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. The description of our business model can be found on pages 20 to 25 and stakeholder engagement information can be found on pages 56 to 62.

Policies[1]	Due diligence, implementation and outcomes
Environmental	
Halma's **Environmental Policy**[2] and our **Environmental Commitment statement**[3] set out our guiding principles and commitments for both internal and external audiences.	Halma's Environmental Policy has been set by the Board, and our Group General Counsel & Chief Sustainability Officer, who chairs our Sustainability Management committee, has principal responsibility for coordinating and monitoring. 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 sustainability pillar of Protecting our environment will help us limit our key environmental impacts including energy consumption, GHG emissions and hazardous and other waste production. Our energy use and emissions performance can be found in the TCFD Statement on page 80 and in more detail in our ESG Data Supplement at **www.halma.com**. More information on our programmes to reduce our environmental impact and data is available in the Sustainability section on page 72 and on our website. Our assessment of and response to climate-related risks and opportunities can be found in our TCFD Statement on page 80. All Halma companies are encouraged to undertake an ISO 14001 environmental management accreditation, where warranted. For the year to 31 March 2023, based on available data reported by our companies, we estimate that approximately 20% of the Group's sites, contributing approximately 24% of revenue, were covered by an ISO 14001 accreditation (2022: 17% sites; 22% revenue).
	Risk: • Natural Hazards, including Climate Change – page 94 **Non-financial KPIs:** • Reduction in Scope 1 & 2 emissions - page 31
Anti-bribery and corruption	
Halma has a zero-tolerance policy on bribery and corruption, as set out in its **Anti-Bribery and Corruption Policy**[2,4], 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.	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. There are set criteria for any gifts, hospitality, entertainment and charitable donations including that any gifts, hospitality, entertainment or charitable donations in excess of the thresholds set out in the policy must receive set pre-approval and be recorded in the Gifts and Hospitality Register. We require customers and suppliers who contract on our standard business terms to comply with anti-corruption and anti-bribery laws and any suspected breaches of compliance with this policy can be reported through the whistleblowing reporting service. Online anti-bribery and corruption compliance training is mandatory for senior management, all company board directors and other key business personnel. Over 600 employees completed anti-bribery and corruption training during the year ended 31 March 2023.
	Risk: • Non-compliance with Laws and Regulations - page 93

Policies[1]	Due diligence, implementation and outcomes
Employees	
The **Code of Conduct**[3] (Code) aims to ensure that Halma maintains consistently high ethical standards globally, while recognising that our companies operate in markets and countries with cultural differences and practices. It is issued to all Halma employees and published on our website. Halma has a group-wide **Whistleblowing Policy**[2,4] which applies to all employees and Halma operations as well as joint venture partners, suppliers, customers and distributors relating to our companies. Our **Health and Safety Policy**[2] requires companies to manage their activities in a way which avoids causing unnecessary or unacceptable risks to health and safety and provides clear guidelines for our companies on managing health and safety risks to ensure a safe work environment. Our **Diversity and Inclusion Policy**[3] sets out our commitment to building inclusive and diverse companies. Our **Equal Opportunities Policy**[2] is a Group policy which promotes equal opportunity for all employees and job applicants and aims to create a working environment in which all individuals are able to make the best use of their skills, free from discrimination or harassment.	**Code of Conduct** Each officer or employee who joins the Group is required to acknowledge that they have read the Code and understood its importance. The Code was refreshed in 2023 and is being rolled out. Please see page 65 for further details regarding the new Code. **Whistleblowing** All whistleblowing 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. We have an independent third-party reporting line, NavexGlobal, for individuals to raise concerns that they are either not able to do so through other channels or would prefer to raise anonymously. Details about the confidential reporting service are available in our Code (which is available on our website, **www.halma.com**) and SharePoint sites, and are prominently displayed on posters within all of our Group and company locations. **Health and Safety** The Board monitors health and safety performance, which is collected through the central financial consolidation system, at every meeting. In the event of any accident, the company in which the accident occurred is to review the relevant root cause and ensure that preventative measures are taken, including further training and education of their employees. 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 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. Companies are required 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. During the year ended 31 March 2023 over 800 employees completed our Group online health and safety training programmes. Based on available data reported by our companies, approximately 17% (2022: 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 17% (2022: 16%) of the Group's revenue and we continue to encourage our companies to certify to the ISO 45001 standard. **Diversity and Inclusion** We have identified Diversity, Equity and Inclusion (DEI) as a key societal issue in which Halma can have a strong positive impact. DEI is one of our key focus areas within our Protecting our people sustainability pillar. Further information on health and safety, employee wellbeing and engagement, diversity and inclusion, gender pay gap and training and development, including metrics, can be found in the Our people and culture section on page 66. Page 21 details Halma's cultural genes and DNA.

Risk:
- Talent and Diversity – page 91

Non-financial KPIs:
- Accident Frequency Rate
- Employee Engagement %
- Company board gender balance

Policies[1]	Due diligence, implementation and outcomes
Social	
Halma has a group-wide **Data Protection Policy**[2] 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. The Group has a policy on **Competition Law**[2] which is applicable to all employees. We have a **Conflict Minerals Policy**[2] 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. **Code of Conduct**[3], as detailed above.	**Code of Conduct** We expect our external business partners and suppliers to be aware of the Code of Conduct and apply similar ethical standards in their operations. Each of our companies is responsible for monitoring the standards of their business partners and suppliers. **Data Protection** Under the Data Protection Policy, all companies are required 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. 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. **Competition Law** Our companies must confirm that the relevant people in their business are familiar with the Competition Compliance manual as part of the half year and year-end control process. Online anti-competition compliance training is mandatory for senior management, all company board directors and other key business personnel. Over 400 employees completed competition law training during the year ended 31 March 2023. **Conflict Minerals** 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. **Product safety** Our companies take pride in the quality of their work and are committed to the highest levels of quality and safety standards at every stage of the product life cycle. 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 2023, based on available data reported by our companies, we estimate that approximately 62% of the Group's sites, contributing approximately 75% of revenue, were covered by an ISO 9001 quality management accreditation (2022: 60% of sites; 70% of revenue). Further information on the positive role we play in society can be found in the following sections of this Report. • Sustainability - page 72. • Our people and culture, including Water for Life global campaign - page 66. • Business reviews - page 46.

Non-financial information statement continued

Policies[1]	Due diligence, implementation and outcomes
Human rights	
Halma is committed to conducting its business ethically and in line with all relevant legislation including human rights laws. Halma has published seven **Modern Slavery Act Statements**[3] since September 2016, which detail the progressive steps taken annually to tackle modern slavery and human trafficking. Halma's **Human Rights and Labour Conditions Policy**[4] 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.	The Group Chief Executive 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. All companies have been provided with a detailed guidance note to raise awareness of the Modern Slavery Act and the issue of modern slavery in business and supply chains. Each company is required to consider the potential issue of modern slavery and human trafficking within their business and supply chain and may take varying approaches, such as supplier due diligence, questionnaires and the use of terms and conditions, according to their specific circumstances. Online compliance training on the Modern Slavery Act has been rolled out to senior management, all company board members and other relevant employees across the Group. Over 550 employees have completed this training during the year ended 31 March 2023. This is an important tool in assisting our business management in raising awareness of the issues and understanding their responsibilities in their operations. We have onboarded 35 suppliers onto the EcoVadis platform, which assesses suppliers against all aspects of their treatment of their people, and will give additional support over time, particularly to our smaller companies, as they continue to manage modern slavery risks going forward. Our Modern Slavery Act Statement can be found at **www.halma.com**. 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.
	Risk: • Non-compliance with Laws and Regulations – page 96

1 In addition to the Code of Conduct having been refreshed, the following policies referenced in this section have also been refreshed: Whistleblowing, Health and Safety, Data Protection, Competition and Anti-Bribery and Corruption. The main changes have been to streamline and simplify the policies in order to enable easier compliance by Halma's companies, whilst also continuing to meet all applicable legal requirements. The updated policies will come into effect in FY24 at the same time as the new Code of Conduct.
2 Available to all employees of Halma and our companies. Not published externally.
3 Available both on our website at **www.halma.com** and to employees of Halma and our companies.
4 Included within our Code of Conduct.

The Strategic Report was approved by the Board of Directors on 15 June 2023 and signed on its behalf by:

Marc Ronchetti
Group Chief Executive

Steve Gunning
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.

Introduction to governance

Good governance supports **sustainable growth**

Dame Louise Makin
Chair

This Report outlines the governance framework within which the Company operates, how it has supported the Board's strategic activities during the year and how the Principles set out in the UK Corporate Governance Code 2018 have been applied.

Last year the Board set the following priorities for the year ahead:

- 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.
- Refocus on the Medical Sector strategy, following changes to the leadership structure.

I am pleased to report that we have made good progress against all of these priorities, as follows:

- Appointed Marc Ronchetti as Group Chief Executive from 1 April 2023, to succeed Andrew Williams.
- Appointed Steve Gunning as Chief Financial Officer in January 2023, in place of Marc.
- Completed seven purpose-aligned acquisitions in the year.
- Reviewed climate risks and opportunities and performance against our non-financial KPIs.
- Reviewed the work undertaken to estimate our Scope 3 emissions.
- Agreed our reporting as aligned to the Taskforce for Climate Related Disclosure (TCFD) Framework.
- Renamed our Medical Sector to Healthcare, to more closely align with our purpose and reflect our wider growth ambitions.

Priorities for 2023/24

The Board's priorities for 2023/24 are to:

- Embed Halma's DNA throughout the Group, aligning our culture through the refreshed Executive Board, to maintain our collegiate, purpose-led and growth-orientated management teams.
- Keep supporting our companies to identify, assess and capitalise on sustainability-linked growth opportunities.
- Continue to review Growth Enabler investments to ensure that they are appropriately utilised by our companies and deliver strong returns.
- Revisit our APAC strategy to inform our capital allocation priorities in the region.
- Maintain our focus on purpose-aligned M&A.
- Evolve our ongoing portfolio review to optimise each component for long-term sustainable value creation.

Board changes
We announced in June 2022, that Andrew Williams would be retiring as Group Chief Executive on 31 March 2023. Prior to Andrew's formal decision to retire, the Board, supported by the Nomination Committee, had conducted a thorough selection process to identify Andrew's successor as Group Chief Executive. The Board were delighted to announce Marc Ronchetti's appointment as CEO Designate and from 1 April 2023, as Group Chief Executive. I would like to thank Andrew for his tremendous contribution to Halma's growth during his 18-year tenure and congratulate Marc on his appointment.

As part of the fulfilment of the executive succession plans, and following a robust selection process led by the Nomination Committee, Steve Gunning was appointed as Chief Financial Officer on 16 January 2023. On behalf of the Board, I am delighted to welcome Steve to Halma.

The planning and execution of these succession plans have provided a smooth transition and continuity in a year of change. As at 31 March 2023 the Board comprised seven non-executive Directors and four Executive Directors.

Shareholder engagement
Following the below 80% vote received on our Remuneration Report and the below 80% vote received on the reappointment of our Remuneration Committee Chair, Jo Harlow, we engaged with our major shareholders and the proxy agencies to better understand the reasons for their votes (if it was against) and any comments or concerns that they held on these two resolutions. Further details on the Remuneration Report vote can be found on page 138 of the Remuneration Report but, from my engagement with shareholders and proxy agencies on the specific objection to the re-election of Jo, the reason that a number of investors voted against her re-election was simply as a result of her position as Chair of the Remuneration Committee, which linked directly to their concerns on the Remuneration Report for the year ended 31 March 2022. I am confident that our engagement – and in particular, an explanation of the rationale for the remuneration decisions made in 2022 which could not refer to the imminent succession plans that were to be executed – has addressed these concerns. The Board is most appreciative of Jo's leadership of the Committee and engagement with shareholders, and unanimously supported all decisions that were made. I, along with my fellow Directors, have absolutely no concerns on Jo's performance as a Director of the Company or in her role as Chair of the Remuneration Committee.

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 considers that it has applied all Principles, and complied with all Provisions of the Code for the year ended 31 March 2023, with the exception of Provision 38, which requires that pension contribution rates for Executive Directors, or payments in lieu, are aligned to those available to the wider workforce. As reported last year, the Company undertook a review of its UK pension provision in 2021 and consulted with employees. As a result, the pension offering moved from a trust-based plan to a Master Trust arrangement which offered members more competitive management charges, more options at retirement and improved member communications and retirement planning tools. We also took this opportunity to improve the employee and employer contribution structure which meant that all UK employees could receive more for lower employee contributions and all employees could receive up to 10.5% of their salary as an employer contribution. To align with the Code, the Executive Directors voluntarily agreed for their cash-in-lieu of pension to be reduced to 10.5% of salary from 1 January 2023, which equalises the pension offering across all employees in the UK. Therefore, whilst we were not fully compliant for the full financial year, we have been compliant for the three month period to 31 March 2023 and will be fully compliant for the year to 31 March 2024.

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 companies to operate effectively and with agility – which means we can continue to deliver value through our sustainable growth, returns and positive impact for the benefit of all of our stakeholders.

Dame Louise Makin
Chair

15 June 2023

The Company's application of the Code	Links
Board Leadership and Company Purpose Halma is a purpose-driven company – growing a safer, cleaner, healthier future for everyone, every day – and is led by an effective and entrepreneurial Board, whose objective is to promote the long-term success of the Company by generating value for shareholders and benefitting our wider stakeholders. The Group achieves this through its autonomous, decentralised operating model and maintains effective engagement channels with its stakeholders to consider their needs and the impact of decisions when realising strategic objectives.	• Sustainable Growth Model **p18** • Roles and Responsibilities **p120** • Board Governance Structure **p110** • Our stakeholders, s.172(1) compliance statement and Board decision-making **p56-p65**
The Board leads by example in promoting the desired culture, values and purpose-aligned strategy and has put in place policies and practices to support this.	• Company purpose, values and culture **p20** • Engagement with our people **p56**
The Board operates within a framework of prudent and effective controls, which complements its autonomous structure. The Board annually reviews and approves the Budget and monitors capital allocation throughout the year.	• Resources, governance and control frameworks **p111** • Board Governance Structure **p110** • Audit Committee Report **p128** • Risk management and internal control **p88**
Division of Responsibilities The Board has clearly defined roles and responsibilities. The Chair, who was independent on appointment, and continues to retain objective judgement, monitors the effectiveness and independence of Board members, whilst fostering an open culture of debate.	• Roles and Responsibilities **p120** • Board Governance Structure **p110** • Board of Directors **p166** • Independence and objective judgement **p121**
Composition, Succession and evaluation The Board, supported by the Nomination Committee, has an established approach for succession and for evaluating candidates for Board positions – which ensures that there is an appropriate mix of diversity, skills and experience on the Board.	• Nomination Committee Report, including Board and Committee evaluations, skills matrix, appointment and induction processes and diversity **p122**
Audit, Risk and Internal Control 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 risks it is willing to take in achieving its strategic objectives. The Board has undertaken a robust assessment of the Group's emerging and principal risks during the year under review and up to the date of this Report. The Board continues to improve and embed controls and to keep systems under review to ensure that the internal control and risk management framework remains fit for purpose.	• Risk management and internal control, including principal and emerging risks **p88** • Audit Committee Report, including fair balanced and understandable assessment **p128**
Remuneration The Board has established a Remuneration Committee which has delegated responsibility for setting the policy for executive remuneration, to support the strategy and long-term sustainable growth of the Company. The Board exercises independent judgement when authorising remuneration outcomes. The Remuneration Committee Report describes the work of the Committee during the year and sets out how executive remuneration is aligned to our purpose and supports our strategy. The Report also describes how the Committee has considered workforce remuneration and how executive remuneration aligns with wider Group pay policies.	• Remuneration Committee Report **p136**

Board of Directors

Dame Louise Makin
Chair

Appointed: February 2021
(July 2021 as Chair)

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.

N R

Marc Ronchetti
Group Chief Executive

Appointed: July 2018
(April 2023 as Group Chief Executive)

Marc joined Halma in 2016 as Group Financial Controller. He was promoted to the plc and Executive Board as Chief Financial Officer in July 2018 and became Group Chief Executive in April 2023. Marc brings a proven ability to drive business growth. He has played a vital role in evolving the Groups Sustainable Growth Model, purpose and culture and has overseen a significant number of acquisitions whilst supporting Halma's companies to grow. Marc 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.

Steve Gunning
Chief Financial Officer

Appointed: January 2023

Steve joined Halma in 2023 as Chief Financial Officer. He was previously CFO of International Airlines Group and prior to that held several senior commercial and finance roles within IAG, including CFO of British Airways and Chief Executive of IAG Cargo. Steve was also a non-executive Director at FirstGroup plc. Earlier in his career, Steve worked in range of finance and audit roles in the UK and US at PricewaterhouseCoopers.

Andrew Williams
Executive Director

Appointed: July 2004
(February 2005 as Group Chief Executive)

Andrew joined Halma in 1994 as Manufacturing Director of a Halma company, becoming its Managing Director in 1997. He joined Halma's Executive Board in 2002 and served as Group Chief Executive between February 2005 and March 2023. 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 our 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. Andrew will step down from the Board on 30 June 2023.

Jennifer Ward
Group Talent, Culture and Communications Director

Appointed: September 2016

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. She became a Board member in September 2016. 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.

External appointments:
Diploma plc

Tony Rice
Senior Independent Director

Appointed: August 2014
(July 2015 as Senior Independent Director)

Tony 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 Ultra Electronics Holdings plc, Dechra Pharmaceuticals plc and served as a non-executive Director of Spirit Pub Company plc, where he was Senior Independent Director and Remuneration Committee Chair. Tony brings a wealth of board level experience at UK listed companies, internationally and in regulated industries to his role as Senior Independent Director.

A N R

Jo Harlow
Independent non-executive Director

Appointed: October 2016

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. Jo was previously a Member of the Supervisory Board at Ceconomy AG.

External appointments:
InterContinental Hotels Group plc
J Sainsbury plc
Chapter Zero

A N R

Roy Twite
Independent non-executive Director

Appointed: July 2014

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.

External appointments:
IMI plc, Executive Director

A N R

Dharmash Mistry
Independent non-executive Director

Appointed: April 2021

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.

External appointments:
The Premier League
Rathbones Group plc

A N R

Sharmila Nebhrajani OBE
Independent non-executive Director

Appointed: December 2021

Sharmila has sectoral specialisms in health, media and sustainability. She served with the BBC for 15 years, latterly as Chief Operating Officer of BBC New Media, and most recently was Chief Executive of Wilton Park an ambassador level policy development role in the UK Foreign and Commonwealth Office focused on global health, climate risk and national security. Her other executive board positions include Medical Research Council, the Association of Medical Research Charities and the NHS and she was appointed OBE for services to medical research. She is a qualified chartered accountant.

External appointments:
ITV plc
Severn Trent plc
Coutts & Co
National Institute for Health and Care Excellence

A N R

Carole Cran
Independent non-executive Director

Appointed: January 2016

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.

External appointments:
Forth Ports Limited, Executive Director

A N R

Committee Membership
A Audit Committee
N Nomination Committee
R Remuneration Committee

Chair of Committee
Member of Committee

Note: unless otherwise stated all external appointments are non-executive roles.

Executive Board

01

Steve Gunning
Chief Financial Officer

See page 106 for biography

02

Jennifer Ward
Group Talent, Culture and Communications Director

See page 106 for biography

03

Steve Brown
Sector Chief Executive, Healthcare

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.

04

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.

05

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.

06

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.

07

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.

08

Andrew Williams
Executive Director

See page 106 for biography

09

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.

10

Marc Ronchetti
Group Chief Executive

See page 106 for biography

11

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.

Please see our website, **www.halma.com,** for full biographies

Corporate Governance Report

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.

To learn more **see page 122**

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.

To learn more **see page 128**

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.

To learn more **see page 140**

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 **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 Group General Counsel & Chief Sustainability Officer.

Investment committee
- Provides governance, support and challenge to Halma Ventures 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.

Corporate Governance Report

The role of the Board and value creation

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 its 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. The full list of matters reserved for its decision can be found at **www.halma.com**.

Halma has a primary duty to generate and preserve value over the long-term for its shareholders whilst considering its wider stakeholders and positively contributing to society. Details of the Company's strategy and business model, together with its stakeholder considerations can be found in the Strategic Report. The activities of the Board during the year are set out on the following pages.

Resources, governance and control frameworks

As a decentralised organisation, it is critical that Halma's governance and control framework is robust, clearly defined, well communicated and operating effectively to support the Company in the delivery of its strategy. 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.

There are additionally 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) and three management committees (Executive Board; Sustainability Management committee; Investment committee) which have been established to review and make decisions on strategic and operational matters.

The Board sets the Company's strategy, the execution of which is delegated to the Executive Board, chaired by the Group Chief Executive, which monitors progress against the Group's strategic objectives and reviews operational and business performance. A summary of the responsibilities of the Board, each Board Committee and for each management committee is set out on page 110.

The foundation of our business model is the autonomy that our businesses enjoy. To support this autonomy, while retaining oversight and control from a Group perspective, companies must comply with Halma's suite of financial and non-financial policies and procedures and provide confirmation of compliance with key controls half yearly. The Group's policies set out our requirements in the areas of financial reporting and internal control, health and safety, ethics, human resources, IT, data privacy, and legal and compliance. These policies are made available to all employees via a dedicated SharePoint site.

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.

Each 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 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 members 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 and culture, diversity, sustainability, M&A, and legal and compliance. The governance structure of our companies, sectors and Board is set out on page 3.

Board operations and activities

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
Marc Ronchetti[1]	6	5
Steve Gunning[2]	2	2
Andrew Williams	6	6
Jennifer Ward	6	6
Carole Cran	6	6
Jo Harlow	6	6
Dharmash Mistry	6	6
Sharmila Nebhrajani OBE	6	6
Tony Rice	6	6
Roy Twite	6	6

1 Marc was unable to attend one meeting as he was on the residential executive programme at Stanford Graduate School of Business.
2 Steve joined the Board on 16 January 2023.

Timeline of key Board activities

2022

April
- Acquisition of Deep Trekker.

June
- Full year results.
- Announcement of retirement of Andrew Williams and appointment of Marc Ronchetti as CEO Designate.
- Recommendation of final dividend.

July
- Annual General Meeting.

September
- Strategy meeting.
- Trading update.
- Acquisition of IZI Medical.

October
- Acquisition of WEETECH.

November
- Half Year results.
- Declaration of interim dividend.

2023

January
- Steve Gunning appointed as Chief Financial Officer.
- Board and Committee evaluation process agreed.

February
- Acquisition of Thermocable.

March
- Trading update.
- Annual Budget approved.
- Board evaluation feedback.
- Acquisition of FirePro.

May
- Acquisition of Sewertronics.

June
- Full year results.
- Recommendation of final dividend.

How the Board supports our companies through our Growth Enablers

The Board supports the evolution of Halma's growth strategy and the development of its Growth Enablers, which help to allocate human and capital resources, to 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 sets a clear strategy which includes a significant growth element being delivered through standalone M&A and bolt-on acquisitions to our companies.
- 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.

Talent and Culture

- The Board receives regular updates from Jennifer Ward, Group Talent, Culture and Communications Director on areas including the talent pipeline, diversity, equity and inclusion initiatives and employee engagement.
- 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.

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. It annually assesses risk management and internal control systems.
- The Board has an established legal and compliance framework to enable companies to maintain their autonomy and agility while leveraging the scale of Halma to get consistent, quality advice at competitive rates through a panel of preferred external law firms.

Digital Growth

- The Board takes a close interest in Halma's desire to expand its digital capability and supports R&D within our companies through Board presentations and non-executive Director interactions with management. Our companies can leverage the skills and experience from our non-executive Directors with digital expertise.

Innovation Network

- The Board share their deep and diverse knowledge and experience with senior management and company personnel throughout the year, through both formal and informal events and interaction – 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 is to allocate capital to resource the central and sector teams to support our companies in developing market-leading positions by connecting with customers through their brand, marketing, product positioning and the effective use of all media channels.

Governance in action

1.

Talent and leadership

In June 2022, we announced that after 18 years of outstanding leadership, Andrew Williams would retire as Group Chief Executive on 31 March 2023. Supported by the Nomination Committee, the Board executed its succession plans and, following a rigorous selection process, appointed Marc Ronchetti as CEO Designate and ultimately as Group Chief Executive from 1 April 2023. During the appointment process the Board considered factors such as alignment with Group culture and the evolution of Halma's Sustainable Growth Model, as well as the impact on employees, investors and wider stakeholders.

To enable an orderly transition from the role of Chief Financial Officer to Group Chief Executive, Steve Gunning was appointed in January 2023 as Chief Financial Officer. Further details of the appointment and induction process can be found in the Nomination Committee Report.

The Directors attended the Accelerate Halma conference in October 2022, which was held in person for the first time since the COVID pandemic. The conference brought together our top 350 leaders, under the theme of "connected for growth". The event showcased our companies and provided opportunities for our companies to understand our business model, connect with other companies, leverage skills from other leaders and explore challenges and opportunities together.

Additionally, during the year, and as an output to the 2022 Board evaluation, a targeted process to facilitate the way in which our companies can access and leverage the specialist skills of the non-executive Directors was developed and implemented. This further enhances the role the Board plays in supporting the Innovation Network Growth Enabler.

2.

Strategy and growth

The Board reviewed and considered significant acquisition opportunities (those with a consideration of over £10m) throughout the year, resulting in the successful completion of five acquisitions, namely FirePro, Thermocable, WEETECH, IZI Medical and Deep Trekker, details of which can be found in the Strategic Report. A further two acquisitions completed during the year, which did not require Board approval. The Board assessed the alignment of each target acquisition with the Group's purpose and strategy and, following approval and completion, will continue to monitor the integration of these companies into the Group.

The Board sets and approves its priorities at the start of each financial year. The Board's priorities for 2023 included M&A, talent, sustainability, investment in R&D and infrastructure. These priorities are driven by the Executive Board across all sectors and functional areas and the Board monitors their progress at each Board meeting.

In September 2022, the Directors attended the Company's annual strategy meeting, which brings together the Board and Executive Board to undertake an in-depth review of Company strategy, considering both past performance, future trends and opportunities, as well as macroeconomic and geopolitical influences.

3.

Risk, legal and finance

The Board received regular reports on risk, finance and legal matters throughout the year and, following the appointment of the Director of Risk & Compliance, and the subsequent separation of the Internal Audit and Risk functions, closely monitored the evolution of these responsibilities.

The Board received several risk updates and deep dives throughout the year particularly in light of the current geopolitical and macroeconomic environment, see page 89. Development of our Risk and Compliance function, as well as details of our Internal Audit activities can be found on page 134.

In discharging its duty to ensure adequate resources are in place, the Board reviewed and approved the annual Budget for 2024, and monitored progress against the 2023 Budget, ensuring capital allocation remained appropriate against our strategic priorities.

4.

Governance and stakeholders

The Board received regular updates on governance practices and approved matters such as the Group's annual Modern Slavery Act statement, as well as financial matters such as the Group's going concern and viability statement during the year. The Board reviewed and approved a refreshed Code of Conduct "Just be a good person" in March 2023, which is being rolled-out across the Group.

The Board conducted its annual Board and Committee evaluations by way of internal questionnaires and discussed outputs and agreed actions for the year ahead, whilst monitoring progress against actions identified in the prior year. Full details of the Board evaluation can be found in the Nomination Committee Report and the Committee evaluations are covered in their respective Reports. Additionally the Board's independence and conflicts of interest were considered and approved in the year.

The Board places great importance on its relationships and interactions with its various stakeholders, as detailed on page 56. Board members held numerous engagement sessions with shareholders during the year and, having considered internal and external factors and implications, has recommended a final dividend for approval by shareholders at the Annual General Meeting.

Company purpose, values and culture

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 and organisational genes. Our inclusive culture across our business 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 grow our business sustainably and deliver on our purpose (see page 21 for more information on Halma's DNA and cultural and 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.

Establishing and promoting culture

The Board ensures that the Company's purpose and DNA are aligned to its culture and strategic objectives. Our employees are key to delivering our success and by fostering a collaborative and inclusive culture our people are unified by our purpose and aspire to deliver our strategic ambitions. Our positive culture is demonstrated through the 76% overall employee engagement score achieved from our annual engagement survey this year and the strong leadership and talent at Halma.

Our robust risk and governance framework provides a base from which our culture can be embedded across all levels of our business and the Board periodically reviews workforce policies and our Code of Conduct.

Our Code of Conduct is underpinned by our culture and stipulates the expected behaviours and corporate culture that we require all employees to display. It provides a plain language summary on anti-bribery and corruption, insider dealing, conflicts of interest, modern slavery and human trafficking. It also sets out 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 signed again periodically thereafter. We recently refreshed our Code of Conduct, which was approved by the Board in March 2023, and is being rolled-out. The Code of Conduct is available from our website at **www.halma.com**.

The Board takes health and safety matters very seriously and accident statistics are reported to the Board at each meeting. This enables the Board to assess the effectiveness of health and safety practices and behaviours within the Group. Health and safety is one of our non-financial key performance indicators (see page 31 for more information). The Board approved a revised Health and Safety Policy, applicable to both the Group and our companies in the year under review, which is currently being rolled-out. The Directors made a number of business site visits during the year, which provides them with a first-hand experience of the workplace environment and culture, particularly around health and safety. Directors report their observations from all site visits to the Board and the relevant Sector Chief Executive and Divisional Chief Executive.

Find out more information on our website
www.halma.com/who-we-are

p66 Find out more information in the
Our people and culture section

How the Board has engaged with employees to monitor culture

Engagement mechanism	How the Board monitored culture and insight gained	Outcomes in 2022/23
Company site visits and employee events	Throughout the year our executive and non-executive Directors have undertaken a total of 65 site visits to our companies, which have provided invaluable insight into how our culture permeates throughout our decentralised, autonomous structure. Directors engaged with employees on matters such as executive and wider workforce remuneration, company culture, purpose, health and safety and diversity, equity and inclusion, and provided feedback to the Board and management following each visit. In October 2022 we held our first in-person Accelerate Halma conference since the COVID pandemic. The event provided an opportunity for our non-executive Directors to interact with colleagues in an informal setting, which included a non-executive Director hosted breakfast with company-wide employees. Read more on page 58.	We developed a non-executive Director company visit guidance document, which sets out areas which Directors might engage on during their visit. This was implemented and embedded successfully during the year and provided a useful framework and objective to each site visit.
Annual employee engagement survey	The Group's annual engagement survey results are a good indicator of sentiment across the Group and provide insights at a company and Group function level. A summary of the survey results is reviewed by the Board and areas for improvement discussed. The results are shared and focus sessions with employees are held to discuss the results and gather feedback on areas for improvement - which helps to shape and drive company/function specific action plans. Employee engagement is one of our non-financial key performance indicators (see page 30 for more information).	We were pleased to achieve a 76% overall engagement score in 2023. Read more on the outcomes of our employee engagement survey on page 66.
Board, Committee and strategy meetings	The Board receives reports throughout the year on whistleblowing, talent and retention, employee engagement survey results, health and safety matters as well inviting senior employees to present at the Board or attend events with the Directors, all of which provide insights into employee sentiment and culture.	The Board kept under review talent and retention, employee engagement, and concerns of the workforce during the year.
Whistleblowing	The Board has put in place procedures for employees to confidentially raise matters of concern, either with management or through our dedicated confidential reporting hotline. All workforce concerns that have been raised are reviewed at each Board meeting, including updates on previous investigations and the action that has been taken where reports are founded.	The Board have continued to monitor all workforce concerns raised throughout the year, which provide useful insights into the culture across the Group.
Policies and practices	Our workforce policies and Code of Conduct are underpinned by our values and culture. Each of our employees is required to read and sign the Code of Conduct upon joining and to adhere to our workforce policies. The Board periodically reviews these policies to ensure they remain appropriate and aligned with our purpose, values and culture.	During the year the Board approved refreshed policies, including the Code of Conduct and Health and Safety Policy.
Investing in and rewarding employees	The Remuneration Committee regularly considers wider workforce remuneration, including gender pay gap data across the UK and the US. A particular focus has been on how our companies are supporting employees during the cost-of-living crisis (see further details in the Remuneration Report). Our employee share schemes and bonus/profit sharing plans are designed to benefit the wider workforce and incentivise our employees to contribute to the success and performance of the Company. Non-executive Directors engage with employees on areas of executive remuneration at company visits, and continue to offer employees the opportunity to discuss remuneration matters further. Feedback from such visits is reported to the Board for discussion.	The Board received updates on initiatives put in place locally to assist employees in the cost of living crisis and on the implementation of the UK Real Living Wage across our UK companies. Non-executive Directors engaged with employees during the year, on remuneration and other matters, through site visits and at the Accelerate Halma conference.

Engagement with employees

The Code sets out three prescribed ways in which the Board should engage with its workforce, or, where one of these methods is not adopted, an explanation must be provided on the alternative engagement methods used and the reasons for adopting that approach. Due to the Company's decentralised operating model and the geographic spread of our companies, we have implemented alternative engagement methods, which we believe are more fitting, and effective, for our structure and culture – as outlined below.

The Board utilises a number of different methods of engagement, both directly and indirectly, with employees to foster and promote a two-way dialogue and to provide a critical means of monitoring culture, as set out below.

There are frequent opportunities for the employee voice to be relayed to the Board via company management, the annual engagement survey, through site visits, company events and reporting of workforce concerns raised via the confidential reporting service with NavexGlobal.

In addition, we consider that engagement by the local company board with their own workforce, as well as the engagement by the Board through these mechanisms, provides an effective platform for clear and open communication with our global employee base. To support this, we have also put in place reporting mechanisms such that concerns and feedback raised at the company level is fed back to the Board.

The Board strongly believes that its mechanisms for engaging with our employees are appropriate for our decentralised structure and are an effective means of bilateral engagement with our colleagues.

Engagement with other stakeholders

The Board considers its investors, debt holders and other stakeholder groups in its decision-making and our interaction with key stakeholders is set out on pages 56 to 62 of the Strategic Report.

Our employee engagement framework

Board

The Board employs both direct and indirect methods of engagement with employees, which include company site visits, attending employee events such as Accelerate conference, DCE/company chair reports, presentations and reports to the Board on matters such as workforce concerns and the employee engagement survey, and regular updates from the Group Talent, Culture and Communications Director.

Executive Board and Sector Chief Executives (SCE)

The SCEs are Executive Board members with operational responsibility for all of our companies. They provide a vital link between the Board and our companies, by ensuring that there are close channels of communication.

Halma companies and Divisional Chief Executives (DCE)

The DCEs chair their respective sub-sector company boards and meet with the Executive Board at least three times per year and with the Board annually. This facilitates regular dialogue on employee-related matters.

Employees

Through our established communication channels our employees are able to effectively communicate with both their local company board as well as directly and indirectly with the Board.

Case study

Non-executive Director site visit

In June 2022, our Senior Independent Director, Tony Rice, visited Ramtech, based in Nottingham. Ramtech joined the Group in August 2021 and sits within the Safety Sector as a provider of wireless solutions designed to save lives, protect assets and gain insight.

Hosted by the Ramtech board of directors, Tony received a tour of the offices, where he met with colleagues, and gained insight into the day-to-day operations and culture of the business.

Tony received presentations on growth, product innovation and operations, following which he facilitated a roundtable discussion, comprised of a group of employees across HR, marketing, engineering, logistics and customer services. The group were keen to provide background to their roles and life at Ramtech, and discuss wide-ranging matters including the benefits of becoming part of the Halma Group. Discussions were positive and highlighted the alignment of vision, values, purpose and culture between Ramtech and Halma, and, as a recently acquired business, provided employees with further background to Halma and how it can offer support.

As is our usual process, following the event Tony reported back to the Board on his visit to Ramtech and noted that employees had been welcoming and engaging and that the visit had presented an excellent opportunity to experience first-hand the cultural fit with Halma and a better understanding of the business.

ramtech

“My visit to Ramtech was informative and engaging, demonstrating the strengths of the business and its alignment with our vision, purpose, values and culture. I look forward to observing the capabilities that the company will bring to the Group.

Tony Rice
Senior Independent Director

Roles and Responsibilities

The executive and non-executive responsibilities are clearly defined, set out in writing and are regularly reviewed by the Board. The roles and responsibilities of Board members are 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.

Strategy

- Setting the strategy of the Group and monitoring its progress against its strategic 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 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.

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.

Independence and objective judgement

For the year ended 31 March 2023, the Board was composed of 11 Directors, each bringing a variety of skills, knowledge and experience, in addition to diverse thinking. With four 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.

Dame Louise Makin was independent on appointment as a non-executive Director in February 2021 and the Board considers that she retains objective judgement. To facilitate effective debate, the Chair ensures that no Director or group of Directors dominate Board meeting discussions 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 insight, views and challenge that the non-executive Directors bring and the transparent reporting by the Executives ensures that all stakeholder interests can be considered and well-informed, collaborative decisions made.

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 for the year ended 31 March 2023. 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.

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, Directors also attend the Annual General Meeting and the annual strategy meeting. Non-executive Directors are also encouraged to attend our Accelerate conference and undertake company site visits, both of which our Executive Directors attend. 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 rebalancing their portfolio of roles, consideration will be made of the sequence and timing of the roles and a pragmatic approach is taken (as opposed to an absolute numerical limit) 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.

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 below set out gender, ethnic and age diversity of the Board and Executive Board at the date of this Report.

Our Board Diversity Policy was updated in March 2022 to reflect the new targets set by the FTSE Women Leaders Review on gender diversity. The Policy also affirms our commitments, on ethnic diversity, 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 to go beyond the Parker Review recommendation, by committing to maintain our current composition of two ethnically diverse Directors on the Board.

The Committee is supportive of the new FCA Listing Rules and amendments to the Disclosure and Transparency Rules, which came into effect for accounting periods starting on or after 1 April 2022 and is pleased to report that during the financial year ended 31 March 2023 and up to the date of this Report, the Board had met the three targets required under Listing Rule 9.8.6 R (9) as:

- at least 40% of the individuals on the Board are women;
- the Chair is a women; and
- at least one individual on the Board is from a minority ethnic background.

The Company has collected the diversity data used for these purposes from each individual on a voluntary basis.

In March 2023, the Parker Review published an update report entitled "Improving Ethnic Diversity in UK Business" and have requested that Boards of FTSE 350 companies set their own target, by December 2023, for the percentage of their senior management group who self-identify as being in an ethnic minority. The Board will be considering an appropriate target with management over the coming months and will publish a target by the end of 2023 and will report on our progress from 2024 through to the target date in December 2027.

Board and Executive Board – Gender Diversity

	Number of Board Members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID & Chair)	Number in Executive Management	Percentage of Executive Management
Men	6	55%	3	5	45%
Women	5	45%	1	6	55%

Board and Executive Board – Ethnic Diversity

	Number of Board Members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID & Chair)	Number in Executive Management	Percentage of Executive Management
White British or other White (including minority-white groups)	9	82%	4	8	73%
Mixed/Multiple Ethnic Groups	–	–	–	1	9%
Asian/Asian British	2	18%	–	1	9%
Black/African/Caribbean/ Black British	–	–	–	1	9%
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 & Chair)	Number in Executive Management	Percentage of Executive Management
40 – 49	2	18%	1	6	55%
50 – 59	6	55%	1	5	45%
60 – 69	2	18%	1	–	–
70 – 79	1	9%	1		

Board and Committee Diversity Policy

Halma is committed to building a diverse and inclusive culture throughout the Group. Diversity, Equity and Inclusion is one of our sustainability key focus areas 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 is committed that its composition, and that of each Committee, should cover a range of factors, such as gender, ethnicity, age, sexual orientation, disability and socio-economic background. The Board has agreed the following commitments in relation to gender and ethnicity:

- to maintain gender balance at Board, Committee and Executive Board level by ensuring that representation of both men and women is at or above a minimum 40% threshold;
- by 31 December 2025, ensure a minimum representation of men or women one level below the Executive Board is at or above a 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 Committees; and
- as a signatory to Change the Race Ratio, to increase racial and ethnic diversity at senior leadership level.

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 appointment of Marc Ronchetti for the role of Group Chief Executive and for Steve Gunning as Chief Financial Officer. The search for new non-executive Directors also follows the approach described below.

Prior to the Committee making a recommendation to the Board for a Director 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 diverse external candidates and, for executive roles where there are internal candidates that have been identified through the Committee's succession planning, to benchmark those candidates. For the year ended 31 March 2023, the Committee used the services of executive search consultancy, Lygon Group – who are not connected to the Company or any Halma Director – to benchmark the internal candidates identified for the Group Chief Executive role and to source external candidates for the Chief Financial Officer role.
- 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 members of the Committee (including the Chair), the Group Chief Executive and the Group Talent, Culture and Communications Director. For executive positions, the Chair and non-executive Directors lead the interview process and seek input from other executives, as appropriate.
- The Committee members meet to share their feedback on each candidate and will compare their assessment against the role criteria, along with any reference information provided by the search firm. Maintaining a focus on gender and ethnic diversity, while ensuring that other elements of diversity are not overlooked, remains an important factor for the Committee. Where elements of diversity will be lost when certain Directors come to the end of their tenure, the Committee aims to ensure that it will remain diverse or will seek a replacement Director to maintain/restore that element of diversity to the Board and its Committees.
- 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.

Director induction 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 the Accelerate conference 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 our companies. In addition, a briefing on statutory duties and listed company regulation is provided to new Directors and updated at least annually and presented at the Board for the benefit of all Directors.

Case study

Induction of Marc Ronchetti as Group Chief Executive

Being Halma's Chief Financial Officer since July 2018, Marc's understanding of the Group, its culture and strategy was already well embedded – as were his relationships with colleagues, external advisers and significant shareholders. Therefore, the skills and knowledge required for his transition into his first CEO role required a tailored approach to his induction. Importantly, the programme focused on meeting and learning from a number of key internal and external stakeholders:

Halma company colleagues: in the period June 2022 to April 2023, Marc visited over 50% of our companies across all three sectors, with the remaining companies scheduled through the year to 31 March 2024. These visits enabled Marc to not only discuss the business and strategy with the local board but also meet a wider group of colleagues who work daily to fulfil our purpose.

Group and sector colleagues: a critical element of Marc's induction was to shadow Andrew Williams for 10 months to leverage his 18 years of experience as Halma's Group Chief Executive. Marc had regular one-to-one meetings with the Chair, Company Secretary, Executive Board members and Divisional Chief Executives which have given him greater insight into the role that each play in the Group and enabled him to develop deeper relationships with the senior leadership team. Marc attends the Group's hybrid town hall meetings, where Halma colleagues – from the UK, the US, India and China – are updated on Company news, recognise individual and team achievements and have the opportunity to ask questions or share news.

Advisers and shareholders: while Marc had established relationships with these stakeholders, the focus of discussions and meetings were in the context of his leadership of the Group.

Network: a key element of Marc's professional development was in the form of a residential executive programme at Stanford Graduate School of Business. This not only provided insights from the academics and industry speakers in areas such as leadership, accountability for results, and purpose and diversity but the delegates themselves comprised of a diverse and global network of executive leaders from which to learn and share experiences.

"The structure and breadth of my induction programme has enabled me to transition seamlessly from Chief Financial Officer into the Group Chief Executive role – while it was an intense programme, it was incredibly rewarding and struck the right balance for me to learn from others, while permitting time and space for me to gather my own thoughts and ideas.

Marc Ronchetti
Group Chief Executive

Executive Directors may undertake tailored professional development as part of their onboarding plan, such as business management, personal development or mentoring programmes.

The Chair reviews the training and development needs of the Board, and for each Director, at least annually.

Annual 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, an appraisal is undertaken by the non-executive Directors collectively and fed back via the Senior Independent Director. The Board undertakes an evaluation of its own performance and effectiveness, with the findings and proposed actions being presented at the Board by the Chair.

Each Committee undertakes its own evaluation and the findings and proposed actions are formally reviewed at the relevant Committee meeting. Progress against agreed actions is monitored by the Company Secretary throughout the year and a formal review is undertaken ahead of the next evaluation cycle, to ensure that the actions have been, or will be, appropriately closed out. The results from the Audit Committee and Remuneration Committee evaluations are discussed in the respective Committee Reports and the results from the Committee's own evaluation are set out below.

Evaluation type

The Committee normally utilises an external evaluator on a triennial basis and the Chair, with the support of the Company Secretary, formulates a bespoke internal questionnaire in the two years in between. The last externally-facilitated evaluation was undertaken by Independent Audit in 2021 and an internal evaluation was undertaken for 2022 and 2023. The internal evaluation exercise is thorough and allows directed questions to be asked on areas particularly relevant to Halma at that time or on topics that have been raised during the year – examples of topics covered over recent years include Board succession, Boardroom dynamics, strategic progress in specific areas and the level of challenge and support that has been provided by the non-executive Directors. These questions are supplemented by standing governance questions on Board and Committee structure, Director skills, experience and diversity, Board and Committee effectiveness, strategy and risk. For the year ending 31 March 2024, an externally-facilitated evaluation will be carried out and the results will be reported in next year's Report.

2023 Committee evaluation

The Committee's own evaluation for the year ended 31 March 2023 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.
- Overall the Committee was operating effectively, with recognition that the Group Chief Executive and Chief Financial Officer succession plans had been well planned and well executed.

2023 Board evaluation

The Board's 2023 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 for focus over the coming year and the proposed actions agreed are as follows:

- Rotational presentations from the Sector Chief Executives will include more coverage on evolving and potentially disruptive technology and business models, in addition to the regular sector strategy update and review of end-market trends.
- Insight on mega trends and the competitive landscape in which our companies are operating will be topics for fuller consideration at our annual strategy meeting.
- Following the success of the non-executive Director and the Divisional Chief Executives interactions over the past year, further opportunities for senior management to gain exposure to the Directors will be sought.
- M&A proposals will include a summary of the Executive Board's appraisal of the opportunity, to provide further context to the Board, and additional information on the top M&A pipeline targets will provided at each Board meeting.

Following the annual evaluation, and the individual performance reviews undertaken by the Chair, all Directors that are standing for election or 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 the Directors standing at the 2023 AGM.

Dame Louise Makin
Committee Chair

For and on behalf of the Committee 15 June 2023

Audit Committee Report

Carole Cran
Audit Committee Chair

Committee composition and attendance

	Eligible	Attended
Carole Cran (Chair)	4	4
Jo Harlow	4	4
Dharmash Mistry[1]	4	3
Sharmila Nebhrajani OBE[1]	4	3
Tony Rice	4	4
Roy Twite	4	4

1 Dharmash and Sharmila were unable to attend one Committee meeting due to prior commitments.

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.

Principal role and responsibilities

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 2018.
- 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.

The Committee operates under written terms of reference (available at **www.halma.com**) which are reviewed annually.

Committee composition and appointment

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, see page 107 for her biography.

Only Committee members are entitled to attend meetings, although the Committee Chair invites the Board Chair, Executive Directors, Group Financial Controller, Group General Counsel & Chief Sustainability Officer, Director of Internal Audit & Assurance and representatives from the external Auditor to regularly attend meetings. Subject matter experts, including on Risk, Tax, Treasury Sustainability and Sector Chief Executives' and 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 Internal Audit & Assurance and the external Auditor. While each non-executive Director will largely manage their own continuing development, the Committee receives relevant updates throughout the year including from the external Auditor and other professional advisers on matters relevant to financial reporting, technical accounting and governance, internal control, tax, audit and risk, and may request additional information, as required.

The Committee as a whole has competence relevant to the Group, with each member bringing valuable experience, diversity of thought and independent judgement. Biographies for each member of the Committee are set out on pages 106 and 107.

Governance

The Committee, and independently the Committee Chair, regularly meets with the Director of Internal Audit & Assurance 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 companies through company visits, corporate events and the Accelerate conference.

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 is shared with Committee members.

Activities during the year

The Committee has a wide-ranging remit, covering reviewing and monitoring the integrity of the financial statements and other financial information, internal controls and risk management, the external and internal audit process and compliance with laws, regulations and ethical codes of practice. The Committee discharged its duties under its Terms of Reference for the year and key activities included:

- 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 and approving the Group's going concern and viability statements.
- Reviewing the risk and assurance processes.
- Monitoring the Group's whistleblowing and compliance procedures and reports raised.
- Agreeing the external Auditor fee and confirming their independence and effectiveness.
- 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.
- Considering the output of the annual Committee evaluation and agreeing appropriate actions.
- Receiving presentations on the controls environment in the Safety, Healthcare and Environmental & Analysis Sectors.
- Undertaking its annual review of whistleblowing and bribery procedures.
- Reviewing the output of the Financial Reporting Council report on Audit Quality Review.
- Considering the output of the Internal Audit effectiveness review.
- Reviewing the Committee's Terms of Reference and Auditor Independence Policy.

Committee evaluation

An evaluation of the Committee's own effectiveness is undertaken each year and the findings are reported to the Board. In 2023, 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 2023 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 2023 Committee meeting and the actions to address each area were agreed. These included reviewing additional training areas required in relation to the Committee's ongoing role in the changing regulatory landscape.

Financial Reporting Council review of 2021/22 Annual Report and Accounts

In November 2022, the Company received a letter from the Financial Reporting Council (FRC) in connection with their review of the Halma Annual Report and Accounts for the year ended 31 March 2022. The Committee were pleased to note that the FRC had no questions arising from their review of this Report, and that they had two areas of observation for consideration in our 2023 Annual Report and Accounts, relating to TCFD Scope 3 emissions disclosures and share-based payments disclosures. Each of these observational areas have been addressed in this Report. We have acknowledged and thanked the FRC for their observations.

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 2022 and the Full Year ended 31 March 2023, the Committee considered the significant risks and material issues, judgements and estimates made in relation to the Group's financial statements.

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 accounting judgements and key estimates, set out below, 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.

Significant risks and material issues, judgements and estimates	How the Committee addressed each area and conclusion
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.	• Focusing on, monitoring regularly, and constructively challenging the reasonableness of the assumptions used in impairment calculations by management, in particular discount rates, growth rates, the level of aggregation of individual cash generating units (CGUs) and methodology applied. • Considering the appropriateness and reasonableness of stated judgements and conclusions included in the disclosures in note 11 to the Accounts. • In particular, during the year, considering the CGU groups to which the Group's seven acquisitions were attributed, the treatment of inflation within assumptions given the significant increase seen and assessing the reasonable of sensitivities applied and considered to be reasonably possible.
Carrying value of acquired intangibles across the Group and the adequacy of future cash flows.	• Focusing on and challenging the assessment of the presence of impairment indicators that warrant an impairment test of an asset. • Constructively challenging the reasonableness of assumptions used in impairment calculations by management, in particular discount rates and asset specific growth rates.
Risk that acquisitions are not accounted for correctly in line with IFRS 3 "Business combinations".	• Challenging the appropriateness of assumptions used in determining the fair value of the acquired intangible assets and residual goodwill identified, and the reasonableness of the disclosures included in note 25 to the Accounts. • The fair value of acquired intangible assets and carrying values arising on the seven acquisitions in the year, particularly in relation to the acquisitions of FirePro, WEETECH, IZI Medical and Deep Trekker.
Valuation of contingent consideration arising on acquisitions in current and prior periods.	• Assessing treatments of contingent consideration payment arrangements against the requirements of IFRS 3 and IFRS 13. • Considering assumptions made around forecasts used in calculations. • In particular, at 31 March 2023, the treatment and valuation of the contingent consideration provisions in relation to Visiometrics, IZI Medical and Infinite Leap.
Judgements and estimates involved in valuing defined benefit pension plans.	• Assessing the assumptions in determining pension obligations, particularly given market volatility, and determining whether key assumptions were reasonable, particularly the assumptions around mortality, discount rate and inflation that are most material to the Group's plans and resulted in retirement benefit assets being recognised for the Group at 31 March 2023. • The recognition of the plan surpluses in accordance with IFRIC 14.
Compliance risks with existing and evolving tax legislation, and judgements around uncertain tax positions including the recoverability of the tax receivable balances.	• Assessing the position taken with regards to tax judgements. • 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. • Understanding the evolving BEPS Pillar 2 and UK Transfer Pricing legislation and the likely compliance impact on the Group.
Carrying value of investments (Company only).	• Constructively challenging the reasonableness of the assumptions used in impairment calculations by management, in particular discount rates and future cashflows.
Going concern status of the Group and any impact to future viability.	• The evidence supporting the going concern basis of accounts preparation, the Viability Statement and the risk management and internal control disclosure requirements.
Task Force on Climate-Related Financial Disclosures (TCFD)	• The work undertaken to continue to assess and manage the climate-related risks and opportunities for the Group and the associated reporting in accordance with the TCFD framework

In addition, the Committee considered the presence of any significant product failures in the period that would warrant the inclusion of a significant warranty provision, and assessed the capitalisation and carrying value of Capitalised Development Costs in line with the accounting policy and standards.

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 Group and parent company affairs as at 31 March 2023.

The Committee monitors the effectiveness of the external Auditor throughout the year and annually conducts an evaluation of the external audit, by way of a tailored online questionnaire, further details are set out on page 133. 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. Accordingly, the Committee recommends that PwC are reappointed as Auditor at the 2023 Annual General Meeting (AGM).

Audit tendering

The Committee has primary responsibility for recommending to the Board the appointment or reappointment 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.

Following a tender process, PwC were appointed Auditor to the Company at the AGM in 2017. In accordance with our Auditor Independence Policy, which requires us to change our audit partner every five years, Christopher Richmond was appointed Senior Statutory Auditor for the financial period commencing 1 April 2022.

In 2021, prior to any decision on the rotation of the Senior Statutory Auditor, the Committee considered the possibility of re-tendering the external audit function and concluded that it was satisfied that PwC was effective and remained independent in accordance with our Auditor Independence Policy and the FRC's Ethical Standard, and that a tender process was not appropriate at that time.

Whilst the Committee remains satisfied that PwC are effective and independent, the next external audit tender will occur in 2026, with a recommendation put to shareholders at the 2027 AGM. The proposed tender date is in the best interests of shareholders and the Company as PwC has a detailed knowledge of our business, an understanding of our industry and continues to demonstrate that it has the necessary expertise and capability to undertake the audit.

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. The Committee continues to monitor changes in legislation related to auditor independence and objectivity and annually reviews the 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.

During the year, three pieces of permitted audit-related services work (in addition to the Half Year 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, an annual tax audit in India, which is a statutory requirement, and a required audit for HWM-Water Limited relating to its Queens Innovation Award, with total fees of c.£12,000. It was deemed appropriate to use PwC in respect of these three 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 c.£1,000. All work was pre-approved by the Committee Chair and reported to the Committee in accordance with our Policy.

The audit fees payable to PwC for the year ended 31 March 2023 were £2.5m (2022: £2.1m) and permitted audit-related service fees were £0.1m (2022: £0.1m). Other non-audit services totalled less than £0.1m in both the current and preceding year. The total of audit related and non-audit related services for the year totalled c.6% of three year average audit fees, significantly below the limit of 70% required by the Policy.

Evaluation of the effectiveness and quality of the External Auditor

The effectiveness of the External Auditor is monitored throughout the year, including through:

- **FRC's Audit Quality Inspection and Supervision report 2021/22** – the Committee reviewed the results of the FRC's Audit Quality Inspection and Supervision report 2021/22 during the year and noted an improvement on rating from the prior year and that good practice in respect of professional scepticism, high quality reporting and audit documentation had been highlighted.
- **Progress against audit plan and strategy** – the Committee continually evaluated and monitored progress against the agreed audit plan and strategy and any issues or reasons for variation from the plan were identified, discussed and agreed with the Auditor. Additionally, the Committee reviewed, benchmarked and latterly agreed to the auditors fees for the year under review, which had primarily increased due to the additional requirements under the revised auditing standard ISA315 and inflationary increases.
- **Auditor reports to the Committee** – through PwC's formal reports to the Committee at each meeting the Committee track and consider the work undertaken by the Auditor during the year.
- **Interaction with Auditor** – the Committee Chair, the Chief Financial Officer and management have regular communication with the Auditor throughout the year and are able to raise issues and discuss key deliverables as the year progresses. The Committee recognises that PwC have appropriately challenged management on key judgements and estimates throughout the year, as detailed in the significant risks and material issues, judgements and estimates table above.
- **Audit tender and rotation** – in accordance with our Auditor Independence Policy, the Committee reviews the appropriateness of tendering the external audit function every five years and, in conjunction with this, will rotate statutory audit partner at least every five years, the most recent rotation of which took place in 2022, with a new audit partner in place for FY23.
- **Annual internal effectiveness survey** – a tailored on-line questionnaire is circulated and completed by Committee members, other senior management and company CFO's 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.

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 Internal Audit & Assurance.
- 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 2023 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 reappointment as Auditor be proposed to shareholders at the 2023 AGM.

Risk management and internal controls

The Committee maintains oversight of the risk management and internal control framework and systems (including financial, operational and compliance controls) and monitors its effectiveness, reporting back to the Board, who has ultimate responsibility to the shareholders for the Group's system of internal control and risk management. 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 88 and 89. The Group's emerging risks are detailed on page 90 and the principal risks and uncertainties are detailed on pages 91 to 97.

The Committee regularly reviews the ongoing process in place for identifying, evaluating and managing the emerging and principal risks faced by the Group and for determining the nature and extent of the risks it is willing to take in achieving its strategic priorities. This risk framework is in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

Our governance model was strengthened in 2022, with the appointment of a new Director of Risk & Compliance, separating the Risk and Internal Audit functions and enhancing the assurance framework. This enhancement of our risk management and internal controls framework will allow each function to continue to evolve and strengthen.

Regular reporting to the Committee by the Director of Internal Audit & Assurance, as well as findings of internal audits by circulation between meetings, ensures that there is a good understanding of any non-compliance that arises and the swift action being taken to close any gaps. The Group's external Auditor, PwC, has audited the financial statements and has reviewed the financial control framework to the extent considered necessary to support the audit report.

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.

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 or 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 non-financial information statement on page 99.

The Director of Risk & Compliance 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.

Climate-related disclosures

The Committee has overall responsibility for approving the disclosures made under the climate-related Listing Rule 9.8.6R(8). The Committee has continued to receive updates throughout the year on progress made against reporting on the climate-related disclosures. These are consistent with the TCFD recommendations and the 11 recommended disclosures under TCFD, as required by the Listing Rules.

Internal Audit

The Internal Audit & Assurance function comprises the Director of Internal Audit & Assurance and five audit managers – two based in the UK, two in the US and one in China. External co-source is also utilised for certain specialist areas as required, such as Cyber risk. 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. 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 were successfully introduced as part of the 2022/23 annual audit plan to provide an additional assurance snapshot. These are shorter verbal assurance touchpoints that take place mid-way between full audits. Pulse checks are also used for companies acquired and are performed six months after the date of acquisition to check progress, followed by a full audit at 12 months.

The Committee has oversight of the Internal Audit & Assurance budget and resources available and it has satisfied itself that the Internal Audit & Assurance function has the appropriate level of resources and funds available to undertake its role. 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.

Evaluation of the effectiveness and quality of the Internal Audit function

The effectiveness of the Internal Audit function is monitored throughout the year, including through:

- **Progress against the Internal Audit plan** – the Committee review and discuss progress made against an agreed Internal Audit action plan at each meeting.
- **Internal Audit reports to the Committee** – Internal Audit reports are presented at each Committee meeting for review and discussion.
- **Annual review of the Internal Audit & Assurance charter** – the Committee annually review and approve changes to the Internal Audit & Assurance charter.
- **Annual internal effectiveness survey** – a tailored on-line questionnaire is circulated and 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 2023 questionnaires and direct feedback from the Chief Financial Officer and the Chair, the Committee concluded that the quality, experience and expertise of the Internal Audit function is effective.

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 168.

Carole Cran
Committee Chair

For and on behalf of the Committee 15 June 2023

Remuneration Committee Report

Jo Harlow
Remuneration Committee Chair

Committee composition and attendance

	Eligible	Attended
Jo Harlow (Chair)	7	7
Carole Cran	7	7
Dame Louise Makin	7	7
Dharmash Mistry[1]	7	6
Sharmila Nebhrajani OBE[1]	7	6
Tony Rice	7	7
Roy Twite	7	7

1 Dharmash and Sharmila were unable to attend one Committee meeting due to prior commitments.

Committee Composition

The Committee schedules four routine meetings a year but will meet more often, if required. Due to the level of activity during the year, the Committee met formally seven times. Attendance at each Committee meeting is set out in the table above.

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.

The Committee comprises of the non-executive Directors set out in the table above, with Jo Harlow as Chair. 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.
- Ensure alignment between incentives and company culture.
- 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.

On behalf of the Board, I am pleased to present our Directors' Remuneration Report for the year ended 31 March 2023. This statement sets out the work of the Committee during the year and provides context for the decisions taken.

The context of remuneration in 2023

Our performance

Our Sustainable Growth Model (delivering sustainable growth, consistently high returns and positive impact) and in particular our DNA (combination of our decentralised organisational model and culture), continue to be critical in delivering our strong performance, as Halma reports its 20th consecutive year of profit growth, delivering 44 consecutive years of dividend per share growth of 5% or more.

Over the last year, we delivered continued high returns and strong growth. Revenue and adjusted profit grew by 21% and 14% respectively and Adjusted earnings per share increased by 17%. Return on Sales of 19.5% was within our KPI target range of 18-22% and Return on Total Invested Capital (ROTIC) of 14.8% remained well above our Weighted Average Cost of Capital estimated at 8.9%. Our total shareholder return has continued to outperform the FTSE 100 index, with an investment of £100 in Halma shares on 28 March 2013 worth £485.6 on 31 March 2023, compared to £174.1 for a similar investment in the FTSE 100 index.

These results have been delivered despite challenging markets, the continuing conflict in Ukraine and the resulting energy crisis, demonstrating the resilience of the Halma business model.

Our people

Halma's people remain its most important asset and we continue to believe that our people should be rewarded appropriately. The Committee reviews various aspects of the wider workforce's remuneration and considers such information when determining the approach to executive pay. Many Halma employees have been, and continue to be, impacted by inflationary pressures and the cost-of-living crisis and we are proud of the support that Halma companies have given their employees during this time. Halma also continues to pay the Real Living Wage across its UK operations and this will be the third year that we have published details of our mean gender pay gap for the employees across two of our largest regions (the UK and the USA), with a reduction to 18.7% from 20% disclosed last year. Examples of cost of living support and details of Halma's mean gender pay gap can be found on pages 66 to 71 in the section on Our people and culture.

As part of the Committee's commitment to workforce engagement, my non-executive Director colleagues and I held sessions with a cross-section of employees on site visits to some of our companies. A breakfast meeting was also held with select employees at Accelerate Halma, our group-wide leadership conference, held in October 2022. At these sessions we had productive conversations on the role of the Remuneration Committee, executive and employee remuneration and a range of other topics including job satisfaction and company culture. Employees were candid and constructive in their views which gave us insight into the effectiveness of Halma's approach to remuneration and employee satisfaction.

Remuneration outcomes for 2023

Bonus

Bonuses for 2023 were based on three metrics below:

- Economic Value Added (EVA) – Performance against a weighted average target of EVA for the past three years, representing 90% of overall bonus opportunity.
- Diversity, Equity and Inclusion (DEI) – Gender balance on the boards of individual Halma companies, representing 5% of overall bonus opportunity.
- Climate Change – Annual improvement in energy productivity (Revenue / energy consumed), representing 5% of overall bonus opportunity.

The Committee considered the targets to be demanding, appropriate and material to stakeholder value-creation. The formulaic outcomes across all three metrics are set out below, with one third of the total payout deferred into shares which will become available after two years:

Metric (Weighting)	EVA (90%)	DEI (5%)	Climate Change (5%)	Total
2023 achievement as a % of maximum outcome for CEO	71.8%	0%	100%	69.7%

The Committee believes that the EVA formulaic outcome was appropriate and payout reflects the robust performance of the business through the previous three years. The Committee also reviewed the Climate Change outcome carefully and we are satisfied that Halma's underlying performance justifies the payout in respect of this metric. There will be no payout in respect of DEI. You will find further details of all the performance metrics on page 145 of the report.

Executive Share Plan (ESP)

For the 2020 ESP award, the two performance metrics, measured over a three-year period are:

- Growth in Adjusted earnings per share (EPS), with a 50% weighting.
- Average Return on Total Invested Capital (ROTIC), with a 50% weighting.

The targets were set to reflect the impact of the COVID pandemic and details can be found on page 146.

The three-year performance for average ROTIC (14.67%) and Adjusted EPS growth over the three-year period (10.16%) have been strong and are reflected in 94.79% vesting.

Metric (Weighting)	Adjusted EPS Growth (50%)	ROTIC (50%)	Total
Vesting	50.00%	44.79%	94.79%

The Committee reviewed the topic of windfall gains for the 2020 grant and it determined that as a result of the share price increase at the time of grant, there was no windfall gain concern. It was therefore the view of the Committee that the formulaic vesting should proceed without any adjustments.

As has been highlighted since the 2020 grant, the Committee considers the targets for this award to be stretching.

In line with the 2018 Corporate Governance Code (Code), the Committee reviewed the outcomes of the individual incentive plans (annual bonus and ESP) 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 total remuneration received by Executive Directors in respect of the year ended 31 March 2023 is a fair reflection of performance over the period and no use of discretion is warranted.

Pension

The maximum employer pension contribution rate for UK employees is 10.5% of salary, along with a generous contribution structure that encourages our employees – especially our lowest paid – to save for their retirement. In line with prior commitments made by the Company, company pension contributions for the Executive Directors were reduced on 31 December 2022 to align with the UK wider workforce rate of 10.5% of salary.

Executive Director changes

Andrew Williams stepped down as Group Chief Executive on 31 March 2023. He will retire and step down from the Board on 30 June and will continue to be paid in line with the Remuneration Policy until his retirement. On this basis, Andrew remains eligible to receive a bonus payable in June 2023, in respect of the 2023 financial year, that has just concluded. No bonus will be accrued or paid for the 2024 financial year and he will not receive an ESP award in June 2023. Further details of Andrew's leaving arrangements are set out on page 144.

Marc Ronchetti began his role as CEO Designate on 16 June 2022 and became Group Chief Executive effective 1 April 2023 with a salary of £900,000. The Committee's decision on salary reflected that Marc's total remuneration for the next few financial years will be substantially lower than Andrew Williams, had Andrew remained in post, assuming the same level of performance. This is the case as Marc's inflight share awards and deferred bonus shares are lower and reflective of his previous Chief Financial Officer role. Marc will also not be eligible to receive a salary increase until June 2024. The Committee's decision was discussed with shareholders as part of the consultations outlined below. They agreed the package was not excessive and no concerns were raised. You can find details of his package on pages 148 and 149.

Steve Gunning began employment with Halma on 16 January 2023 as Chief Financial Officer and he received an ESP award in February 2023. Steve's package is set out on page 144. His annual bonus and ESP opportunity are in line with our Policy, with the annual bonus for 2023 pro-rated to reflect his period of employment.

Salary

The table below sets out the position for the Executive Directors over the 2023 financial year.

Executive Director	Base Salary
Group Chief Executive	£900,000
CEO Designate	£673,750
Chief Financial Officer	£600,000
Group Talent, Culture and Communications Director	£460,000

Chair and non-executive Director Fees

The Committee carried out a benchmarking review of the Chair's fees and the Committee was unanimous in approving an inflationary increase of 3.2% and you will find details of this on page 149.

Following a review, the Board agreed to leave the fees for the non-executive Directors unchanged and you will find more details of this on page 149. The next review will be carried out in late 2023 and any change effective from 1 January 2024.

Shareholder engagement

At the July 2022 Annual General Meeting (AGM), 67.14% of shareholders voted in support of the Remuneration Report resolution. In accordance with Code requirements, as more than 20% of votes were cast against the Board recommendation for this resolution, an interim update was announced and we consulted with our shareholders to understand the reasons behind the voting outcome. I set out below further key points on that shareholder consultation process:

- After the AGM, we wrote to shareholders representing over 55% of issued share capital to understand their perspectives on the AGM outcome. We met shareholders representing circa 30% of the share capital. The shareholders we met represented a cross-section of investors – diverse by voting outcomes, size of shareholding, geography and investor type (index funds vs active managers), including a good number of ESG focused funds. We are pleased that we saw a mix that is broadly reflective of the types of holdings on our wider register.
- At these meetings, we outlined Halma's continuing strong profit and valuation growth over the past twenty years. We explained that succession risk was an important part of the rationale for the variable pay reset in the 2021 policy and salary reset implemented over two years, in 2021 and 2022. We also shared details of how the Committee's decision-making, leading up to the 2022 salary increase implementation, was informed by the Executive Director succession planning process. Specifically, the decisions made supported the Committee's need to ensure that Halma had the

necessary remuneration tools to recruit in the external market and the urgency of this goal was not disclosable to shareholders at the time.

- We discussed the use of the FTSE 100 (excluding financial services) as the appropriate benchmark for establishing a competitive pay offering. We highlighted the difficulty of defining a specific comparator group that would cover the Safety, Environmental & Analysis and Healthcare sectors in which Halma competes for business and talent. Positioning Halma Executive Director remuneration at the median of the FTSE 100 (excluding financial services) continues to ensure Halma maintains the level of pay that supports the current talent retention needs as well as the company's current size and future growth ambitions.
- The outcome of having achieved market alignment on pay in 2022 was that Halma was able to hire Steve Gunning, an experienced FTSE 100 CFO to replace the Chief Financial Officer role vacated by Marc Ronchetti. Improving the competitiveness of executive pay was a major factor in being able to execute an effective Group Chief Executive and Chief Financial Officer transition plan. The details of the remuneration of our Group Chief Executive and Chief Financial Officer were shared with shareholders. We highlighted that these individuals would not receive salary increases in the 2024 financial year, with their next review effective 1 June 2024 (see table to the right), demonstrating Halma's return to restraint following the remuneration reset. We also flagged that Marc's total remuneration for the next few financial years will be substantially lower than Andrew Williams, had Andrew remained in post, assuming the same level of performance. Shareholders acknowledged that the remuneration packages were competitive but not excessive and appreciated the Company's commitment to return to restraint. No further concerns or suggested changes were raised in relation to this.
- We had open and constructive conversations with shareholders on the voting outcome. The shareholders we spoke to were able to appreciate that succession risk was best addressed by the two-year phased approach we adopted to salary changes. The feedback received was that the rationale was better understood and shareholders were appreciative of the additional context the Committee was able to provide in relation to the Group Chief Executive succession process, understanding that it was not possible to communicate this to shareholders until the Group Chief Executive succession was publicly announced in June 2022.

Remuneration arrangements for 2024

Salary

In line with our historically conservative approach to remuneration and the timings of appointments, salaries for our Group Chief Executive and Chief Financial Officer will remain unchanged through the 2024 financial year. A salary increase of 3% has been awarded to our Group Talent, Culture and Communications Director, which is lower than the average wider workforce increase.

Role	Current position	Position with effect from 1 June 2023
Group Chief Executive	£900,000	£900,000
Chief Financial Officer	£600,000	£600,000
Group Talent, Culture and Communications Director	£460,000	£473,800

Annual Bonus

Financial metrics – Halma is focused on sustaining our companies' growth and returns over the longer term, while delivering strong performance in the shorter term. As such, we will continue to use EVA as the performance metric for the annual bonus as it is aligned with our business model. This will represent 90% of the overall bonus opportunity.

Non-financial metrics – Positive impact is at the heart of our business model and this is why we will also continue to use Climate Change and DEI as non-financial metrics, each representing 5% of the overall bonus opportunity.

The Policy provides flexibility to include non-financial measures in both the ESP and the annual bonus, with up to 20% of the overall opportunity available to be utilised for non-financial measures. Reflecting the continuing development of our sustainability approach, we have chosen to maintain the 10% weighting on these non-financial metrics and we will continue to review this over the financial year.

ESP

The 2024 ESP share awards will be granted as normal, using Adjusted EPS growth and ROTIC as the performance metrics based on stretching performance conditions.

We will continue to review whether sustainability-linked remuneration can be extended to the ESP over time.

Closing remarks

The Committee's performance was assessed as part of the annual Committee 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 the level and quality of engagement over this last year. Thanks also to our executive team for their decisive leadership and continued efforts to deliver exceptional value to our stakeholders. As Andrew retires on 30 June, I would like to thank him for the invaluable support he provided in my role as Committee Chair. He will be greatly missed and I wish him the very best for the future.

I 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

Remuneration at a glance

We have a strong pay for performance culture that is aligned to our business model, focused on sustaining our companies' growth and returns over the longer term, while delivering strong performance in the shorter term.

The components of our Executive Remuneration

Fixed Pay + Short-term incentive + Long-term incentive = Total Pay

Salary, benefits & pension

- A fair, fixed remuneration reflecting the size of the executive's responsibilities which attracts and retains high calibre talent necessary for the delivery of the Group's strategy.

Annual Bonus

- To incentivise and focus management on the achievement of objective annual targets, which are set to support the short to medium-term strategy of the Group.

Executive Share Plan

- To incentivise executives to achieve superior returns to shareholders over a three-year period rewarding them for sustained performance against challenging long-term targets.

Our performance metrics

Short-term incentive

Economic Value Added (EVA)	The use of EVA (profit less a charge for capital employed) reinforces the Group's business objective to double every five years through a mix of acquisitions and organic growth. Performance is measured against a weighted average target of EVA for the past three years.
Diversity, Equity and Inclusion (DEI)	Our focus on DEI is the right thing to do and a critical driver of growth. 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.
Climate Change	Action on climate change is an important part of us delivering on our purpose to grow a safer, cleaner, healthier future for everyone, every day. Reducing our own emissions is a key priority for us with year-on-year improvement in energy productivity as our target.

Maximum bonus opportunity: 200% of Salary (Group Chief Executive), 180% of Salary (Chief Financial Officer and GTCC Director)

Long-term incentive

Adjusted EPS Growth	EPS growth provides a disciplined focus on increasing profitability and thereby provides close shareholder alignment through incentivising shareholder value creation.
ROTIC	ROTIC reinforces the focus on capital efficiency and delivery of strong returns, thereby further strengthening the alignment of remuneration with the Group strategy.

Maximum award: 300% of Salary (Group Chief Executive), 250% of Salary (Chief Financial Officer), 200% of Salary (GTCC Director)

How actual performance compared to targets

Short-term incentive – Annual Bonus

Metric	Weighting	Threshold	Actual	Maximum	2023 CEO Achievement (% of maximum)
Economic Value Added	90%	£281.7m	£317.8m	£327.7m	71.8%
DEI	5%	33%	29%	–	0%
Climate Change	5%	4%	10%	7%	100%
Overall annual bonus outcome (% of max)					**69.7%**

Long-term incentive – Executive Share Plan

Metric	Weighting	Threshold	Actual	Maximum	2023 Achievement (Vesting %)
Adjusted EPS growth over a three-year period	50%	2%	10.16%	10%	50.00%
Three-year average ROTIC	50%	9.5%	14.67%	15.5%	44.79%
Vesting percentage (2020 Award)					**94.79%**

Executive Directors' earnings in 2023

The following charts set out the aggregate emoluments earned by the Executive Directors in the year ended 31 March 2023.

Element	Andrew Williams	Marc Ronchetti	Steve Gunning	Jennifer Ward
Fixed Pay	**1,101**	**796**	**147**	**548**
Salary	879	666	128	449
Benefits	28	21	6	24
Pension supplement	194	109	13	75
Short-term incentive				
Annual Bonus	**1,254**	**845**	**188**	**577**
Long-term incentive				
Executive Share Plan and Share Incentive Plan	**1,249**	**694**	**0**	**476**
Total Pay	**3,604**	**2,335**	**335**	**1,601**

Annual Remuneration Report

The Annual Remuneration Report sets out details of how the Policy was implemented in the year to 31 March 2023 and the proposed implementation for the next financial year.

Activities during the year

The Committee discharged its duties under its Terms of Reference for the year. During the year, the Committee met formally seven times and the Committee's main activities through the financial year are set out below:

- Reviewed the 2022 Directors' Remuneration Report, including narrative on the Real Living Wage, Gender Pay Gap and the Chief Executive Pay ratio.
- Approved the 2022 remuneration elements – annual bonus payout and ESP vesting.
- Approved 1 June 2022 merit increases for the Executive Board.
- Approved the 2023 Remuneration elements – Annual Bonus and ESP target-setting.
- Reviewed and confirmed the remuneration package for the Chief Executive Designate and termination package for Group Chief Executive.
- Reviewed the 2023 Remuneration elements – annual bonus payout and ESP vesting estimates.
- Approved the US taxpayers schedule to the ESP.
- Confirmed the reduction in cash-in-lieu pension supplement for the Executive Directors with effect from 1 January 2023.
- Reviewed and confirmed the remuneration package for the Chief Financial Officer.
- Discussed shareholder consultation plans and reviewed materials to be sent to proxy agencies and shareholder organisations.
- Reviewed details of performance award to be made to Chief Financial Officer in February 2023.
- Discussed wider workforce remuneration, including a cost of living update and non-executive Director engagement with employees.
- Received executive remuneration governance and market updates from our remuneration consultants, WTW.
- Reviewed the Committee's Terms of Reference.
- Discussed the 2024 annual bonus targets.
- Reviewed a draft of the Committee Chair's letter.
- Considered the output of the Committee effectiveness review.
- Commenced discussions on the 2024 Remuneration Policy review.
- Discussed agenda items for the Committee meetings to be held through to June 2024.

External advisers

In June 2020, after a thorough and competitive tender process, WTW was appointed by the Committee as the independent remuneration adviser 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 the advice from WTW is independent and objective. The Remuneration Consultants' Group Code of Conduct is available at **www.remunerationconsultantsgroup.com**.

WTW's fee for the year with respect to executive remuneration matters was £97,300 (2022: £120,766) based on an agreed fee. WTW also provided services to the Company globally which comprise remuneration benchmarking and other consultancy advice.

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' Remuneration Report will be subject to an advisory vote by shareholders at the 2023 Annual General Meeting.

Shareholder vote at 2021 and 2022 Annual General Meetings

The following table shows the results of the binding vote on the Policy at the 2021 Annual General Meeting held on 22 July 2021 and the advisory vote on the Directors' Remuneration Report at the 2022 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** and a summary is set out in this Report on pages 156 to 163.

	For	Against	Total	Withheld
Remuneration Policy (2021)				
Total number of votes	176,723,996	116,952,309	293,676,305	7,547,634
% of votes cast	60.18%	39.82%	100%	
Directors' Remuneration Report (2022)				
Total number of votes	196,844,865	96,326,858	293,171,723	12,719,326
% of votes cast	67.14%	32.86%	100%	

On pages 138 and 139, you will find details of the extensive shareholder engagement that was carried out in relation to results of the 2022 vote on the Directors' Remuneration Report. The feedback received was that the rationale of the 2021 policy changes was better understood and shareholders were appreciative of the additional context the Committee was able to provide in relation to the Group Chief Executive succession process. Shareholders acknowledged that the remuneration packages were competitive but not excessive and appreciated the Company's commitment to return to restraint.

Remuneration for 2023

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 2023.

	Andrew Williams £000		Marc Ronchetti[1] £000		Steve Gunning[1] £000		Jennifer Ward £000	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
Salary	879	759	666	482	128	–	449	386
Benefits[2]	28	27	21	20	6	–	24	25
Pension[3]	194	197	109	90	13	–	75	72
Total Fixed Pay	**1,101**	**983**	**796**	**592**	**147**	–	**548**	**483**
Annual Bonus[4]	1,254	1,553	845	887	188	–	577	711
Executive Share Plan – Awards[5]	1,245	826	690	458	–	–	472	313
Share Incentive Plan[6]	4	3	4	3	–	–	4	3
Total Variable Pay	**2,503**	**2,382**	**1,539**	**1,348**	**188**	**–**	**1,053**	**1,027**
Total Pay	**3,604**	**3,365**	**2,335**	**1,940**	**335**	**–**	**1,601**	**1,510**

1 Marc Ronchetti became Chief Executive Designate on 16 June 2022. Steve Gunning joined Halma as Group Chief Financial Officer on 16 January 2023.
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.
5 ESP: Figures relate to awards vesting based on performance to the years ended 31 March 2023 and 2022. For the award vesting for the year ended 31 March 2023, 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 2023 of 2156p. For the award vesting for the year ended 31 March 2022, these figures have been revised from last year's report to reflect the actual share price on the vesting date of 2011p. Table shows total vestings and dividend equivalents in 2023 and 2022 respectively for: Andrew - £37,349 and £20,477, Marc - £20,707 and £11,352, Jennifer - £14,167 and £7,767.
6 SIP is based on the face value of shares at grant.

Payments to past Directors and payments for loss of office (audited)

No payments were made in the year.

On his retirement from the Board in July 2021, Adam Meyers retained the following interests under the ESP, which vested during the year:

- 18,039 time pro-rated 2020 ESP shares vesting at 94.79% based on performance to 31 March 2023.
- 3,618 deferred bonus awards granted in 2021 will vest on 28 June 2023.

Joining arrangements for Steve Gunning

Steve Gunning began employment with Halma on 16 January 2023 as Chief Financial Officer and details of his remuneration, which are in line with our Remuneration Policy are set out below:

- He was granted a Performance Share Award in February 2023 under the ESP, which will vest in February 2026, subject to performance conditions. The award is also subject to a two-year post-vesting holding period.
- His annual bonus for the 2023 financial year, that has just concluded is pro-rated to reflect his period of employment and his deferred bonus award will be calculated as one-third of the bonus earned.

Leaving arrangements for Andrew Williams

Andrew Williams stepped down as Group Chief Executive on 31 March 2023 and he will retire and step down from the Board on 30 June 2023 ("Retirement Date"). On this basis and in accordance with his service agreement, Andrew Williams will continue to be paid in line with the Remuneration Policy until his retirement and he will:

- continue to be paid a salary of £900,000 until Retirement Date.
- remain eligible to receive a bonus payable in June 2023, in respect of the 2023 financial year, that has just concluded with one-third granted as a deferred bonus award to vest in June 2025, with no attaching further performance conditions.
- not be paid a bonus for the 2024 financial year.
- not receive an ESP award in June 2023.
- be treated as a good leaver as he is retiring and hence his outstanding ESP awards that are unvested in June 2023 will be time pro-rated to Retirement Date and vest, subject to performance, at their normal vesting date.
- have automatic good leaver reason under the Share Incentive Plan (SIP) rules and as such all SIP shares held in trust will be transferred at retirement, free of tax and national insurance.
- continue to receive benefits through to the Retirement Date.
- be entitled to payment for any unused and accrued holiday days as at Retirement Date.
- remain subject to the post-cessation shareholding requirements.

Incentive outcomes for 2023 (audited)

Annual bonus in respect of 2023

In 2023, the maximum bonus opportunity for the Group Chief Executive was 200% and 180% of salary for the CEO Designate, Chief Financial Officer and the Group Talent, Culture and Communications Director.

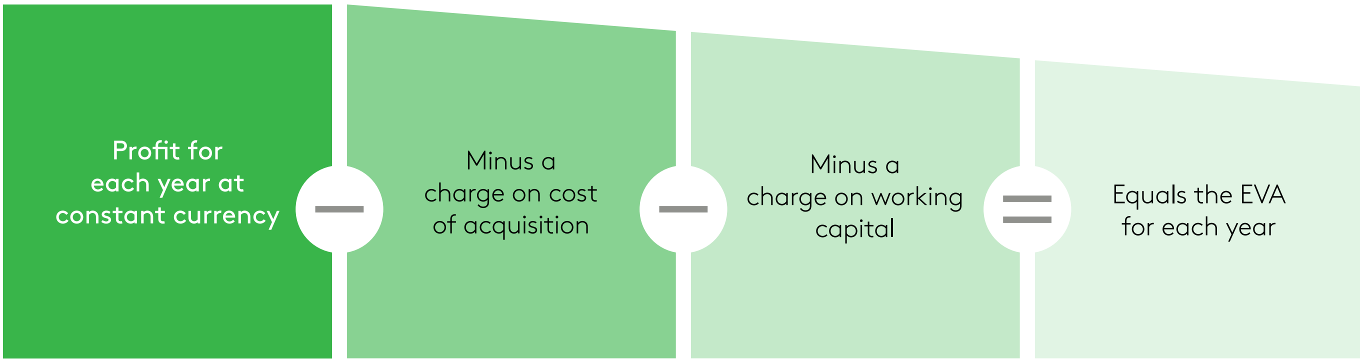
Annual bonus for all Executive Directors was linked to performance based on the three metrics below:

- Economic Value Added (EVA) – Performance against a weighted average target of EVA for the past three years, representing 90% of overall bonus opportunity.
- Diversity, Equity and Inclusion (DEI) – Gender balance on the boards of Halma companies, representing 5% of overall bonus opportunity.
- Climate Change – Annual improvement in energy productivity (Revenue / energy consumed), representing 5% of overall bonus opportunity.

The Committee felt that the targets were demanding, appropriate and material to stakeholder value.

Operating company directors and other sector and central senior management participate in bonus arrangements similar to those established for senior executives.

EVA calculation:
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.



DEI and Climate Change:
The DEI target is based on progress towards our goal of reaching female representation on the boards of Halma companies of at least 40% by 31 March 2024. In 2023, maximum payout of 5% of bonus opportunity could have been achieved with a gender balance figure of 33% or above and nil payout with a figure lower than 33%.

The Climate Change target is based on achieving a stretching range of annual improvement in Energy Productivity. in 2023, there was a straight line payout between the minimum threshold of 4% (our published target) up to a maximum threshold of 7%.

Details of both of our non-financial targets for the 2023 financial year are set out in the tables below:

Diversity, Equity and Inclusion

Gender balance on the boards of Halma Companies

	Performance	% payout for performance against target
On / Off Target	≥ 33%	100%

Climate Change

Annual improvement in energy productivity

	Performance	% payout for performance against target*
Threshold	4%	25%
Maximum	≥7%	100%

* Straight line payout between thresholds and maximum

Details of the bonuses payable (cash and deferred share awards) and performance against all three targets are provided in the tables below:

Metric	Weighting	Threshold	Actual	Maximum	2023 CEO Achievement (% of maximum)
Economic Value Added	90%	£281.7m	£317.8m	£327.7m	71.8%
DEI	5%	33%	29%	–	0%
Climate Change	5%	4%	10%	7%	100%
Overall annual bonus outcome (% of max)					**69.7%**

Annual Remuneration Report continued

The deferred bonus awards across all three metrics 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)	Overall bonus outcome (% of maximum)	Bonus for 2023	Cash-settled	Value of 2023 deferred bonus award
Andrew Williams	**139%**	**69.7%**	**£1,253,955**	**£835,970**	**£417,985**
Marc Ronchetti	**125%**	**69.7%**	**£844,852**	**£563,235**	**£281,617**
Steve Gunning (joined the Board on 16 January 2023)	**31%**	**17.4%**	**£188,093**	**£125,395**	**£62,698**
Jennifer Ward	**125%**	**69.7%**	**£576,819**	**£384,546**	**£192,273**

Deferred bonus awards will be granted under the ESP in June 2023. These awards will not be subject to any further performance conditions and will ordinarily 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): 2020 Awards (vesting at the end of the year to 31 March 2023)

In July 2020, the Executive Directors received awards of performance shares under the ESP. The performance targets for these ESP awards were set to reflect the impact of the COVID pandemic on business forecasts at the time of grant and are set out below. The vesting criteria are 50% EPS-related and 50% ROTIC-related.

Performance conditions for these awards are as follows:

Metric		Below Threshold	Threshold	Maximum
Adjusted EPS growth[1]	Performance level:	<2%	2%	10% or more
	% of award vesting[3]:	**0.0%**	**12.5%**	**50%**
ROTIC[2]	Performance level:	<9.5%	9.5%	15.5% or more
	% of award vesting[3]:	**0.0%**	**12.5%**	**50%**
Total vesting		**0.0%**	**25%**	**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 2023. Average ROTIC was 14.67% (the average ROTIC for financial years 2021, 2022 and 2023) and adjusted EPS growth was 10.16% per annum for the period from 1 April 2020 to 31 March 2023, resulting in vesting of 94.79% of the awards.

The estimated vesting value included in the 2023 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	**59,083**	**1,335**	**94.79%**	**56,005**	**2156p**	**1,207**	**(58)**	**1,265**
Marc Ronchetti	**32,756**	**740**		**31,049**		**669**	**(33)**	**702**
Jennifer Ward	**22,411**	**506**		**21,243**		**458**	**(22)**	**480**

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. Dividend equivalents accrue over the vesting period and are paid in cash at the end of the vesting period, and only on those shares that vest.

In line with regulations, the values disclosed above and in the single total figure of remuneration table on page 143 capture the number of interests vesting for performance to 31 March 2023. 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 2023 of 2156p. The actual values at vesting will be trued-up in the next Annual Remuneration Report.

Incentive Awards granted during 2023 (audited)

Long-term incentive – Executive Share Plan: Performance Share Plan Awards (granted during the year to 31 March 2023)

On 29 June 2022, the Executive Directors, excluding Steve Gunning were granted awards and on 27 February 2023, Steve Gunning was granted an award under the ESP. All awards are subject to ROTIC and Adjusted EPS growth performance over a three-year period measured from 1 April 2022 to 31 March 2025. Specifically, the ROTIC element will be based on the average ROTIC for 2023, 2024 and 2025. The EPS element will be based on EPS growth from 1 April 2022 to 31 March 2025. These two elements are equally weighted at 50% each. The performance targets applying to these awards are as set out in the table below:

Metric		Below Threshold	Threshold	Maximum
Adjusted EPS growth[1]	Performance level:	<5%	5%	12% or more
	% of award vesting[3]:	**0.0%**	**12.5%**	**50%**
ROTIC[2]	Performance level:	<11%	11%	17% or more
	% of award vesting[3]:	**0.0%**	**12.5%**	**50%**
Total vesting		**0.0%**	**25%**	**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 awards vest on the third anniversary of the dates of grant (27 February 2026 for Steve Gunning and 29 June 2025 – For all other Executive Directors) and are subject to a two-year post-vesting holding period.

Executive Director	% of salary	Awards made during the year	Five-day average market price at award date (p)	Face value at award date £000
Andrew Williams	**300%**	**138,904**	**1941**	**2,696**
Marc Ronchetti	**250%**	**89,965**	**1941**	**1,746**
Steve Gunning (joined the Board on 16 January 2023)	**250%**	**68,181**	**2200**	**1,500**
Jennifer Ward	**200%**	**47,208**	**1941**	**916**

Long-term incentive – Deferred Share Awards (granted during the year to 31 March 2023)

On 29 June 2022, the Executive Directors excluding Steve Gunning 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 2022. Steve joined Halma in January 2023 and as such he was not entitled to a bonus or deferred share award in respect of the 2022 financial year. Awards are not subject to performance conditions as they are deferred awards relating to bonus earned for the year ended 31 March 2022. Awards vest in full on the second anniversary of the date of grant (29 June 2024).

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 2022 £000	Proportion awarded in shares
Andrew Williams	**26,667**	**1941p**	**518**	1,553	**33.3%**
Marc Ronchetti	**15,237**		**296**	887	**33.3%**
Jennifer Ward	**12,208**		**237**	711	**33.3%**

Implementation of the Policy for the year to 31 March 2024

Base Salary, effective 1 June 2023

In line with our historically conservative approach to remuneration, salaries for our Group Chief Executive and Chief Financial Officer will remain unchanged through the 2024 financial year, with next salary reviews carried out with effect from 1 June 2024. A salary increase of 3% (lower than the wider workforce increase) has been awarded to our Group Talent, Culture and Communications Director.

Andrew Williams retires and steps down from the Board on 30 June 2023.

Remuneration arrangements for Marc Ronchetti

Marc Ronchetti began his role as CEO Designate on 16 June 2022 on a salary of £700,000 and prior to that he was on a salary of £574,000 as Chief Financial Officer. On 1 April 2023, he became Group Chief Executive on a salary of £900,000 and he will not be eligible for a salary increase until June 2024.

The Committee's decision on salary reflected the fact that Marc's total remuneration for the next few financial years will be substantially lower than Andrew Williams, had he remained in post, assuming the same level of performance. Marc's remuneration was discussed with shareholders as part of consultation. They agreed the package was not excessive and no concerns were raised.

Executive Director	Salary for 2024	Salary for 2023
Andrew Williams (until 30 June 2023)	**£900,000**	£900,000
Marc Ronchetti	**£900,000**	£673,750[1]
Steve Gunning (joined the Board on 16 January 2023)	**£600,000**	£600,000
Jennifer Ward	**£473,800**	£460,000

1 This is a prorated salary allowing for Marc's role as Chief Financial Officer for 2.5 months and as Chief Executive Designate for 9.5 months of the 2023 financial year.

Pension and benefits

The maximum employer pension contribution rate for UK employees is 10.5% of salary, along with a generous contribution structure, benefiting our lowest paid the most.

Pension cash supplements for Executive Directors will be 10.5% of salary in line with the maximum rate offered to UK employees.

Annual bonus

The maximum annual bonus opportunity for 2024 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 2024 will be based on EVA performance against a weighted average target of EVA for the past three years. We will also continue to use the two non-financial 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.

For DEI, we remain committed to our stretch target of achieving at least 40% gender balance on our company boards by March 2024 and you can find more details on this on pages 67.

The Climate Change target is based on achieving a stretching range of Energy Productivity improvement, linked to our published target of 4% straight line annual improvement from the 2022 financial year. The target requires progress to be made from the 2023 result. Further details can be found on pages 78 and 79 of the Sustainability section and page 87 of the TCFD Statement.

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 2023, 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 2024	Performance Share Award	Value of Award
Marc Ronchetti	**£900,000**	300%	**£2,700,000**
Steve Gunning	**£600,000**	250%	**£1,500,000**
Jennifer Ward	**£473,800**	200%	**£947,600**

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 2023, 2024 and 2025. In line with the current accounting treatment for Software as a Service (SaaS) investments 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.

Metric		Below Threshold	Threshold	Maximum
Adjusted EPS growth[1]	Performance level:	<5%	5%	12% or more
	% of award vesting[3]:	**0.0%**	**12.5%**	**50%**
ROTIC[2]	Performance level:	<9.5%	9.5%	15.5% or more
	% of award vesting[3]:	**0.0%**	**12.5%**	**50%**
Total vesting		**0.0%**	**25%**	**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.

Chair and non-executive Director fees

A review of the non-executive Directors' fees was carried out in January 2023 and the Board made a decision not to make any changes. A market review was carried out in respect of our Chair's fee, which was subsequently increased with effect from January 2023. Fees are subject to an annual review in January.

Fees	Annual fees for 2023	Annual fees for 2022
Chair	**£419,000**	£406,000
Base fee	**£75,000**	£75,000
Senior Independent Director	**£20,000**	£20,000
Audit Committee Chair	**£20,000**	£20,000
Remuneration Committee Chair	**£20,000**	£20,000
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 2023.

Non-executive Director[1]	2023 £000	2022 £000
Dame Louise Makin	**409**	297
Roy Twite	**75**	63
Tony Rice	**95**	75
Carole Cran	**95**	79
Jo Harlow	**95**	75
Dharmash Mistry	**75**	63
Sharmila Nebhrajani OBE	**75**	24

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 2023. All figures are calculated using pay and benefits data for the year to 31 March 2023 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)
2023	**Option A**	**138:1**	**104:1**	**68:1**
		£26,155	**£34,781**	**£53,343**
		(£23,360)	**(£30,882)**	**(£46,789)**

Historical Information

		25th Percentile: pay ratio	50th Percentile: pay ratio	75th Percentile: pay ratio
2022	Option A	145:1	110:1	70:1
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 Group Chief Executive's single figure per the table on page 143.

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 Group Chief Executive is remunerated predominantly on performance-related elements (bonus and share awards), based on the delivery of strong returns. Compared to last year, the Chief Executive's single figure has increased as a result of the higher base salary and vesting percentage for the 2020 award, compared to the 2019 award. However, this increase has been partially offset by the lower bonus outturn. In contrast, there has been a higher increase of employee total pay at the 25th, 50th and 75th percentiles, resulting in lower Group Chief Executive pay ratio figures 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 increase in CPI (£174,586 for 2023).

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.

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, 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 was 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. However, until 31 December 2022, due to annual allowance and lifetime allowance restrictions, both Jennifer and Marc 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.

With effect from 1 January 2023, Executive Directors' voluntarily lowered their pension supplements to 10.5% of salary.

Steve Gunning, our new Chief Financial Officer is entitled to join the Defined Contribution section of the plan but due to lifetime allowance restrictions, he receives a cash-in-lieu pension contribution of 10.5% of salary.

Andrew Williams accrued benefits under the Company's defined benefit pension plan during the year as follows.

Executive Director	Age at 31 March 2023	Years of pensionable service at 31 March 2023	Increase in accrued benefits £000	Increase in accrued benefits net of inflation £000	Accrued benefits at 31 March 2023 £000
Andrew Williams	**55**	**20**	**0.8**	**–**	**76**

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 2023, 2022 and 2021. This is compared to the average percentage change in remuneration for other Halma plc employees over three financial years.

	Salary / fees (% change)			Benefits (% change)			Annual Bonus (% change)		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
Other Halma plc Employees	7%	6%	0%	8%	3%	(2%)	(36)%	230%	(43%)
Executive Directors									
Andrew Williams	16%	19%	(5%)	3%	(13%)	(6%)	(19%)	218%	(40%)
Marc Ronchetti	38%	19%	(5%)	7%	(17%)	41%	(5%)	187%	(40%)
Steve Gunning (joined the Board on 16 January 2023)	–	–	–	–	–	–	–	–	–
Jennifer Ward	16%	19%	(5%)	(3%)	4%	0%	(19%)	187%	(40%)
Non-executive Directors									
Dame Louise Makin[1]	38%	3612%	-	–	–	–	–	–	–
Roy Twite	19%	13%	(5%)	–	–	–	–	–	–
Tony Rice	27%	15%	(16%)	–	–	–	–	–	–
Carole Cran	20%	13%	(5%)	–	–	–	–	–	–
Jo Harlow	27%	15%	10%	–	–	–	–	–	–
Dharmash Mistry	20%	–	–	–	–	–	–	–	–
Sharmila Nebhrajani OBE	217%	–	–	–	–	–	–	–	–

1 Dame Louise Makin was appointed as non-executive Director on 9 February 2021 and became Chair at the AGM on 22 July 2021 as evidenced by the change in percentage in financial year 2022.

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 2022 to the financial year ended 31 March 2023.

	2023 £m	2022 £m	**% change**
Distribution to shareholders	**76.3**	71.5	**6.7%**
Employee remuneration (gross)	**536**	430	**24.7%**

The Directors are proposing a final dividend for the year ended 31 March 2023 of 12.34p per share (2022: 11.53p).

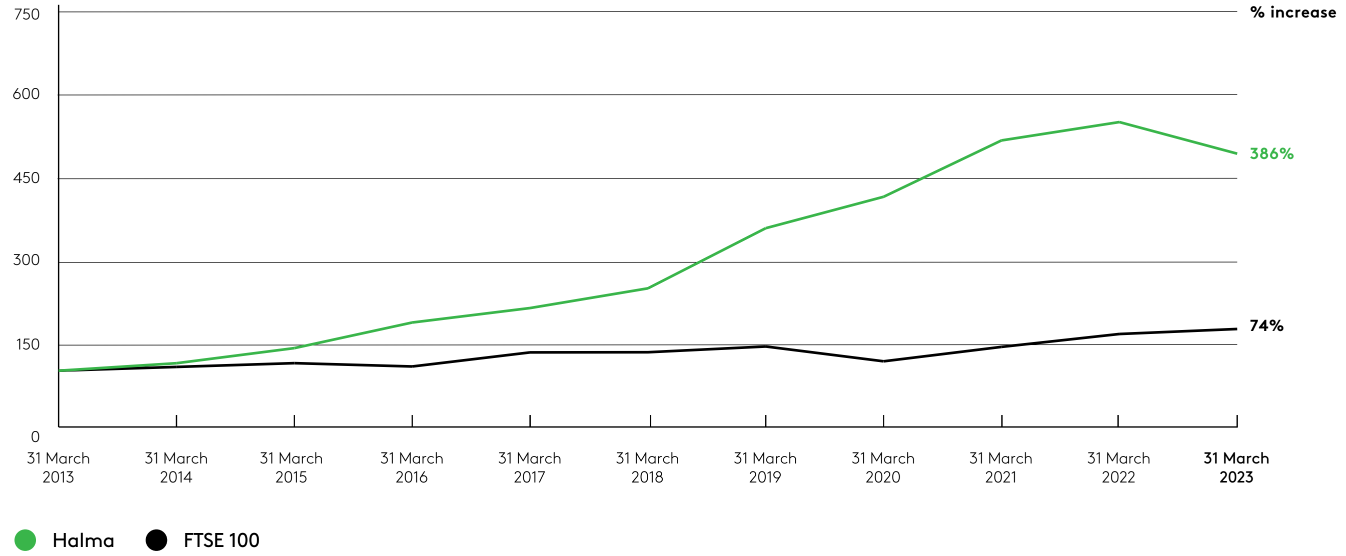
Pay-for-performance

The 10-year graph on the next page shows the Company's Total Shareholder Return (TSR) performance over the 10 years to 31 March 2023 as compared to the FTSE 100 index. Over the period indicated, the Company's TSR was 386% compared with 74% for the FTSE 100. The table below the graph details the Group 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.

Total Shareholder Return
Graph as rebased to 100



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Andrew Williams' single figure remuneration (£000)	£1,543	£2,006	£2,423	£2,337	£3,429	£3,954	£3,912	3,258	£3,365	**£3,604**
Annual bonus outcome (% of maximum)	37%	53%	53%	34%	89%	100%	81%	48%	100%	**70%[1]**
ESP vesting outcome (% of maximum)	74%	78%	95%	92%	90%	90%	91%	74%	61%	**95%[1]**

1 Rounded to whole percentage figures.

Directors' interests in Halma shares (audited)

The interests of the Directors in office through the year ended 31 March 2023 (and their connected family members) in the ordinary shares of the Company at the following dates were as follows:

	31 March 2023	31 March 2022
Current Directors		
Dame Louise Makin	**10,000**	10,000
Andrew Williams	**763,286**	736,199
Marc Ronchetti	**67,225**	51,621
Steve Gunning	**15,731**	–
Jennifer Ward	**44,590**	33,412
Roy Twite	**4,000**	4,000
Tony Rice	**20,000**	16,939
Carole Cran	**2,000**	2,000
Jo Harlow	**2,000**	2,000
Dharmash Mistry	**2,563**	2,000
Sharmila Nebhrajani OBE	**–**	–

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 2022	Granted/ (vested) in the year	Five-day average share price on grant (p)	As at 31 March 2023
Andrew Williams	ESP	01-Jul-19	65,264	(40,072)	2045.6	–
	ESP	28-Jul-20	59,083		2259.6	**59,083**
	DSA	28-Jul-20	11,925	(11,925)	2259.6	–
	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**
	DSA	27-Jun-22		26,667	1941.2	**26,667**
	ESP	27-Jun-22		138,904	1941.2	**138,904**
Marc Ronchetti	ESP	01-Jul-19	36,182	(22,215)	2045.6	–
	ESP	28-Jul-20	32,756		2259.6	**32,756**
	DSA	28-Jul-20	7,593	(7,593)	2259.6	–
	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**
	DSA	27-Jun-22		15,237	1941.2	**15,237**
	ESP	27-Jun-22		89,965	1941.2	**89,965**
Steve Gunning	ESP	27-Feb-23		68,181	2200.0	**68,181**
Jennifer Ward	ESP	01-Jul-19	24,755	(15,199)	2045.6	–
	ESP	28-Jul-20	22,411		2259.6	**22,411**
	DSA	28-Jul-20	6,057	(6,057)	2259.6	–
	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**
	DSA	27-Jun-22		12,208	1941.2	**12,208**
	ESP	27-Jun-22		47,208	1941.2	**47,208**

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 2019, 2021 and 2022 ESP awards are described earlier in this Report, on page 147. The 2020 ESP awards have the different performance conditions as a result of the adjustment that was made (at the time of grant) to align targets with the changes to the business forecasts due to the COVID pandemic and these are set out on page 146 of this Report.

Share Incentive Plan	Date of grant	As at 1 April 2022	Granted in the year	Share price on award (p)	As at 31 March 2023
Andrew Williams	01-Oct-20	150		2397	**150**
	01-Oct-21	127		2820	**127**
	01-Oct-22		179	2011	**179**
Marc Ronchetti	01-Oct-20	150		2397	**150**
	01-Oct-21	127		2820	**127**
	01-Oct-22		179	2011	**179**
Jennifer Ward	01-Oct-20	150		2397	**150**
	01-Oct-21	127		2820	**127**
	01-Oct-22		179	2011	**179**

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. Steve Gunning joined Halma on 16 January 2023 and will be due SIP shares with effect from 1 October 2023.

There have been no variations to the terms and conditions for share awards during the financial year.

Share Ownership Guidelines

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 Group Chief Executive, 250% for Group Chief Financial Officer and 200% for other Executive Directors. In addition, Executive Directors are 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.

The Executive Directors, excluding Marc Ronchetti and Steve Gunning each meet the Share Ownership Guideline of holding Company shares to the value of their award sizes. Until such time as this threshold is achieved, Steve and Marc are required to retain no less than 50% of the net of tax value of any vested conditional share or deferred share awards. There are no other non-beneficial interests of Directors. There were no changes in Directors' interests from 1 April 2023 to 15 June 2023.

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 66, we have established a mean gender pay gap figure for our UK and US companies and the CEO pay ratio is available to employees. As part of Committee/workforce engagement, our non-executive Directors held sessions with a cross-section of employees on site visits to our companies. A breakfast meeting was also held with selected employees at Accelerate Halma, our group-wide leadership conference, held in October 2022. At these sessions there were productive conversations on the role of Remuneration Committee, executive and employee remuneration and a range of other topics including job satisfaction and company culture.

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.

The Committee actively engaged with shareholders to understand the reasons behind our 2022 AGM voting outcomes. Letters were sent to our major shareholders, proxy agencies and shareholder organisations. Meetings were held with the shareholders representing circa 30% of share capital. A meeting was also held with Glass Lewis. See pages 138 and 139 for further details on 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

15 June 2023

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

- Increase to shareholding guidelines aligned to the increase in incentive quantum.
- Introduction of a two-year post-cessation shareholding requirement and enhanced Malus and Clawback terms.

Pension

- Benefit improvement for UK employees.
- Alignment of Executive Director offering to the wider workforce.

Sustainability

- No immediate change in performance metrics.
- Flexibility incorporated into the Annual Bonus and ESP to introduce measures in the future.

Quantum reset

- Ensuring robust succession planning.
- 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: • Malus and clawback provisions operating across all incentive plans. • The introduction of a post-cessation shareholding requirement. • Deferral of remuneration and holding periods. • Remuneration Committee discretion to override formulaic outturns to ensure incentive pay-outs reflect underlying business performance and shareholder experience. • Limits on awards specified within the policy and plan rules.
Predictability	Target ranges and potential maximum payments under each element of remuneration are disclosed. 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. 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). Salaries for the financial year under review (and the following year) are disclosed in the Annual Report on Remuneration. 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. 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). 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. 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. 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 10.5%. Cash supplement: Halma contributes up to 10.5% of salary. 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. 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: £169,337 for 2022 and £174,586 for 2023.
Performance metrics	Not Applicable.

Directors' Remuneration Policy continued

Annual Bonus	
Purpose and link to strategy	**To incentivise and focus management on the achievement of objective annual targets which are 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. 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. Payment of one third of any bonus is in the form of an award of shares that is deferred for two years. Dividend equivalents accrue over the vesting period. Dividend equivalents are paid in cash or shares at the end of the vesting period. Deferral into shares provides a link to the long-term strategy of the Group and enhances the retentiveness of the policy. 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. 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. Such financial measures must comprise at least 80% of the overall bonus opportunity. 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. 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. 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. 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. 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. 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. Financial measures must comprise at least 80% of the overall ESP opportunity. 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. 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. 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 145) 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.

Positive impact is at the heart of our business model and this is why we include Diversity, Equity and Inclusion and Climate Change as non-financial metrics in our annual bonus. 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. Action on climate change is an important part of us delivering on our purpose to grow a safer, cleaner, healthier future for everyone, every day and reducing our own emissions is a key priority for us, with year-on-year improvement in energy productivity as our target.

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.

Directors' Remuneration Policy continued

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".

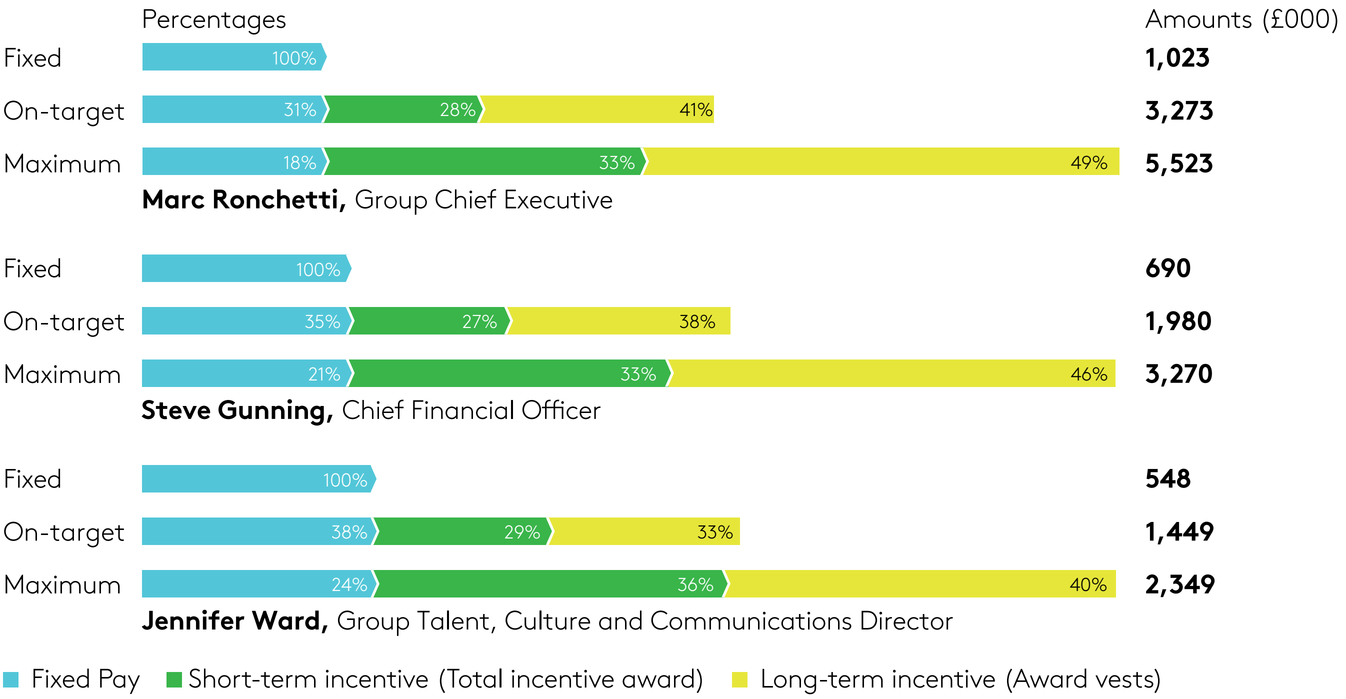
Andrew Williams retires and steps down from the Board on 30 June 2023 and as such his future rewards are not included in the charts below.

Potential reward opportunities are based on the Policy, applied to salaries as at 1 June 2023. 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
Marc Ronchetti	6,873
Steve Gunning	4,020
Jennifer Ward	2,823

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. 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
Marc Ronchetti	July 2018	One year
Steve Gunning	January 2023	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. 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. The fee paid to the Chair is determined by the Committee and fees to non-executive Directors are determined by the Board. The fees are calculated by reference to market levels and take account of the time commitment and the responsibilities of the non-executive Directors. 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 2025	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.