdings, Inc. | 8060 Bryan Dairy Road, Largo, FL, 33777 | United States | Ordinary Shares | 100 |
| Halma India Private Ltd | 'Prestige Shantiniketan', Gate 2, Tower C, 7th Floor, Whitefield Main Road, Mahadevapura, Bengaluru, Bangalore, Karnataka, 560048 | India | Ordinary Shares | 100 |
| Halma International BV | De Huufkes 23, 5674TL Nuenen | Netherlands | Ordinary Shares | 100 |
| Halma International Limited | (1) | United Kingdom | A & Ordinary Shares | 100* |
| Halma Investment Holdings Limited | (1) | United Kingdom | Ordinary Shares | 100 |
| Halma IT Services Limited | (1) | United Kingdom | Ordinary Shares | 100* |
| Halma Overseas Funding Limited | (1) | United Kingdom | Ordinary Shares | 100 |
| Halma PR Services Limited | (1) | United Kingdom | Ordinary Shares | 100* |
| Halma Resistors Unlimited | (1) | United Kingdom | Ordinary Shares | 100 |
| Halma Safety Limited | (1) | United Kingdom | Ordinary Shares | 100* |
| Halma Saúde e Otica do Brasil – Importação, Exportação e Distribuição Ltda | Avenida Marcos Penteado de Ulhoa Rodrigues, n. 1119, 11th Floor, Suite 1102, Tambore, Barueri/São Paulo, 06.460-040 | Brazil | Ordinary Shares | 100 |
| Halma Services Limited | (1) | United Kingdom | Ordinary Shares | 100* |
| Halma UK DS Limited | (1) | United Kingdom | Ordinary Shares | 100* |
| Halma Ventures Limited | (1) | United Kingdom | Ordinary Shares | 100* |
| Hanovia Limited | 780/781 Buckingham Avenue, Slough, Berkshire SL1 4LA | United Kingdom | Ordinary Shares | 100* |
| HFT Shanghai Co., Ltd | Floor 2, No. 1 Factory Building, No. 123, Lane 1165, Jindu Road, Minghang District, Shanghai, 201108 | China | Ordinary Shares | 100 |
| HWM-Water Limited | Ty Coch House, Llantarnam Park Way, Cwmbran, Gwent NP44 3AW | United Kingdom | Ordinary Shares | 100* |
| Hydreka SAS | 51 Rosa Parks Avenue, Lyon, 69009 | France | Ordinary Shares | 100 |

## C5 Investments continued

### Subsidiaries continued

| Name | Registered Address | Country | Class | Group % |
|---|---|---|---|---|
| Hyfire Wireless Fire Solutions Limited | B12a Holly Farm Business Park, Honiley, Kenilworth, Warwickshire, CV8 1NP | United Kingdom | Ordinary Shares | 100* |
| Infinite Leap, Inc. | 1022 5th Street N, Fargo, ND, 581023711 | United States | Common Stock | 100 |
| Infowave Solutions Inc. | 11495 N. Pennsylvania Street, Suite 240, Carmel, IN, 46032 | United States | Common Stock | 100 |
| Invenio Systems Limited | Ty Coch House, Llantarnam Park Way, Cwmbran, Gwent NP44 3AW | United Kingdom | Ordinary Shares | 100* |
| InPipe GmbH | Jagerwinkel 1a, 6991 Riezlern | Austria | Ordinary Shares | 90 |
| Instituto Cardios de Ensino e Pesquisa em Eletrocardiologia Não Invasiva e M.A.P.A. | Avenida Paulista, 509, 3° andar, conjuntos 308, 309 e 310, Sao Paulo | Brazil | Ordinary Shares | 66.7 |
| International Light Technologies Inc. | 10 Technology Drive, Peabody, MA 01960 | United States | Ordinary Shares | 100 |
| Iso-Lok Limited | (1) | United Kingdom | Ordinary Shares | 100* |
| Keeler Instruments, Inc. | 3222, Phoenixville Pike, Malvern, PA, 19355 | United States | Ordinary Shares | 100 |
| Keeler Limited | Clewer Hill Road, Windsor, Berkshire SL4 4AA | United Kingdom | Ordinary Shares | 100* |
| Kirk Key Interlock Company, LLC | 9048 Meridian Circle NW, North Canton OH 44720 | United States | Ordinary Shares | 100 |
| Labsphere, Inc. | 231 Shaker Street, North Sutton, NH 03260 | United States | Ordinary Shares | 100 |
| Firemate Limited (previously LAN Control Systems Limited) | Chelsea House, Chelsea Street, New Bashford, Nottingham, NG7 7HP | United Kingdom | Ordinary Shares | 70 |
| Langer Instruments Corporation | 7641 N Business Park Drive, Tucson, AZ 85743 | United States | Ordinary Shares | 100 |
| Limotec bvba | Bosstraat 21, 8570 Anzegem (Vichte) | Belgium | Ordinary Shares | 100 |
| Maxtec LLC | 2305 South, 1070 West, Salt Lake City, UT, 84119 | United States | Common Stock | 100 |
| Meadowbridge Holdings Limited | (1) | United Kingdom | Ordinary Shares | 100* |
| Medicel AG | Dornierstrasse 11, CH – 9423 Altenrhein | Switzerland | A & B Preference & C Ordinary Shares | 100 |
| Meditech Kft | 1184, Budapest, Mikszáth Kálmán utca 24, 1184, | Hungary | Ordinary Shares | 100 |
| MicroSurgical Technology GmbH | Neuenhausplatz 73 40699, Erkrath, Nordrhein-Westfalen | Germany | Ordinary Shares | 100 |
| MicroSurgical Technology, Inc. | 8415 154th Avenue NE, Redmond, WA 98052 | United States | Common Stock | 100 |
| Mini-Cam Limited | Unit 4 Yew Tree Way, Golborne, Warrington, WA3 3FN | United Kingdom | Ordinary Shares | 100* |
| Mini-Cam Enterprises Limited | Unit 4 Yew Tree Way, Golborne, Warrington WA3 3FN | United Kingdom | Ordinary Shares | 100* |
| Mini-Cam Holdings Limited | Unit 4 Yew Tree Way, Golborne, Warrington, WA3 3FN | United Kingdom | Ordinary Shares | 100* |
| Mistura Systems Limited | (1) | United Kingdom | Ordinary Shares | 100* |
| Morley Electronics Limited | The Bridges, Balliol Business Park, Newcastle Upon Tyne, Tyne and Wear, NE12 8EW | United Kingdom | Ordinary Shares | 100 |
| Navtech Radar Limited | Home Farm, Ardington, Wantage, Oxfordshire. OX12 8PD | United Kingdom | Ordinary Shares | 100* |
| NovaBone Products, LLC | 13510 NW US Highway, 441 Alachua, FL, 32207 | United States | Common Stock | 100 |
| NB Products, Inc | 1551 Atlantic Blvd, Suite 105, Jacksonville, FL, 32207 | United States | Common Stock | 100 |
| Ocean Optics (Shanghai) Co., Ltd | Block B, 3rd Floor, No. 123, Lane 1165, Jindu Road, Minghang District, Shanghai | China | Ordinary Shares | 100 |
| Ocean Optics Asia LLC | Suite 601, Kirin Tower, 666 Gubei Road, Shanghai, 200336 | United States | Common Stock | 100 |
| Ocean Optics BV | Geograaf 24, 6921EW Duiven | Netherlands | Ordinary Shares | 100 |
| Ocean Optics, Inc. | 8060 Bryan Dairy Road, Largo, FL, 33777 | United States | Ordinary Shares | 100 |
| Oklahoma Safety Equipment Co, Inc. | PO Box 1327, 1701 West Tacoma, Broken Arrow OK 74013 | United States | Ordinary Shares | 100 |
| Orca GmbH | Hungenbach 1D, D-51515 Kurten | Germany | Ordinary Shares | 100 |
| Palintest Limited | Palintest House, Kingsway, Team Valley Trading Estate, Gateshead Tyne & Wear NE11 0NS | United Kingdom | Ordinary & Deferred Shares | 100* |

## C5 Investments continued

### Subsidiaries continued

| Name | Registered Address | Country | Class | Group % |
|---|---|---|---|---|
| Palmer Environmental Limited | (1) | United Kingdom | Ordinary Shares | 100* |
| Palmer Environmental Services Limited | (1) | United Kingdom | A & Ordinary Shares | 100* |
| PeriGen Inc. | 100 Regency Forest Drive, Suite 200, Cary, NC, 27518 | United States | Common Stock | 100 |
| PeriGen (Canada) Limited | 245 Victoria, Suite 600, Montreal, Quebec H3Z 2M6 | Canada | Ordinary Shares | 100 |
| PeriGen Solutions Limited | 2 Nim Boulevard, POB 110 Rishon LeZion, 7510002 | Israel | Ordinary Shares | 100 |
| Perma Pure India Pte Ltd | Plot No. A/147, Road No. 24, Wagle Industrial Estate, Thane West, Maharashtra, THANE 400064 | India | Ordinary Shares | 100 |
| Perma Pure, LLC | 1001 New Hampshire Ave., Lakewood NJ 08701 | United States | Ordinary Shares | 100 |
| Pixelteq, Inc. | 8060A Bryan Dairy Road, Largo Florida 33777 | United States | Ordinary Shares | 100 |
| Power Equipment Limited | (1) | United Kingdom | Preference & Ordinary Shares | 100* |
| Radcom (Technologies) Limited | Ty Coch House, Llantarnam Park Way, Cwmbran, Gwent NP44 3AW | United Kingdom | Ordinary Shares | 100* |
| Radio-Tech Limited | (1) | United Kingdom | Ordinary Shares | 100* |
| Ramtech Electronics Limited | Ramtech House, Castlebridge Office Village, Castle Marina Road, Nottingham, NG7 1TN | United Kingdom | Ordinary Shares | 100 |
| Ramtech Overseas Limited | Ramtech House, Castlebridge Office Village, Castle Marina Road, Nottingham, NG7 1TN | United Kingdom | Ordinary Shares | 100 |
| Ramtech North America Inc | 5126 South Royal Atlanta Drive, Tucker, GA 30084 | United States | Ordinary Shares | 100 |
| RCS Corrosion Services Sdn. Bhd | Level 21, Suite 21.01, The Garden South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Wilayah Persekutuan | Malaysia | Ordinary Shares | 100 |
| RCS International Limited | (1) | United Kingdom | Ordinary Shares | 100 |
| Repipe Lining Systems A/S | Livovej 1, DK-8800 Viborg | Denmark | Ordinary Shares | 100 |
| Research Engineers Limited | (1) | United Kingdom | Ordinary Shares | 100* |
| Reten Acoustics Limited | (1) | United Kingdom | Ordinary Shares | 100* |
| Riester USA, LLC | 507 Airport Blvd Ste 113, Morrisville NC 27560-8200 | United States | Ordinary Shares | 100 |
| Robutec AG | Dornierstrasse 11, CH – 9423 Altenrhein | Switzerland | Ordinary Shares | 100 |
| Rohrback Cosasco International Limited | OIL (Offshore Inc Limited) PO Box 957, Offshore Incorporations Centre, Road Town, Tortola | British Virgin Islands | Ordinary Shares | 100 |
| Rohrback Cosasco System China Corporation | No. A, Apartment 15F, Building 1, Tianchen Plaza, Yi-12 Chaoyangmen North Street, Chaoyang District, Beijing, 100020 | China | Common Stock | 100 |
| Rohrback Cosasco Systems LLC | Gulf Consulting House, Al-Shablan Tower – 5th Floor, King Fahd Rd, Al Hizam Al Thahabi P.O.Box 3140 AL Khobar, 31952 | Saudi Arabia | Common Stock | 100 |
| Rohrback Cosasco Systems Pte Ltd | Ardent Business Advisory, 146, Robinson Road, #12-01, Singapore, 068909 | Singapore | Ordinary Shares | 100 |
| Rohrback Cosasco Systems Pty Ltd | Unit 5, 17 Caloundra Road, Clarkson, WA | Australia | Ordinary Shares | 100 |
| Rohrback Cosasco Systems UK Limited | (1) | United Kingdom | Ordinary Shares | 100* |
| Rohrback Cosasco Systems, Inc | 11841 Smith Ave, Santa Fe Springs, CA 90670 | United States | Common Stock | 100 |
| Rudolf Riester GmbH | Bruckstrasse 31, D-72417 Jungingen | Germany | Ordinary Shares | 100 |
| S.E.R.V. Trayvou Interverrouillage SA | 1 Ter, Rue du Marais Bat B, 93106 Montreuil, Cedex | France | Ordinary Shares | 100 |
| SCK Interlocks Group Limited (previously Klaxon Signals Limited) | (1) | United Kingdom | Ordinary Shares | 100* |
| Sensit Technologies LLC | 851 Transport Drive, Valparaiso, IN. 46383 | United States | Common Stock | 100 |
| Sensit Technologies EMEA S.r.l | Via Tortona, n.33 Milan, 20144 | Italy | Ordinary Shares | 100 |
| Sensitron S.r.l | Viale della Repubblica, 48, 20007 Cornaredo (MI) | Italy | Ordinary Shares | 100 |

## C5 Investments continued

### Subsidiaries continued

| Name | Registered Address | Country | Class | Group % |
|---|---|---|---|---|
| Sensorex s.r.o | Rudolfovská tČ, 149/64, České BudĞjovice 4, 370 01 České BudĞjovic | Czech Republic | Ordinary Shares | 100 |
| Sensorex Corporation | 11751 Markon Drive, Garden Grove, CA 92841 | United States | Common Stock | 100 |
| Setco S.A. | c/Miquel Romeu 56, L'Hospitalet de Llobregat, Barcelona, 08907 | Spain | Ordinary Shares | 100 |
| Shanghai Labsphere Optical Equipments Co., Ltd | Block 1, No. 123, Lane 1165, Jindu Road, Minhang District, Shanghai, 201108 | China | Ordinary Shares | 100 |
| Smart Process Safety China Ltd (previously Castell China Ltd) | Floor 2, Building 63, No. 421 Hongcao Road, Xuhui District, Shanghai, | China | Ordinary Shares | 100 |
| Smith Flow Control Limited (previously Swift 943 Ltd) | (1) | United Kingdom | Ordinary Shares | 100* |
| Sofis, Inc. (previously Smith Flow Control, Inc.) | 13105 Northwest Freeway, Suite 1120, Houston, Texas, 77040 | United States | Ordinary Shares | 100 |
| Sofis BV (previously Netherlocks Safety Systems BV) | J Keplerweg 14, 2408 AC Alphen, aan den Rijn | Netherlands | Ordinary Shares | 100 |
| Sofis GmbH | Hahnenkammstrasse 12, 63811 Stockstadt | Germany | Ordinary Shares | 100 |
| Sofis Limited, (previously Smith Flow Control Ltd) | Unit 7b West Station Business Park, Spital Road, Maldon, CM9 6FF | United Kingdom | Ordinary Shares | 100* |
| Sonar Research & Development Limited | (1) | United Kingdom | Ordinary Shares | 100* |
| Static Systems Group Limited | Heath Mill Road, Wombourne, Wolverhampton, WV5 8AN | United Kingdom | Ordinary Shares | 100 |
| Static Systems Holdings Limited | Heath Mill Road, Wombourne, Wolverhampton, WV5 8AN | United Kingdom | Ordinary Shares | 100* |
| SunTech Group EB Trustee Limited | (1) | United Kingdom | Ordinary Shares | 100 |
| SunTech Medical (USA), LLC | 507 Airport Boulevard, Suite 117, Morrisville NC 27560-8200 | United States | Common Stock | 100 |
| SunTech Medical Devices (Shenzhen) Co. Ltd | 2-3/F, Block A, Jinxiongda Technology Park, Guanlan, Bao'an District, Shenzhen, Guangdong, 518110 | China | Ordinary Shares | 100 |
| SunTech Medical Group Limited | (1) | United Kingdom | Ordinary Shares | 100 |
| SunTech Medical Ltd (Hong Kong) | 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central | Hong Kong | Ordinary Shares | 100 |
| SunTech Medical, Inc. | 507 Airport Boulevard, Suite 117, Morrisville NC 27560-8200 | United States | Common Stock | 100 |
| T.L. Jones Ltd | 50 Hazeldean Road, Addington, Christchurch, 8024 | New Zealand | Ordinary Shares | 100 |
| Talentum Developments Limited | 9 Hunting Gate, Hitchin, Hertfordshire SG4 0TJ | United Kingdom | Ordinary Shares | 100* |
| Telegan Gas Monitoring Limited | (1) | United Kingdom | Ordinary Shares | 100* |
| Thinketron Precision Equipment Company Ltd | 402 Jardine House, 1 Connaught Place, Central | Hong Kong | Ordinary Shares | 100 |
| Value Added Solutions LLC | 26 Duane Lane, Burlington CT 06013 | United States | Common Stock | 100 |
| Visiometrics S.L. | Argenters, 8. Edifici 3, Parc Tecnològic del Vallès, 08290 Cerdanyola | Spain | Ordinary Shares | 100 |
| Visual Performance Diagnostics, Inc. | 26895 Aliso Creek Rd, Suite B223, | United States | Common Stock | 100 |
| | Aliso Viejo CA 92656 | | | |
| Volk Optical Inc. | 7893 Enterprise Drive, Mentor Ohio 44060 | United States | Common Stock | 100 |
| WatchChild, LLC | 100 Regency Forest Drive, Suite 200, Cary, NC, 27518 | United States | Common Stock | 100 |
| Wilkinson & Simpson Limited | (1) | United Kingdom | Deferred & Ordinary Shares | 100* |

* Directly held by the Company.
(1) Misbourne Court, Rectory Way, Amersham, Buckinghamshire HP7 0DE.

## C6 Debtors

| | 31 March 2022 £m | 31 March 2021 £m |
|---|---|---|
| **Amounts falling due within more than one year:** | | |
| Amounts due from Group companies | **1.2** | 1.2 |
| **Amounts falling due within one year:** | | |
| Amounts due from Group companies | **800.0** | 729.7 |
| Other debtors | **0.7** | – |
| Prepayments | **5.4** | 11.1 |
| | **807.3** | 742.0 |

Amounts owed by Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

## C7 Borrowings

| | 31 March 2022 £m | 31 March 2021 £m |
|---|---|---|
| **Falling due within one year:** | | |
| Overdrafts | **4.0** | 22.6 |
| Unsecured loan notes | **71.2** | – |
| | **75.2** | 22.6 |
| **Falling due after more than one year:** | | |
| Unsecured loan notes | **35.0** | 105.3 |
| Unsecured bank loans | **252.6** | 216.6 |
| | **287.6** | 321.9 |
| **Total borrowings** | **362.8** | 344.5 |

The Company has two sources of long-term funding, which comprise:

— an unsecured five-year £550m Revolving Credit Facility, which expires in November 2023 and is therefore classified as expiring within two to five years (2021: within two to five years). At 31 March 2022, £297.4m (2021: £333.4m) remained committed and undrawn, and

— unsecured loan notes agreed on 2 November 2015 in a mix of Sterling, US Dollars and Euro with borrowing periods of five, seven and ten years. At 31 March 2022, the outstanding loan notes totalled £106.2m (2021: £105.3m). The second tranche of loan notes, totalling £71.2m, is due in January 2023 and is classified as falling due within one year. The remaining loan notes are classified as falling due after more than one year.

Further details, including the refinancing of borrowing facilities in May 2022, are included in note 27 to the Group accounts.

The bank overdrafts, which are unsecured, at 31 March 2022 and 31 March 2021 were drawn on uncommitted facilities which all expire within one year and were held pursuant to a Group pooling arrangement which offsets them against credit balances in subsidiary undertakings.

As part of our cash pooling arrangements UK companies have cross-guaranteed net overdraft facilities of £13.2m (2021: £14.7m). Total net overdrafts relating to cash pooling as at 31 March 2022 were £Nil (2021: £Nil). Total overdrafts for the Group as at 31 March 2022 were £0.7m (2021: £3.0m).

## C8 Creditors: amounts falling due within one year

| | 31 March 2022 £m | 31 March 2021 £m |
|---|---|---|
| Trade creditors | **2.5** | 2.0 |
| Amounts owing to Group companies | **96.4** | 53.6 |
| Other taxation and social security | **1.5** | 1.2 |
| Other creditors | **1.1** | 0.5 |
| Provision for contingent consideration | **0.2** | 9.6 |
| Accruals | **21.0** | 7.9 |
| | **122.7** | 74.8 |

The increase in amounts owing to Group companies in the current year is mainly due to an increase in cash at UK subsidiaries being moved into the cash pooling arrangement.

Amounts owed to Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

### C9 Creditors: amounts falling due after more than one year

| | 31 March 2022 £m | 31 March 2021 £m |
|---|---|---|
| Amounts owing to Group companies | **12.7** | 12.3 |
| Other creditors | **0.7** | 0.4 |
| Provision for contingent consideration | **–** | 0.4 |
| | **13.4** | 13.1 |
| These liabilities fall due as follows: | | |
| Within one to two years | **0.7** | 0.8 |
| Within two to five years | **–** | – |
| After more than five years | **12.7** | 12.3 |

Amounts owed to Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

### C10 Deferred tax

| | Retirement benefit obligations £m | Short-term timing differences £m | Total £m |
|---|---|---|---|
| **At 1 April 2021** | **1.6** | **1.3** | **2.9** |
| (Charge)/credit to Profit and Loss account | **(0.4)** | **0.2** | **(0.2)** |
| Charge to comprehensive income | **(7.9)** | **–** | **(7.9)** |
| Charge to equity | **–** | **(0.2)** | **(0.2)** |
| **At 31 March 2022** | **(6.7)** | **1.3** | **(5.4)** |
| At 1 April 2020 | (1.0) | 1.7 | 0.7 |
| Charge to Profit and Loss account | – | (0.1) | (0.1) |
| Credit to comprehensive income | 2.6 | – | 2.6 |
| Charge to equity | – | (0.3) | (0.3) |
| At 31 March 2021 | 1.6 | 1.3 | 2.9 |

### C11 Share capital

| | Issued and fully paid | |
|---|---|---|
| | 31 March 2022 £m | 31 March 2021 £m |
| Ordinary shares of 10p each | **38.0** | 38.0 |

The number of ordinary shares in issue at 31 March 2022 was 379,645,332 (2021: 379,645,332), including shares held by the Employee Benefit Trust of 1,175,080 (2021: 891,622).

### C12 Reserves

The Capital redemption reserve was created on the repurchase and cancellation of the Company's own shares. The Other reserves represent the provision being established in respect of the value of equity-settled share awards made by the Company. Own shares are ordinary shares in Halma plc purchased by the Company and held to fulfil its obligations under the Group's share plans.

### C13 Retirement benefits

The Company participates in, and is the sponsoring employer of, the Halma Group Pension Plan. The plan closed to new entrants in 2002/03 and to future benefit accrual in 2014/15. From that date, the former defined benefit members joined the Company's existing defined contribution plan.

There is no contractual agreement or stated policy for charging the net defined benefit cost within the Group. In accordance with IAS 19 (Revised 2011), the Company contribution made to the defined benefit plan during the year ended 31 March 2022 was £3.1m (2021: £3.7m).

Net interest charge on pension plan liabilities/assets of £0.1m (2021: net interest credit of £0.3m) were recognised in the Profit and Loss Account in respect of the Company defined benefit plan.

## C13 Retirement benefits continued

The net movement on actuarial gains and losses of the plan reported in the Company Statement of Comprehensive Income and Expenditure was as follows:

| | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m |
|---|---|---|
| Defined benefit obligations | **24.3** | (40.6) |
| Fair value of plan assets | **3.3** | 17.4 |
| Net actuarial gains/(losses) | **27.6** | (23.2) |

The actual return on plan assets was a gain of £8.4m (2021: gain of £23.5m).

The amount included in the Company Balance Sheet arising from the Company's obligations in respect of its defined benefit retirement plans is as follows:

| | 31 March 2022 £m | 31 March 2021 £m | 31 March 2020 £m |
|---|---|---|---|
| Present value of defined benefit obligations | **(241.8)** | (268.7) | (231.5) |
| Fair value of plan assets | **268.5** | 260.4 | 236.9 |
| **Asset/(liability) recognised in the Company Balance Sheet** | **26.7** | (8.3) | 5.4 |

Under the current arrangements, cash contributions in the region of £10m per year will be made for the immediate future with the objective of eliminating the pension deficit that arises on a technical provisions basis which is the basis on which the deficit reduction payments are determined.

Movements in the present value of the defined benefit obligation were as follows:

| | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m |
|---|---|---|
| At beginning of year | **(268.7)** | (231.5) |
| Interest cost | **(5.2)** | (5.8) |
| Remeasurement (losses)/gains: | | |
| Actuarial gains and losses arising from changes in financial assumptions | **24.3** | (40.6) |
| Benefits paid | **7.8** | 9.2 |
| **At end of year** | **(241.8)** | (268.7) |

Movements in the fair value of the plan assets were as follows:

| | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m |
|---|---|---|
| At beginning of year | **260.4** | 236.9 |
| Interest income | **5.1** | 6.1 |
| Actuarial gains, excluding interest income | **3.3** | 17.4 |
| Contributions from the sponsoring companies | **7.5** | 9.2 |
| Benefits paid | **(7.8)** | (9.2) |
| **At end of year** | **268.5** | 260.4 |

Further details of Halma Group Pension Plan, including all disclosures required under FRS 101, are contained in note 29 to the Group accounts.

## C14 Events subsequent to end of reporting period

In May 2022, the Revolving Credit Facility was refinanced. The new facility remains at £550m and matures in May 2027 with two one-year extension options. In addition, in May 2022, a new Private Placement of £330m was completed. The issuance consists of Sterling, Euro, US Dollar and Swiss Franc tranches and matures in July 2032, with an amortisation profile giving it a seven year average life. There were no other known material non-adjusting events which occurred between the end of the reporting period and prior to the authorisation of these financial statements on 16 June 2022.

# Summary 2013 to 2022

| | (note 5) 2012/13 £m | 2013/14 £m | 2014/15 £m | (note 6) 2015/16 £m |
|---|---|---|---|---|
| Revenue (note 1) | 619.2 | 676.5 | 726.1 | 807.8 |
| Overseas sales (note 1) | 503.6 | 548.6 | 587.8 | 663.0 |
| Profit before taxation, and adjustments (note 2) | 128.5 | 140.2 | 153.6 | 166.0 |
| Net tangible assets/capital employed | 188.7 | 189.7 | 219.1 | 258.6 |
| Borrowings (excluding overdrafts) | 160.0 | 107.6 | 140.4 | 296.2 |
| Cash and cash equivalents (net of overdrafts) | 49.7 | 33.1 | 39.5 | 49.5 |
| Number of employees (note 1) | 4,716 | 4,999 | 5,328 | 5,604 |
| Basic earnings per share (note 1) | 24.79p | 28.14p | 27.49p | 28.76p |
| Adjusted earnings per share (note 2) | 25.79p | 28.47p | 31.17p | 34.26p |
| Year-on-year increase in adjusted earnings per share | 5.4% | 10.4% | 9.5% | 9.9% |
| Return on Sales (notes 1 and 3) | 20.8% | 20.7% | 21.2% | 20.6% |
| Return on Capital Employed (restated – note 4) | 75.8% | 76.6% | 77.6% | 72.4% |
| Return on Total Invested Capital (restated – note 4) | 16.6% | 16.7% | 16.3% | 15.6% |
| Year-on-year increase in dividends per ordinary share (paid and proposed) | 7% | 7% | 7% | 7% |
| Ordinary share price at financial year end | 518p | 579p | 701p | 912p |
| Market capitalisation at financial year end | 1,962.6 | 2,192.6 | 2,661.3 | 3,462.4 |

All years are presented under IFRS.

Notes:
1 Continuing and discontinued operations.
2 Adjusted to remove the amortisation and impairment of acquired intangible assets and acquisition transaction costs, release of fair value adjustments to inventory, adjustments to contingent consideration (collectively 'acquisition items') and restructuring costs. IFRS figures include results of operations up to the date of their sales or closure but exclude material discontinued and continuing profits on sales or closures of operations. In 2013/14 only, the effects of closure to future benefit accrual of the defined benefit pension plans have also been removed. In 2018/19, the adjustments also include the effect of equalising pension benefits for men and women in the Group's defined benefit pension plans.
3 Return on Sales is defined as profit before taxation, the amortisation and impairment of acquired intangible assets; acquisition items; restructuring costs, profit or loss on disposal of operations; the effect of equalising pension benefits for men and women in the defined benefit pension plans (2018/19 only); and the effects of closure to future benefit accrual of the defined benefit pension plans net of associated costs (2013/14 only) expressed as a percentage of revenue.
4 See note 3 to the Report and Accounts for the definitions of ROCE and ROTIC. The ROCE and ROTIC measures were restated in 2014/15 and for all prior years to use an average Capital Employed and Total Invested Capital respectively. This measure is considered to be more representative. From 2019/20 the measures include the impact of adopting IFRS 16 'Leases'. There is no material impact on either measure from its inclusion.
5 IAS 19 (as revised in June 2011) 'Employee Benefits' was adopted by the Group in 2013/14. To aid comparison, and as required by IAS 19 (revised), the Consolidated Financial Statements and affected notes for 2012/13 were restated as if IAS 19 (revised) had always applied during that year. Results prior to 2012/13 were not restated.
6 The 2015/16 figures were restated in 2016/17, as required by IFRS 3 (revised) 'Business Combinations', for material changes arising on the provisional accounting for acquisitions in 2014/15.

| 2016/17 £m | 2017/18 £m | 2018/19 £m | 2019/20 £m | 2020/21 £m | 2021/22 £m |
|---|---|---|---|---|---|
| 961.7 | 1,076.2 | 1,210.9 | 1,338.4 | 1,318.2 | **1,525.3** |
| 806.7 | 902.9 | 1,010.0 | 1,117.2 | 1,104.6 | **1,258.2** |
| 194.0 | 213.7 | 245.7 | 267.0 | 278.3 | **316.2** |
| 302.2 | 322.0 | 358.9 | 416.9 | 389.5 | **454.2** |
| 262.1 | 290.0 | 253.8 | 419.2 | 322.3 | **359.4** |
| 65.6 | 69.7 | 72.1 | 105.4 | 131.1 | **156.7** |
| 5,771 | 6,113 | 6,508 | 6,992 | 7,120 | **7,522** |
| 34.25p | 40.69p | 44.78p | 48.66p | 53.61p | **64.54p** |
| 40.21p | 45.26p | 52.74p | 57.39p | 58.67p | **65.48p** |
| 17.4% | 12.6% | 16.5% | 8.8% | 2.2% | **11.6%** |
| 20.2% | 19.9% | 20.3% | 19.9% | 21.1% | **20.7%** |
| 72.5% | 71.6% | 75.1% | 71.4% | 70.9% | **76.4%** |
| 15.3% | 15.2% | 16.1% | 15.3% | 14.4% | **14.6%** |
| 7% | 7% | 7% | 5% | 7% | **7%** |
| 1024p | 1179p | 1672p | 1921p | 2374p | **2510p** |
| 3,887.6 | 4,476.0 | 6,347.7 | 7,293.0 | 9,012.8 | **9,529.1** |

Financial Statements

# Shareholder Information

## Financial calendar

| | |
|---|---|
| Annual General Meeting | 21 July 2022 |
| 2021/22 Final dividend payable | 18 August 2022 |
| 2022/23 Half year end | 30 September 2022 |
| 2022/23 Half year results | 17 November 2022 |
| 2022/23 Interim dividend payable | February 2023 |
| 2022/23 Year end | 31 March 2023 |
| 2022/23 Final results | June 2023 |

## Dividend history

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Interim | **7.35p** | 6.87p | 6.54p | 6.11p | 5.71p |
| Final | **11.53p*** | 10.78p | 9.96p | 9.60p | 8.97p |
| Total | **18.88p** | 17.65p | 16.50p | 15.71p | 14.68p |

* Proposed.

### Investor information
Visit our website, www.halma.com, for investor information and Company news. In addition to accessing financial data, you can view and download Annual and Half Year Reports, analyst presentations, find contact details for Halma senior executives and subsidiary companies and access links to Halma subsidiary websites. You can also subscribe to an email news alert service to automatically receive an email when significant announcements are made.

### Shareholding information
Please contact our Registrar, Computershare, directly for all enquiries about your shareholding. Visit their Investor Centre website www.investorcentre.co.uk for online information about your shareholding (you will need your shareholder reference number which can be found on your share certificate or dividend confirmation), or telephone the Registrar direct using the dedicated telephone number for Halma shareholders: +44 (0)370 707 1046.

### Dividend mandate
Shareholders can arrange to have their dividends paid directly into their bank or building society account by completing a bank mandate form. The advantages to using this service are: the payment is more secure than sending a cheque through the post; it avoids the inconvenience of paying in a cheque and reduces the risk of lost, stolen or out-of-date cheques. A mandate form can be obtained from Computershare or you will find one on the reverse of your last dividend confirmation.

### Dividend reinvestment plan
The Company operates a dividend reinvestment plan (DRIP) which offers shareholders the option to elect to have their cash dividends reinvested in Halma ordinary shares purchased in the market. You can register for the DRIP online by visiting Computershare's Investor Centre website (as above) or by requesting an application form direct from Computershare.

Shareholders who wish to elect for the DRIP for the forthcoming final dividend, but have not already done so, should return a DRIP application form to Computershare no later than 29 July 2022.

### Electronic communications
All shareholder communications, including the Company's Annual Report and Accounts, are made available to shareholders on the Halma website and you may opt to receive email notification that documents and information are available to view and download rather than to receive paper copies through the post. Using electronic communications helps us to limit the amount of paper we use and assists us in reducing our costs.

If you would like to sign up for this service, visit Computershare's Investor Centre website. You may change the way you receive communications at any time by contacting Computershare.

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