



PEOPLE, PLANET AND PROFIT REPORT

About Haley & Aldrich, Inc.

Our company was founded in 1957 by James F. Haley and Harl P. Aldrich, Jr. based on the guiding principles that “ethics and honesty are the foundation of all we do” and that as professionals, we owe a duty to our communities and society. These principles have guided our evolution as a firm and are embodied in our Company Charter. Our firm’s commitment to our community has been growing since our founding and is best represented in our Core Purpose Statement (the reason that we are in business):

“To be a rewarding work community where talented people seek to make a better world”

From our roots as a professional services firm practicing in the geosciences, our services have evolved to encompass most areas where people interface with the environment. Today, Haley & Aldrich provides professional consulting services to the industrial, commercial, institutional, energy and governmental sectors.

Our Vision:

“To be the company most sought after to integrate technology and human potential to tackle tough issues facing the world”

Our vision has led us naturally and progressively to create our own path toward sustainability, and is also why we have chosen to become a Ceres company. We support the Ceres Principles and are increasingly integrating them into our operations. We believe that our greatest contribution to sustainability will come from helping our clients make decisions, act and operate more sustainably, “walking the talk” by operating our business more sustainably, investing in development of our staff members, and reinvesting a portion of our profits to fulfill our strategic objectives and provide community support.

Haley & Aldrich’s Strategy

Haley & Aldrich has adopted a three-year strategic action plan to make progress toward our vision which has three main thrusts:

- Leveraging and strengthening our core business
- Integrating of lean and sustainability principles into all that we do
- Becoming a market- and client-focused organization

We measure our success in five critical areas:

- Client satisfaction
- Staff satisfaction
- Competencies and learning
- Financial success
- Progress toward our Vision

We report on our progress on a regular basis to our staff and our shareholders through internal communications and on our company intranet. This report documents our progress towards contributing to sustainability for the balance of our stakeholders, as described below.



Our Stakeholders and Engagement

At Haley & Aldrich, our four most important stakeholder groups are Staff, Clients, Shareholders, and Communities. Under the staff stakeholder group, we include present and future staff members of Haley & Aldrich, and their families. We engage this present staff member group through a variety of means, including an annual Staff Satisfaction Survey, goal setting, monthly staff meetings, Leadership Development programs and Personal Mastery training. We engage future staff members through recruiting activities and job fairs.

Our Clients are the companies that retain us to provide services on their projects. We gain feedback from clients through our Client Feedback Interview (CFI) program, project meetings, inviting clients to participate in our Leadership Development program, and kaizens (lean improvement events).

Since Haley & Aldrich is privately held, our shareholders are active staff members of the company who hold senior positions and are recommended by their company peers to become shareholders. We seek their feedback through regular shareholder meetings during which they communicate with management and directors and vote on the board of directors and other shareholder matters based on the number of shares held by each shareholder in the company.

Historically, we have not reported our progress to the broader external community that includes our supply chain of vendors, subconsultants and subcontractors. However, we believe that to continue tackling tough issues facing the world, we need to be more strategic in the development and engagement with our supply chain for better alignment with our strategy. This is an area that we will be exploring more in 2009.

Report Preparation

We considered our four stakeholder groups in the preparation of this report, along with the Global Reporting Initiative guidelines and the Ceres Principles. Based on our considerations, we are reporting on the issues we believe are important to those stakeholders at this time. We will provide the opportunity for our stakeholders to comment on this report through our website and intranet. Consistent with our Plan, Do, Check, and Adjust (PDCA) management approach, we will adjust the issues we focus on, the targets we set, and the way we report on our progress based on stakeholder feedback.

Walking the Talk: Strategy Deployment Using Lean Principles

As part of our strategy, Haley & Aldrich has started on a journey to incorporate lean principles into our operations and service delivery to clients. At its core, Lean is a philosophy that seeks to increase customer value and eliminate unnecessary waste. By applying systems thinking, lean companies see the whole value stream of their operations, and find ways to use less material, effort, energy, and equipment to deliver increased value to clients while providing meaningful work for staff.

We deploy our business strategy using a lean tool known as "Policy Deployment". Internally we refer to this as "Strategy Deployment" and use it as a way of focusing our activities to deliver our desired business results. As we deploy our strategy through our organization to the level of individual staff member goal-setting, we use a Plan-Do-Check-Adjust quality cycle to measure progress, identify problems and successes, and adjust as necessary. Our process includes sharing learning throughout the year, and at the end of each year in order to add to our collective wisdom and to ensure that we remain a living, learning company. The remainder of our People, Planet and Profit report originates directly from the way we manage all aspects of our company, using Strategy Deployment.





CEO MESSAGE

Dear Haley & Aldrich stakeholder:

Our vision “to be the company most sought after to integrate technology and human potential to tackle tough issues facing the world” drives everything we do as a business. This is our first sustainability report as a Ceres member, and it has given us the opportunity to report holistically on all we are doing as a company to achieve our vision. To be the company most sought after we must: be sensitive to our environment; add value in assisting and guiding clients in sustainable development and operations; provide a challenging and rewarding work environment for our staff to learn and grow professionally; be sustainable in our own operations; and be transparent to our stakeholders. We believe that this reporting process is helping us in each of these areas.

In addition to being the first year we are reporting under Ceres, this was also the first year of our strategic journey to incorporate the principles of Lean and Sustainability into all that we do as a company and for our clients. The Ceres report gives us the opportunity to report our progress on both of these initiatives. At its core, Lean is about three things: respect for people, a relentless pursuit of value, and a relentless passion to remove waste. These three attributes are also essential elements of sustainability.

We are proud of our overall progress this year, but recognize that we have a long ways to go to achieve our vision. We invite all of our stakeholders to review and comment on our report, and our progress. We are committed to continued pursuit of our vision through our ongoing three-year strategic action plan while maintaining the core values expressed on our company charter.

Sincerely,

Bruce E. Beverly, P.E.
President / CEO
Haley & Aldrich




PEOPLE PLAN





FY08 People Goals




Our primary goals in this category this year were:



- Training and professional development
- Staff satisfaction
- Community involvement
- Performance management and line of sight goal setting
- Benefits and compensation programs

1.1 Training and Professional Development Programs Goals for FY08	Actual	Performance Assessment	Explanation and Countermeasures for FY09
Develop and deliver a Personal Mastery program for all staff to help with self-awareness, basic communication skills, goal setting, career planning, and performance assessment	Course was developed and 90% of our staff members completed Personal Mastery		New staff have joined the company and some staff missed the scheduled training session due to personal or work-related conflicts. We will continue Personal Mastery training to achieve 100% current staff completion.
Graduate the third class in our Leadership Development Program	Class 3 graduated in February 2008		Shift resources to Client Leader Development in FY09
Continue mandatory training in OSHA and Sexual Harassment Prevention	100% participation in OSHA and Sexual Harassment Prevention		Continue compliance training programs
Develop and implement Lean Practitioner training	Lean Practitioner course developed, training delayed until November 2008		Conduct November training, and assess the need for additional session(s) with more staff
Develop and implement "Sustainability 101" training in applying the principles of sustainability in all that we do	"Sustainability 101" developed and first training course conducted in October		Prepare training session videos and use them to educate staff in markets where there is the greatest demand.
Support our staff professional development through tuition assistance and development grants	Twelve staff members participated in Tuition Assistance and 49 took advantage of Professional Development Grants.		Continue funding tuition assistance and professional development grant programs
	Learnings: We recognized the need to pace our training and development programs to meet client deliverable schedules and adapt to changing market conditions and related workload/staff balance. We identified certain skill gaps which need to be addressed, including:		
	Ability of our Client Leaders to deeply understand client pull and better deliver value in response to client pull		Develop and commence Client Leader Development training in the latter half of FY09.
	Ability of our Staff Managers to give performance feedback, understand our strategy and career path system, and help align staff goals with strategy and the production of acceptable Fundamental Business Results (FBR)		Develop and implement a Staff Manager coaching and mentoring program for all Staff managers to begin in January 2009

1.2 Staff Satisfaction FY08 Goals	Actual Performance	Performance Assessment	Explanation and Countermeasures for FY09
To better understand the concerns of our staff and develop strategies to address staff concerns, we conducted a Staff Satisfaction Survey, developed strategies for addressing staff member concerns and outsourced our exit interview process. Our specific goal was to achieve at least 85% of our staff identifying themselves as "Satisfied" or better.	89.6% "Satisfied" or better. Staff were most satisfied with people they work with, flexibility, work environment, interesting and challenging work, and compensation. Staff identified several areas for improvement.		Our staff feedback was extremely positive. People enjoy working for the company and find meaning in their work and know they're helping to make the world a better place. In addition, we asked "At work, do you have the opportunity to do what you do best every day?" 76% of the respondents said yes.
Contact a sample of the of survey respondents to better understand their responses and develop countermeasures to address concerns	Currently underway – data not available at this time		We are contacting respondents to better understand their responses.
Conduct exit interviews with staff voluntarily terminating to better understand why staff members have departed and compare results to current staff feedback to gain a more complete picture of our work community concerns.	Implemented new exit interview process with 74% participation		We are contacting staff who voluntarily left to better understand their reasons for leaving

1.3 Community Service FY08 Goals	Actual Performance	Performance Assessment	Explanation and Countermeasures for FY09
Haley & Aldrich embraces support of global humanitarian efforts that contribute to a more sustainable world. We demonstrate our commitment in a variety of ways:			
Nathaniel G. Keith Award to support staff involvement in community service	The number of applicants for the Nathaniel G. Keith award grows each year; this year, we provided a grant to a staff member on a Los Palis water supply project in Haiti.		We will continue to fund the Nathaniel G. Keith Award
CARE corporate support	We continued our \$25,000 annual support of CARE.		
Community Support	Our staff members serve their communities through a variety of local projects. We will consider tracking volunteerism and community involvement.		
Ipuli Rural Center of Excellence	Haley & Aldrich and our staff have contributed funding to build a rural health facility and improve health care and training facilities in rural Ipuli, Tanzania.		
	Learnings: We need to develop a corporate philanthropy program.		We will evaluate and consider implementing a corporate philanthropy program in FY10.

1.4 Performance Management and Line of Sight Goal Setting FY08 Goals	Actual Performance	Performance Assessment	Explanation and Countermeasures for FY09
<p>To align goal setting and performance with our strategy and the production of acceptable fundamental business results (FBRs), we are in the process of developing and implementing a new performance management system and line of sight goal setting process. The three elements of this program are:</p>			
<p>Line of sight goal setting, with 100% of our staff having set goals that are aligned with our strategy as articulated by their Business Unit or group</p>	<p>100% of our staff have completed goal setting for the balance of calendar year 2008. Goal setting for 2009 will begin in January.</p>		<p>We will deploy our goal setting strategy to the level of our market segments in FY09. As a result, we will realign staff managers, and train them in our strategy, goal setting, career path development, performance evaluation and feedback.</p>
<p>Every staff member will understand our career planning process and staff at the appropriate levels of career development will have identified the career path they would like to pursue over the next three to five years.</p>	<p>We have introduced a career path system to our staff, but we have not fully implemented it because our strategy was not deployed throughout the organization to a point to where the career paths were obvious</p>		<p>We intend to fully implement our career path system when we conduct our next round of goal setting in January at the appropriate staff levels.</p>
<p>We have a talent and performance management system that is embraced by all of our staff members</p>	<p>While we invested in a software system called Talent Scope, we have purposefully not implemented it because we had not completed the deployment of our goal setting and career path programs</p>		<p>We intend to introduce Talent Scope to our staff when we conduct goal setting and career planning in FY09.</p>

1.5 Benefits and Compensation FY08 Goals	Actual Performance	Performance Assessment	Explanation and Countermeasures for FY09
<p>To align our benefits and compensation system with our vision, strategy and FBRs, we set the following goals for FY08:</p>			
<p>Change providers for our health care program to ensure higher quality care to our staff members</p>	<p>Changed to Blue Cross/Blue Shield and Delta Dental</p>		<p>In FY09, we need to improve our Wellness program to help ensure the health of our staff members and to reduce costs</p>
<p>Research best practices in benefits and compensation and assess our existing systems and benefits</p>	<p>We have not yet started this research, but will do it in FY09.</p>		




PLANET PLAN







2.0 Planet: FY08 Planet Goals

Sustainability is the tough issue that we have chosen to tackle under our strategic action plan. We have set these strategic goals directly related to sustainability:

- At least 30% of total active projects include one or more elements of sustainability explicitly in the project scope by FY10
- At least one signature sustainability project in three different market segments by FY10
- We are operating under sustainability principles
- We communicate our progress on these goals in an annual People, Planet and Profit report at all of our locations

2.1 Incorporate Principles of Sustainability In Our Projects	Actual Performance	Performance Assessment	Explanation and Countermeasures for FY09
Create a broad understanding within our company of what we mean by sustainability and the systematic application of sustainability principles to our business and operations	We created a Sustainability Knowledge Base accessible to all of our staff via our company intranet; we held a Sustainability 101 class for 20 staff; we video recorded the session and will post the training video on our intranet.		We have more work to do in progressing toward creating a broad understanding of sustainability within our company. In FY09 we will ask our staff to do self-learning while we provide tools and guidance for this learning.
Understand our Key and Target clients' current sustainability needs and future challenges, to determine where we should focus	We are using our Sustainability Knowledge Base site to share information on our clients' needs and future challenges.		We have more work to do to understand our clients' sustainability needs; we hope to achieve better understanding through inquiry and by supporting our Client Leaders in delivering value-added services.
Initiate a Haley & Aldrich Sustainability Resource Network (internal and external) to support integrating sustainability principles	Three staff became LEED-accredited professionals during FY08 and will form part of our Sustainability Resource Network. We formed a core team of internal sustainability advisors who support each business unit, cross-fertilize opportunities and best practices across the company, and create and build relationships with external sustainability experts. Dozens of staff have self-organized into practice groups that focus on incorporating sustainability into core services, including due diligence, geothermal energy, and sustainable remediation		We will continue to build our internal and external Sustainability Resource Network.
Increase our staffs' capacity to understand our sustainability successes and communicate these internally and externally	In FY08 we started tracking the projects in which elements of sustainability are explicit in the work scope.		Our emerging geothermal practice is a promising area for demonstrating application of sustainability principles to our staff internally and externally.
	Our staff participated in the publication of more than 10 papers related to sustainability, from the evaluation of the carbon footprint of various remedial alternatives to the effects of toxics constituents in everyday plastic products.		We will continue to participate in external events to learn, share our learning and to build relationships.

	<p>We supported and participated in conferences, events and forums that focus on sustainability, from SuRF (sustainable remediation forum) to GreenBuild (U.S. Green Building Council) to the UCI/UNESCO/USGS International Conference on Water Scarcity, Global Changes, and Groundwater Management Responses.</p>		<p>As we continue to build networks that purposefully connect us with knowledge, clients and thought leaders that drive all segments of our business, we will identify opportunities that strengthen our relationships, result in learning, and/or are a means for us to give something back to our community.</p>
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2.2 Greening Our Operations/ Reducing Our Footprint	Actual Performance	Performance Assessment	Explanation and Countermeasures for FY09
<p>We recognized that increasing Space Efficiency and Workstation Utilization would also reduce our office energy consumption and overall carbon footprint of our operations. Our goals for FY08 were:</p>			<p>Our anticipated growth in staff size was not realized during FY08 and, combined with long-term office leases, resulted in mismatched space efficiency and workstation utilization. We believe that we will improve these metrics in FY09 through:</p>
<p>An average space efficiency of less than 175 rented square feet (RSF)/workstation for new office locations</p>	<p>Average space efficiency was 242 RSF/workstation</p>		<p>Consolidation of our two Los Angeles area offices will occur in 2009, and we will continue to work to reduce excess space.</p>
<p>An average workstation utilization of greater than 90%</p>	<p>Workstation utilization was 76%</p>		<p>Development of a strategic facilities plan that will consider what percentage of work needs to be done in our offices versus elsewhere, virtual employees, hot-desking and hotelling.</p>
<p>Our Office Energy Consumption has a direct impact on the carbon footprint of our operations. Our goals for FY08 were:</p>			<p>During FY09 we will avail ourselves of opportunities to reduce our carbon footprint in the following areas:</p>
<p>Work with our landlords to replace incandescent and older linear fluorescent lighting with more energy efficient fluorescent lighting</p>	<p>During March of FY08 our Boston office replaced energy inefficient lighting and installed motion detectors, reducing energy consumption by 11% over the 6-month period and saving \$3,500 in energy costs.</p>		<p>Estimate company-wide carbon footprint to use as a baseline for measuring</p>
<p>Work with our landlords to install motion sensors that automatically turn off the lights when spaces are not occupied</p>	<p>We estimated our company-wide office power consumption at 1.75 MWH during FY08, which will form a baseline for measuring improvements.</p>		
<p>Upgrade our computers and equipment to more energy efficient products</p>	<p>We replaced 87 CRT monitors with LCD monitors, saving 29 KWH/day or about 5.0 tons of CO₂ / year</p>		<p>Continue to upgrade systems and technology</p>
<p>Recycle all used computers and peripherals</p>	<p>We recycled all used computer equipment.</p>		

Unplanned Activities			
Building Acquisition and Redevelopment	We began the green redevelopment of an historic adobe building to house our Tucson, AZ operations. The building will provide at least 80% of its power requirements from on-site solar production, and will incorporate many green features.	●	The building is under redevelopment and should be completed for occupancy in January 2009.
Where possible based on market availability, newly leased company vehicles will be fuel-efficient hybrid vehicles	Our current fleet of assigned vehicles consists of 19 hybrids and 4 non-hybrid vehicles. The improvement in fuel economy of our fleet has resulted in a reduction in CO2 produced of 160 tons/year	●	We will continue to green our fleet.
As a consulting company, Paper Consumption represents one of our largest streams of raw material consumption. In prior years, we have increased the use of electronic deliverables. Our goal for FY08 was to implement double-sided printing of documents.	We established and implemented a policy that required double-sided printing of selected documents. Our paper consumption has been reduced by 40% since implementing the policy.	●	We will continue to promote electronic delivery of our deliverable documents and establish a tracking system to monitor our progress.
	<p>Learnings: We need to develop a Green + Lean Facility Operations Policy</p> <p>We need to reduce the carbon footprint of internal collaboration and our project activities involving multiple locations and offices</p>		<p>We will develop a Green + Lean Office Manual that will have a check-list of items that will assist each office to develop processes to reduce waste and improve environmental performance.</p> <p>Management will encourage the use of virtual meetings to reduce vehicle and air travel. We will also investigate technologies to better enable virtual meetings and remote staff collaboration during FY09. In FY09, we will have a goal of reducing non-project required air travel by 40%.</p>



PROFIT PLAN




3.0 People: FY08 Financial Goals




We measured our performance in four primary areas:

- Progress toward building a more market and client-focused organization
- Delivering consistent Fundamental Business Results (FBRs)
- Improving overhead efficiency
- Improving competency and learning around understanding our business and financial management

3.1 Client and Market Focus	Actual Performance	Performance Assessment	Explanation and Countermeasures for FY09
To enable progress towards becoming a market and client-focused organization, our goal was to classify our clients into one of four categories: Key, Target, Signature Project and Project. The first three client categories are our primary focus and are collectively identified as "KTSP" clients. Our goal over three years (FY10) was to achieve 70% of our Net Service Revenue (NSR) from KTSP clients.	We achieved 67% of our NSR from KTSP clients at the end of FY08, which is on track for our 70% target by the end of FY10		During the first quarter of FY09, we will use the Strategy Deployment process to establish Strategy Deployment Summaries (SDSs) at our Market Segment level to help us cascade our performance measures to the next level down in our system.

3.2 Fundamental Business Results	Actual Performance	Performance Assessment	Explanation and Countermeasures for FY09
In the area of FBR, we established the following metrics for growth and profit:			
Strategic Growth and Profitability To align with our market and client-focus, we measure growth in revenue from our KTSP clients only using a "Strategic Growth Factor" (SGF) which is the sum of trailing 12 months of KTSP client net service revenue (NSR) growth in percent and the percentage of profitability associated with KTSP client projects. Our goal was a 35% SGF.	Actual SGF: 24%		Our SGF was impacted by declines in some of our markets due to economic conditions, and lack of focused efforts in others. We will deploy our SDS process to the market segment level during FY09.
Profit Our goal on profitability was to generate sufficient profit to fund shareholder return on equity, reward staff through discretionary profit sharing cash bonuses, and make discretionary retirement plan contributions, philanthropic donations and strategic investments.	We exceeded our profit goal.		Having achieved above-goal profits in FY08 allowed us to fund our planned rewards and contributions.

<p>Balance of Growth and Profit In order to remain healthy as a company, we must strive for an appropriate balance between overall NSR growth and profitability. To help us measure and track this, we established a “Modified Happiness Quotient” (MHQ) for the company equal to the sum of our percentage growth in total NSR and our percentage profitability. Our target MHQ for FY08 was 25%.</p>	<p>Our Actual MHQ was below goal because of a lack of significant growth.</p>		<p>Our MHQ was negatively impacted by our less-than-projected growth performance. Our countermeasure for FY09 is described under the “strategic growth and profitability” explanation above.</p>
<p>Client Satisfaction We consider the satisfaction of our Key and Target clients as a FBR. To measure this, we developed a Client Value Survey (CVS) to identify what was most important to our clients, and measure our performance in delivering what is most important to them. We established the goal of completing 30 Client Feedback Interviews (CFI’s) using the CVS. Our target was to be rated by our clients as delivering at least 95% of what they value.</p>	<p>We completed 17 CFIs, 13 below goal. The average score of the CFIs was 97%</p>		<p>We learned much about our CFI process from the 17 we completed this year. We made very little progress on the CFIs until the last 8 weeks. Consequently, we are focusing efforts early in the FY09 to make steady progress on these throughout the year.</p>
<p>Reducing \$ at Risk and Unauthorized Work Our goal at the start of the year was to implement a new policy regarding contracts and financial authorization on new work to reduce total dollars at risk.</p>	<p>A new policy went into effect on April 1st. Our unauthorized dollars at risk under the new policy are within acceptable limits.</p>		<p>Continue monitoring dollars at risk.</p>

3.3 Improving Overhead Efficiency	Actual Performance	Performance Assessment	Explanation and Countermeasures for FY09
<p>EBITDA/OH Our key metric for measuring our effectiveness in profit generation was increasing our ratio of Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) to Total Overhead by 7% per year over 3 years.</p>	<p>We exceeded our goal.</p>		<p>Our overhead was reduced through several key activities, some of which resulted from our application of Lean principles. Using Lean, we improved our effectiveness in allocating work to staff resulting in a reduction of 2,000 hours per week of non-billable overhead time.</p>
<p>Reduction in Unused Space Reduce overhead and our carbon footprint by reducing our unused rentable square feet in our facilities by 60%. At the start of the year, approximately 21% of our rented, usable space was not occupied.</p>	<p>Unused space increased.</p>		<p>We were hampered in our desire to reduce our unused space by the downturn in the economy. We have initiated a formal review of all of our facilities to develop a target list of locations where we can more aggressively pursue a reduction in our rented space.</p>
<p>Central Administration Cost Control We established the goal of maintaining a total central administration cost of < 12% of NSR.</p>	<p>We achieved our goal.</p>		<p>Due to the downturn in the economy, we have initiated a plan to reduce non-essential overhead spending. Target areas are being identified and this will be communicated clearly to staff.</p>

