

The purpose of this Procedure Note is to summarise the Group's obligations under the UK Modern Slavery Act 2015 (the "MSA") and to recommend actions that Businesses can adopt to help ensure that modern slavery is not taking place within their business or supply chain.

## 1. Background

Modern slavery is not only a developing world issue but an increasingly global concern with the rise in migratory workers.

The term 'modern slavery' refers to various types of abuse where workers are treated as a commodity, forced to work under threat of punishment or violence or forced to provide services without the freedom to leave (such as employers retaining passports).

Slavery includes child labour, debt bondage (working to repay a loan or debt), forced labour or domestic servitude (being forced to work, often under threat of violence, for little or no compensation), human trafficking and sexual exploitation.

Migrants, minorities, women, children, and those who are illiterate are more vulnerable to becoming victims of slavery & trafficking. Although there is a higher prevalence of modern slavery in regions such as Africa and Asia, it is present in more developed economies as vulnerable people are trafficked from abroad and forced into work.

## 2. Requirements under MSA

The MSA requires every organisation that meets each of the criteria below to publish a slavery and human trafficking statement ("**Statement**") on an annual basis:

- worldwide turnover of over £36 million;  
(turnover to include the turnover of a company's subsidiaries, regardless of where they are based)
- carries on any business in the UK;  
(so captures non-UK organisations that do any business in the UK)
- supplies goods or services.

This Statement must describe the steps that the organisation has taken to ensure that slavery and human trafficking is not taking place in any of their supply chains or their own business - or disclose that the organisation has not taken any such steps.

The MSA does not place any requirement on organisations to guarantee that slavery and human trafficking has not taken place.

A parent company which meets the criteria must include details of the steps taken in relation to its subsidiaries (even if they do not meet the criteria) when such subsidiaries form part of the supply chain or business of the parent.

Where a subsidiary meets the criteria in its own right, that subsidiary must also produce a Statement unless the parent Statement includes the relevant information.

To avoid individual Halma subsidiaries which meet the criteria in their own right having to publish separate Statements, these companies will be referenced in the Group Statement (set out at Appendix 1) and a link will be included on the home page of each company's website to [halma.com](http://halma.com) (where the Group Statement is published).

### 3. MSA Statement

Halma plc will publish a Group Statement on its website by the end of September each year.

A review of UK sales for each business will be carried out each year-end by Group Company Secretarial and businesses which meet the criteria in 2 above will be informed. If a business intends to rely on Halma's Statement for their MSA compliance, they must provide details to Group Company Secretarial, shortly after each year end, of the steps that they have taken to ensure that modern slavery is not present in their business or supply chain. Once the Group Statement is published, a link from the local company website to [halma.com](http://halma.com) will need to be set up.

There is no prescribed content for the Statement under the MSA, but UK government guidance provides advice on what can be included in a Statement to give assurance to those scrutinising the Statement, including:

- the organisational structure;
- its business and supply chains;
- policies, due diligence processes and parts of the business at risk;
- the effectiveness of measuring that slavery and human trafficking has not taken place;
- training available to staff in respect of slavery and human trafficking.

Halma's first Statement, in October 2016, outlined how the Group is starting to act and set out proposed future actions to raise the profile of the MSA across our companies.

### 4. Recommendation to all Halma Businesses

A focus should be given to modern slavery and human trafficking to ensure that it is not present in either the business or the supply chain in which your business is a part. This could be achieved by:

- updating supplier questionnaires/due diligence checklists to specifically ask about compliance with the MSA;
- including the MSA considerations as part of your supplier/customer site visits;
- carrying out a risk assessment on your suppliers and territories;
- providing training to your staff and making them aware of this Procedure Note;



Modern Slavery Act – E14

Version 1.0

Last Reviewed: July 2020

Applicable to:

Executive sponsor: Company Secretary

Policy owner: Company Secretary

- including a MSA clause in your standard terms and conditions or requiring suppliers/customers to confirm their compliance with the MSA.

Set out at Appendix 2 are some warning signs and questions to consider on modern slavery. The Group is implementing online MSA training which will be available to each business over the coming year but any initiatives around MSA compliance that you implement locally should be communicated to the Group Company Secretarial department so that they can be captured and shared across the Group.

## Appendix 1

### Modern Slavery Act Statement

#### Introduction

Halma plc (Halma) supports the provisions set out in the Modern Slavery Act 2015 (Act) and has taken steps to prevent modern slavery occurring in its supply chain and within its own operations.

This statement has been published in accordance with Section 54 of the Act and applies to Halma and its subsidiaries (the Group). The individual companies which meet the requirement to report under the Act have been specifically mentioned below.

Halma has worked in partnership with STOP THE TRAFFIK since 2019, a UK-based charity which works to disrupt and prevent human trafficking by raising awareness, informing and equipping individuals, organisations and communities to take action to combat this global crime. In 2019, STOP THE TRAFFIK conducted a modern slavery risk mapping exercise on our supply chain. Over the coming year, we will be working with our operating companies to assess the output from this exercise and identify areas of risk.

#### Business Structure and Supply Chains

Halma employs over 7,200 people in 44 businesses operating in more than 25 countries. Halma plc does not have a centralised procurement function. Each business is a separate legal entity, and has its own board of directors with accountability within a clear legal and compliance framework.

Our purpose - to grow a safer, cleaner, healthier future for everyone, every day - drives our strategy and culture. Our companies and products have a core focus on safety, health and environmental markets.

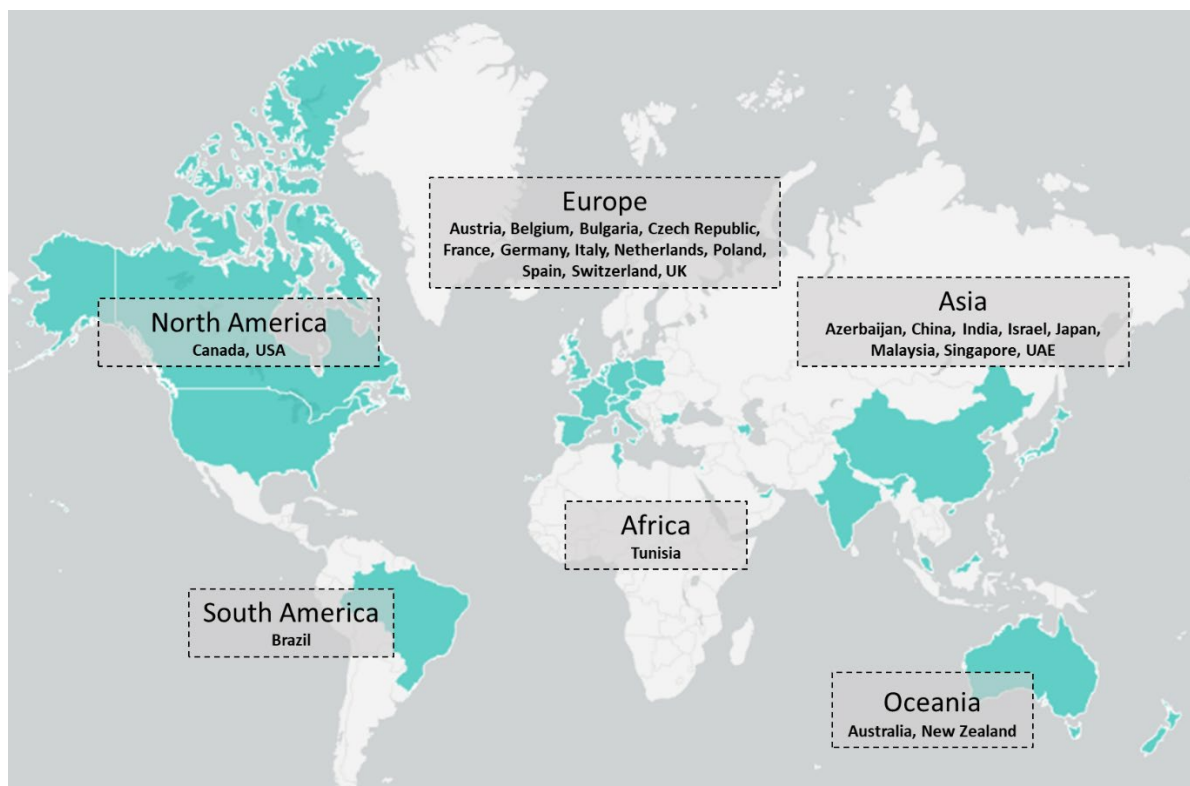


Figure 1: Distribution of Halma’s production and office facilities

Our 44 businesses are grouped within four sectors:

Process Safety – 7 Businesses

Technologies that protect people and assets at work.

Infrastructure Safety – 13 Businesses

Technologies that save lives, protect infrastructure and enable safe movement.

Environmental & Analysis – 11 Businesses

Technologies that monitor and protect the environment and ensure the quality and availability of life-critical resources.

Medical – 13 Businesses

Technologies that enhance the quality of life for patients and improve the quality of care delivered by healthcare providers.

You can find out more about our businesses and what they do here.

The location of our businesses and corporate offices can be found in our Group directory here.

Halma is the parent company of the Group and employs a leadership team who set the framework under which our businesses operate. We have an autonomous organisational structure with each Halma company a separate legal entity run by a board of directors and officers with clear lines of accountability. As the directors and officers of their companies, local management are empowered to lead their business and are responsible for developing their own supply chains, but must operate within the Group's compliance and control framework. All businesses are required to complete a semi-annual internal control certificate which confirms that they have complied with key areas of control and compliance mandated by in Group's policies and procedures (see Policies and Procedure below for more information). This certificate includes a specific provision confirming that all employees have read and signed our Code of Conduct which communicates our approach to critical human rights, business conduct and ethical matters, including modern slavery.

8 Halma companies have either met, or met in the past, the reporting criteria under the Act:

Apollo Fire Detectors Limited (Apollo) – designs and manufactures fire detectors for commercial and industrial applications.

Bureau d'Electronique Appliquée S.A. (BEA) – designs and manufactures motion, presence and safety sensors.

CenTrak, Inc. (CenTrak) – designs and manufactures real-time location services for healthcare facilities.

Crowcon Detection Instruments Limited (Crowcon) – designs and manufactures gas detection instruments.

HWM-Water Ltd (HWM) – designs and manufactures monitoring and telemetry equipment for water, wastewater and gas networks.

Medicel AG (Medicel) – designs and manufactures specialist eye surgery instruments.

Microsurgical Technology (MST) – designs and manufacturers surgical devices and instruments used to improve sight.

Texecom Limited (Texecom) – designs and manufactures electronic intruder alarm systems.

In 2019, STOP THE TRAFFIK conducted a modern slavery risk mapping of our global supply chain, which is effectively the aggregate of the separate supply chains of each individual

Halma company. The findings of this project showed that our companies spent approximately £540 million annually with over 11,000 suppliers across 60 countries. The majority of our suppliers operated in the USA (33%), the UK (28%), China (7%), and Germany (4%). Approximately 3,900 of these suppliers were considered to be ‘significant suppliers’ (meaning a total annual spend of £10,000 or more) and collectively represented approximately 97% of our annual supplier expenditure. These significant suppliers were distributed across 49 countries. The suppliers by continent is shown in figure 2 below.

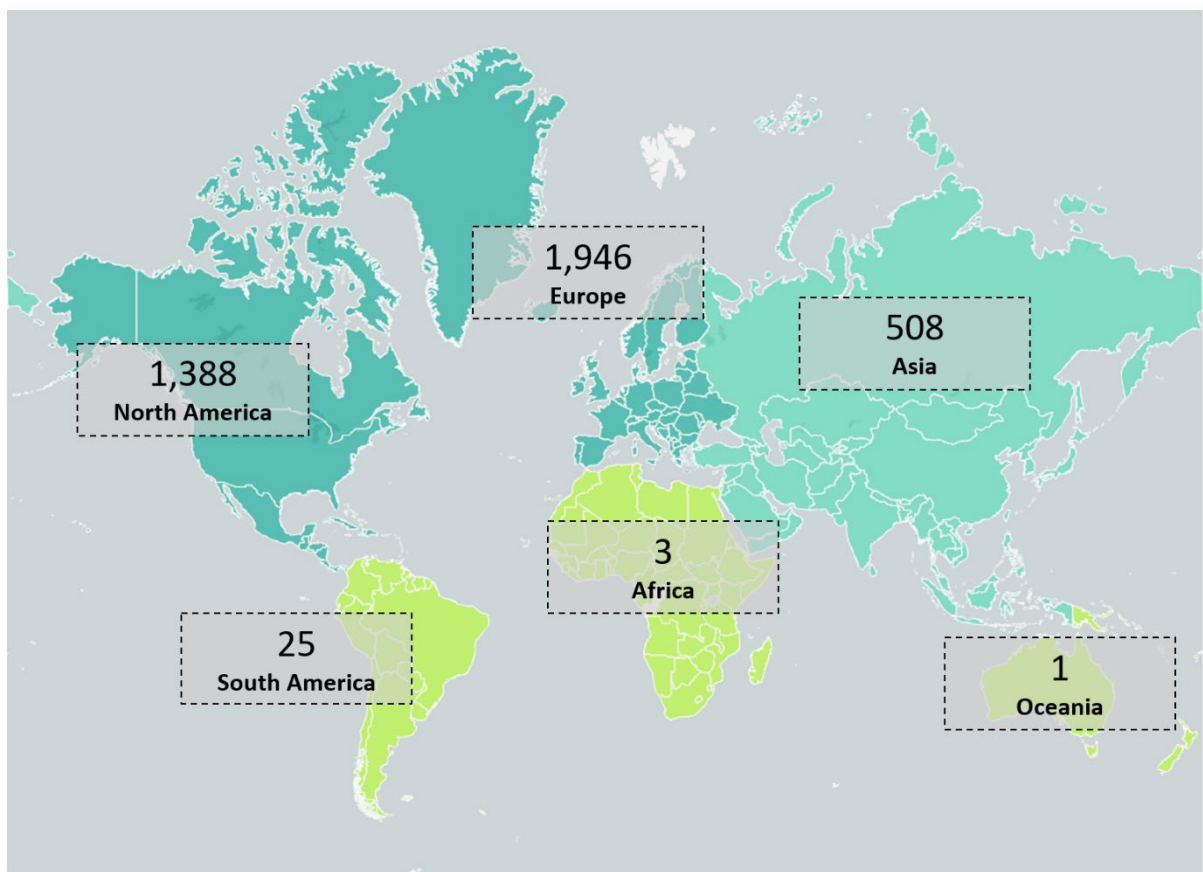


Figure 2: Distribution of significant suppliers in 2019 representing approximately 97% of annual expenditure

### Policies and Procedures

Halma has a culture of openness, integrity and accountability. We require our employees to act fairly in their dealings with fellow employees, customers, suppliers and business partners. We are committed to preventing modern slavery and human trafficking in our operations and in our supply chains. The Group has a range of policies and procedures which mitigate the risk of modern slavery.

### Modern Slavery Act Policy

Halma has created a policy for all businesses within the Group, in order to promote a culture of awareness and best practice on Modern Slavery. This policy is important as it encourages a consistent approach to modern slavery prevention across our de-centralised company structure.

The policy outlines:

What modern slavery is, which industries are at heightened vulnerability, which countries and sectors are known to be high-risk, and which indicators should raise concerns.

The requirements of the Act.

Recommendations for best practice mitigation and methods for determining their operations and supply chain modern slavery risk.

All businesses are required to review and consider the areas set out within the policy.

Code of Conduct

Our worldwide Code of Conduct (Code) sets out the ethical standards that govern the activities of the Group, our employees, and business partners. The Code includes a specific provision concerning the prevention of modern slavery and human trafficking, setting out:

Our clear commitment to never tolerate, or engage with those who do tolerate modern slavery, human trafficking, and other abuses of labour rights.

An explanation of how modern slavery prevention falls within the remit of our Human Rights and Labour Conditions Policy.

The Code is available on our website and has been translated into 9 languages which include the official languages of 20 of the 26 countries our businesses operate in.

It is a Group-wide requirement that all of our employees receive, and sign to acknowledge that they have read and understood, the provisions set out in the Code.

Human Rights and Labour Conditions Policy

Modern slavery prevention falls within Halma's human rights approach to sustainability. Halma's Human Rights and Labour Conditions policy endorses the dignity and rights of all individuals as established in the Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. The policy commits Halma to integrate compliance with human rights throughout the Group's activities, ensuring that human rights are respected at all times and are protected within our sphere of influence.

The Policy includes several commitments which are key for modern slavery prevention:



To never tolerate forced or bonded labour, and to never require employees to leave deposits or identity documents with their employer.

To never tolerate child labour and to require all employees to be above the minimum legal working age.

To respect any employee's right to form or join a trade union, and to never discriminate against members of trade unions.

To ensure that employees always have the freedom to leave their employer.

Our Human Rights and Labour Conditions Policy can be found online here.

#### Whistleblowing Policy

The Group has a clear whistleblowing policy and an established third-party whistleblowing service, accessible both online and by telephone, which allows employees in any of our businesses to raise concerns in confidence, anonymously (where permitted by law) and independent of their company. Our third-party whistleblowing facility is not limited to employees and can be used by anyone, including our customers and suppliers.

In order to ensure that the mechanism remains accessible and trusted by our employees, the whistleblowing policy explains how the process works, how anonymity will be preserved, and an assurance that a whistleblower will not be treated negatively for raising an issue in good faith. Halma's Board (and Audit Committee where concerns relate to potential financial misconduct or fraud) reviews the nature of reports made through the whistleblowing channel in order to ensure that it remains an effective mechanism for raising concerns, that such reports are properly investigated under the direction of the Company Secretary and that there are no recurring trends that would suggest underlying cultural or ethical issues in the Group.

Any suspected or confirmed cases of modern slavery or human trafficking should be reported through the whistleblowing service. No suspected or confirmed cases of modern slavery have been reported to date.

Our Whistleblowing Policy can be found within our Code.

#### Sale and Distribution Terms and Conditions

During 2018/19, our UK businesses updated their standard sale and distribution terms and conditions. These terms specifically include a clause on compliance with anti-slavery laws and require distributors to not engage in any modern slavery practice. During 2019/20 our US lawyers created standard sale terms requiring anti-slavery compliance.

#### Risk Assessment

In 2019/20 Halma worked with STOP THE TRAFFIK to conduct a modern slavery risk map of our global supply chain.

STOP THE TRAFFIK's inherent risk mapping methodology consists of ranking each supplier on a scale of 1 to 5 based on their economic sector and country of operation, where 1 is the lowest risk of modern slavery, and 5 is the highest. These rankings combine intelligence from multiple open-source datasets with analysis from STOP THE TRAFFIK's human trafficking Research and Intelligence Team. The inherent risk mapping is a theoretical modern slavery ranking which identifies where risks are most likely to be within our supply chain, it does not confirm their existence.

The risk-mapping project identified that 13.5% (£72.9m) of our 2018/19 procurement expenditure related to 422 suppliers categorised as high-risk due to their country of operation or economic sector. These suppliers broadly fell into two risk areas: Manufacturers in China producing electrical and metal components for our products

Suppliers operating across Europe and North America in high-risk sectors, providing our company with services such as logistics, warehousing, labour provision, and construction. Based on these inherent risk findings, we have worked with STOP THE TRAFFIK to develop a mitigation plan that will prioritise the Halma companies which are most exposed to these types of high-risk suppliers. We will be providing support and advice to these Halma companies to enable them to conduct effective due diligence and mitigate their inherent supply chain risk.

Due Diligence

Our supplier due diligence activities are conducted at the individual company level.

Below is a summary of the steps taken to prevent modern slavery by those companies that meet, or have met in the past, the Modern Slavery Act threshold .

Apollo

Apollo's commitment to respecting human rights and preventing modern slavery is outlined in its supplier handbook which is sent to all suppliers. This handbook clearly states that all Apollo suppliers are required to comply with modern slavery laws and respect human rights, and that failure to do so could void supplier agreements.

All suppliers are assessed annually for a variety of risk variables, including modern slavery prevention. Risk factors such as suppliers' country of operations, membership to the Responsible Business Alliance, and company Modern Slavery Statements are all assessed. When a supplier is perceived to be high-risk for modern slavery, full on-site audits are carried out. Apollo will use STOP THE TRAFFIK's risk mapping process to inform its annual supplier assessment. In addition, the Apollo board and relevant employees have undertaken Halma's Modern Slavery Act compliance training.

## BEA

All of BEA's suppliers are audited before starting any new business, a specific question on compliance with the Modern Slavery Act is a key trigger before new business can commence with BEA.

For incumbent suppliers, BEA Quality and Purchasing teams visit and audit each supplier regularly (this can be every four months or every two years, depending on vendor turnover with BEA). These audits review working conditions, the working environment, worker safety and labour conditions.

BEA do not have any business with any vendors that operate in countries deemed, by STOP THE TRAFFIK, as high-risk for modern slavery.

In 2019/20, BEA reviewed its purchasing terms and conditions to ensure that they met best practice. BEA's purchasing terms and conditions now include a specific requirement on the adherence to the UK Modern Slavery Act which all suppliers must comply with. These purchasing terms and conditions can be viewed on the BEA website and are available in English, French and Chinese.

The BEA board and relevant employees have undertaken Halma's Modern Slavery Act compliance training.

CenTrak

As a part of new supplier due diligence and on-boarding, implemented in 2019/20, all new suppliers are required to complete a supplier questionnaire related to modern slavery and human trafficking. The questionnaire establishes each supplier's operations and supply chain risk. It includes questions which review: the policies and procedures the suppliers have introduced to mitigate their modern slavery risk; how they manage their own supply chain risk; and what awareness training the supplier has conducted. The CenTrak board and relevant employees have undertaken Halma's Modern Slavery Act compliance training.

Crowcon

Crowcon conducts a preliminary modern slavery risk assessment on all its suppliers. This risk assessment is based upon geography, the commodity being purchased and the nature of the transaction.

In 2019/20, Crowcon has continued to audit and assess all of its key suppliers. Crowcon's supplier quality manager has visited the majority of suppliers that are located in high-risk countries according to the Global Slavery Index. All core suppliers have been required to complete a supplier quality audit questionnaire - which includes questions on preventing modern slavery and vetting sub-contractors and suppliers.

Crowcon plans to refresh its code of conduct agreements with its suppliers and also send updated supplier questionnaires, which include questions regarding their suppliers' modern slavery risk, so that the tier two supply chain can be assessed for high-risk activities. The Crowcon board and relevant employees have undertaken Halma's Modern Slavery Act compliance training.

## HWM

This is the first year that HWM has qualified for reporting under the Modern Slavery Act. HWM has complied with Halma's Modern Slavery Act policy and all senior management and those involved in supply chain have undertaken Halma's Modern Slavery Act compliance training. Staff have re-signed the Halma Code of Conduct, confirming their understanding and commitment to the policy. The findings from STOP THE TRAFFIK's risk mapping will help to identify any high-risk suppliers and prioritise mitigation activities.

## Medicel

Medicel's supplier quality agreement includes a provision that requires suppliers to comply with the Modern Slavery Act. In addition, Medicel uses a Supplier Labour Standard Assurance Questionnaire that requires suppliers to provide due diligence information such as the number of migrants they employ, if there is a workers' representative and a summary of the steps that have been taken to mitigate risk, such as labour standards policies and informing staff of their rights. Every new or existing supplier based in a country with a perceived high prevalence of modern slavery is being audited. The Medicel board and relevant employees have undertaken Halma's Modern Slavery Act compliance training.

## MST

This is the first year that MST has qualified for reporting under the Modern Slavery Act. MST has complied with Halma's Modern Slavery Act policy and all senior management have undertaken Halma's Modern Slavery Act compliance training. MST has performed a risk assessment using data from NGOs to identify high-risk suppliers in locations where prevalence is high and government oversight is low. An on-site audit was carried out in 2019 for its largest risk supplier in India. MST has reviewed policies and initiated updates to its standard supplier agreement for all purchases, which now require compliance with the Modern Slavery Act.

## Texecom

Texecom is committed to respecting human rights and preventing modern slavery. Texecom has fully complied with Halma's Modern Slavery Act Policy and members of the board, and senior leadership team, have undertaken Halma's Modern Slavery Act compliance training.

Texecom are rolling out new supplier monitoring and compliance requirements through 2020/21 to further reduce risk factors. This will include a supplier handbook that will define to its suppliers the consequences of not complying with the Modern Slavery Act. The findings from STOP THE TRAFFIK's risk mapping will help to identify any high-risk suppliers and prioritise mitigation activities.

## Training

During 2017/18, Halma launched online modern slavery awareness training in partnership with VinciWorks. Senior management, subsidiary board directors and other relevant employees are automatically enrolled on this course. To date, over 2,800 employees have

successfully completed this online compliance training, an increase of 1,600 since our last statement. The training covers:

What modern slavery is and which groups are at heightened vulnerability.

How modern slavery affects UK companies and what are the legal implications.

How to identify high-risk suppliers and operations.

How to identify cases of modern slavery and how to report concerns.

#### Compliance Statement

As Group Chief Executive, I will continue to lead this important agenda for Halma and our Group and will report annually on the steps that we have taken and will be taking to prevent modern slavery.

A copy of this Statement is available on the Company's website at [www.halma.com](http://www.halma.com) and also at the Modern Slavery Registry which is maintained by the Business & Human Rights Resource Centre.

This statement was approved by the Board of Halma plc and signed on its behalf by:

Andrew Williams  
Group Chief Executive

7 July 2020

## Appendix 2

### Warning Signs

Caution should be exercised where countries have been identified in the supply chain which fall within the high-risk category under the Global Slavery Index (refer to [www.globalsslaveryindex.org](http://www.globalsslaveryindex.org)).

The countries with the highest estimated prevalence of modern slavery by the proportion of their population are North Korea, Uzbekistan, Cambodia, India and Qatar - while 58% of people living in slavery are located in India, China, Pakistan, Bangladesh or Uzbekistan.

Certain industries are more exposed to modern slavery, including agriculture & seafood, electronics, mining, garments & textiles, tourism and transportation. Warning signs that may raise concerns about labour conditions and potential modern slavery or human trafficking in the supplier workforce include the following:

- Restricted movement  
(victims kept against their will with measures in place to prevent escape)
- Overtime  
(working unreasonable hours with little or no breaks just to make minimum wage)
- Recruitment fees/loans  
(migrant workers charged large agent fees for work in another country and unable to pay off the debt based on wages. Employers deducting costs from wages for basic living expenses, often at exorbitant prices)
- Documents  
(employers take possession of workers' documents, leaving them powerless to leave or improve their situation)
- Payments  
(workers are paid in cash, rather than through a documented system detailing rates, hours worked, taxes or other deductions)
- Subcontracted, temporary or seasonal workers  
(workers are subcontracted throughout the supply chain, causing increased risk of poor regulation and worker exploitation)
- No complaints procedure  
(without access to union representation, workers are less able to express their grievances and protect their rights)
- Living conditions  
(workers may live together on site or in accommodation provided by the employer, often under poor living conditions)

- Slave behaviour  
(victims may exhibit signs of anxiety and fear. They typically have limited possessions and are prevented from speaking to third parties. They may not even know where they are or how much time has passed since they arrived)

### Questions to Consider...

- From where do we procure our raw materials, components, office supplies and equipment?
- How extensive is our supply chain when you consider everything we purchase?
- Where do our suppliers source their products?
- What products are manufactured for us and how do they source the raw materials?
- In what industries do we do business and where?
- How do we recruit local suppliers, like cleaning and seasonal/temporary staff?
- How do our suppliers source their staff?
- What due diligence is undertaken on our suppliers to provide assurance around work and labour conditions?
- What checks are in place to ensure that modern slavery and human trafficking is not occurring in our business or our supply chain?