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Speaker 1 - Amy Simpson

Hello, and welcome. My name is Amy Simpson. I am the Executive Vice President of Energy Transition, and I'm here to share with you a snapshot of Smiths' journey on sustainability, and how our approach, our actions and our commitments around the environment, social responsibility and governance have evolved to address the challenges we face with our important stakeholders.

We are at the cusp of the greatest societal, environmental and industrial change since the beginning of the industrial revolution. Smiths has every intention to not only support this but participate in it fully.

Huge opportunities will emerge, and while we already participate in some important areas, we intend to expand this, and seize this opportunity with both hands.

This is a tremendous responsibility for our Company and the wider business community, and it represents an important opportunity for Smiths to grow and support our customer needs for the foreseeable future.

Firstly, a bit about myself. Like many at Smiths, I'm an engineer by background. I studied chemical engineering at the University of Michigan. I was influenced by my father and by teachers who encouraged me to excel in science and math.

At university I chose engineering, not just based on my interests and the broad range of opportunities, but there were professors and other role models, who either looked like me, or went out of their way to encourage my development.

Early in my career I worked offshore, in the Gulf of Mexico, on oil rigs, and I was typically the only woman, or one of very few. As a result, encouraging other women in STEM is something that I care very deeply about. This is just one example of ESG that is important, and one that we are passionate about at Smiths.

Our Chairman, Sir George Buckley, recently wrote in his chairman's statement that we are firmly committed to doing our part to contribute to solutions in each part of E, S and G.

At Smiths, our business is built upon a solid foundation and longstanding commitment to, first, protecting the environment through sound policies, risk management, practices, and through our process improvement and technology innovation.

Second, a socially responsible business approach, ensuring the health and safety of our employees, their training and development, programmes to promote a more diverse and inclusive workplace, and a culture of excellence in customer service performance.

Third, strong governance - transparency in policies to support ethical business practices.

These are Smiths' fundamental underpinnings, and what Sir George affirmed is particularly meaningful to me. In my role at Smiths, I'm responsible for business development related to the global transformation, toward a net zero carbon world across the energy supply chain.

The energy transition applies to our energy customers, of course, but it also applies to general industry, such as petrochemical, mining, water treatment, security and defence, and transportation, among others.

The need for energy transformation cuts across all sectors, especially those harder to abate, and it's critical to mitigate climate change.

It is inextricably linked to our own and our customers' environmental conservation needs, and we are privileged to have strong relationships, through our long history of preventing and fixing leaks in the energy sector and helping customers be more efficient and providing solutions to prolong the life of their assets.

I spend a lot of my time listening to our stakeholders, and engaging with our teams, our customers and the broader scientific community, our partners in the innovation ecosystem, such as academia, NGOs, industry experts, and there is no question as to the vital importance of sustainability.

We know we must collectively and urgently heed the call to action now, within this decade, if we are to have a chance to stay below 1.5 degrees Celsius of warming.

As a Company, we understand this through the challenges our customers face, to meet rising energy demand and resource needs with higher efficiency, minimal emissions, and lower carbon footprints.

Given our deep expertise in solving problems, we see this as an opportunity, an important opportunity, to help our customers meet this moment, and to multiply our influence and commitment through our supply chain.

We see this as a growth opportunity across all our divisions, and I will share more about our continuing commitment to ESG today, and our plan to further drive ESG throughout our business, tomorrow, and on our roadmap to net zero, in a few moments.

First, let me reiterate that Smiths is a purpose-driven organisation, and no stranger to charting the course for advancements and innovation. It speaks to our rich history, in which we have played a meaningful role in some of history's most notable achievements. Our purpose also bridges to our future, as we continue to improve our world, through smarter engineering.

When we think about our strengths and priorities to realise the full potential of our value engine and accelerate growth, it becomes apparent that ESG courses through every fundamental element, and that striving for best in class in ESG will enable us to service customers from a world class talent pool of engineers, with an unmatched level of operational excellence.

Given our global capabilities, it's clear that a more inclusive culture, where each and every one of us can enthusiastically strive to be the very best versions of ourselves, our people can outperform.

It is this culture that has fostered and inspired progress and our environmental goals over the past couple of decades.

So, what have we done to reduce our footprint and manage our environmental risks?

Well, we've made significant and sustained progress toward environmental targets for the past 15 years, across all divisions of Smiths. Overall, we've reduced our energy use by nearly 40 per cent, while reducing greenhouse gas emissions by 60 per cent, and increasing our share of renewable electricity to 58 per cent.

We've also reduced water usage by 53 per cent, and increased recycling, while decreasing our non-recyclable waste, by 62 per cent.

Our teams are proud of this achievement. I find that in roundtables and team meetings, there's more dialogue on sustainability and the environmental efforts, in particular. Supported by a Company-wide Nurture campaign, to encourage thoughtful participation where we live and work.

In parallel, we have also stepped up our approach to managing and reporting risk, building upon our strong safety systems, and rigorous approach to risk management, we have aligned with the taskforce on climate-related financial disclosure, to report our risks related to climate change in recent years, based on analyses over five-year and 20-year time horizons.

In April of this year, we finalised our targets and next steps for the short, medium and long term, in our roadmap to net zero for our operations, by 2040, making our Scope 1 and 2 net zero commitment public.

What do we mean by smarter engineering? At John Crane it means innovating to help customers reach new levels of efficiency. One of the most significant steps required to stabilise 1.5 C warming.

At Detection, it means detecting evolving terror threats and ensuring safety and security as the pandemic begins to ease and more people travel.

It means building and leveraging economies of scale and scope, the way Flex-Tek has, helping more customers more efficiently heat and cool buildings and homes, commercial aircraft, and enabling cleaner medical processes.

Finally, at Interconnect, smarter engineering means embracing digital solutions and connectivity, to improve product and service performance in critical applications - even in outer space.

It means designing with sustainability in mind and extending the same through our supply chain.

Most of all, Paul will tell you that smarter engineering means helping to solve the toughest problems for ourselves, our customers, and our communities, many of which concern the environment.

Since Paul joined Smiths, we have swiftly built on our 15 years of progress, reaching a new level of commitment to ESG.

We have aggressive plans to accelerate our environmental progress and meet our commitments, as we hit the ground running on our roadmap to zero.

In addition to the targets we set, we are assessing a promising list of locations for onsite renewable energy installations. We've added 10 water reduction projects, and while we implement our design for sustainability assessments into our new product development process in all divisions in fiscal year '22, and establish our packaging baseline, we are targeting eight packaging reduction projects per year, as we work towards developing a more circular mindset.

In the recent months we have analysed, modelled and mapped out our approach, signing on to the science-based targets initiative and the business ambition to 1.5 C, the part of the UN Race to Zero pledge, where businesses do the heavy lifting.

We see this as an important step to multiply our influence through our value chain and drive Scope 3 emissions reduction.

We have added an ESG metric to our long-term compensation programme, to incentivise the leadership team to deliver on our ESG strategy, targets and time horizons.

We recently established a new science, sustainability and excellence committee of the Board, providing guidance and supervision of our sustainability strategy at the Board level, and our newest executive team member will be a dedicated chief sustainability officer, who will own the corporate strategy for ESG and support the divisions on their journey to design for sustainability, while developing stronger, more visible communications around our plans, and as we make progress on our roadmap, and boost reporting.

It has been such a pleasure working and learning from our three ESG advisers, Sir Kevin, Mel and Tim, for the past few months. They are the backbone of our efforts and provide the team with sound guidance. I have been thrilled to see how each and every one of our leadership team genuinely cares about ESG in his or her way.

They are completely aligned on the fundamental business importance and advantages of ESG, and they promote and encourage sustainability through their teams, in our support functions and through all divisions.

Our newly established science, sustainability and excellence committee is chaired by Dame Ann Dowling. She is joined by three passionate ESG supporters and leaders, who together have begun to offer their insights and unique perspectives on sustainability, helping us to think more critically about our strategic plan.

With our new leadership commitment, and renewed energy in our ESG approach, in our operations and with our customers, we've come to realise the tremendous potential for growth in each of our divisions.

We can see that a purposeful approach in each division, through best-in-class ESG, will allow us to solve even more challenging problems for ourselves, our customers and our communities.

We endeavour to lead the way in pioneering new advances in clean energy, electrification, artificial intelligence, clean air, clean water, safe food and advanced telecommunications, to name a few of the vital technologies for the future.

Our team in John Crane is working to attack the most urgent short-term problem at hand, that of reducing methane emissions.

We are creating a one-stop shop to help customers find, fix and monitor for leaks, such that they can meet near-term energy demand with affordable, low carbon, certified energy. Paul, Jean and I were recently together with our technical team at Morton Grove, in Chicago, to view progress on our zero-emission sealing technology.

As well as novel materials that enable us to push the envelope and address the challenges inherent in blue hydrogen and carbon capture, where we have significant experience on greater than 80 per cent of all carbon capture capacity, and some of the largest blue hydrogen projects out there. As well as to address even greater challenges ahead in production, compression and safe transport of green hydrogen, made from renewable energy.

These energy transition products and services, combined with our products aimed at efficiency, conservation and recycling, form a rich and comprehensive portfolio to meet the moment.

Our talented engineers are proud and excited to be an important part of this growing innovation ecosystem.

In our Detection business, we are broadening our abilities with new virus detection technologies, where we are finding applications outside the core explosives detection business.

We've been working for several years on breakthrough technologies, unlike any seen before, and aimed not just at explosives, but also contraband detection more generally.

With applications for technology and food safety, increasing crop yields, along with smarter systems for efficiency cooling, detection is a superb source of technology for the entire Smiths portfolio.

With the purchase of Royal Metal in February, Flex-Tek has the ability to contribute to cleaner and safer environments, inside homes and offices, and our teams are also working to apply Smiths ion mobility spectroscopy chemical weapons sniffing technology to sniff for harmful contaminants.

Flex-Tek teams are also innovating to improve jet engine efficiency, as well as air quality in homes, through smarter engineering, and novel, low carbon green steel building materials.

Finally, and perhaps in our most advanced technology business, Interconnect, we see the huge expansion in the semiconductor business as a great platform for growth, given its myriad applications across critical communications, electrification and smarter systems, to support more sustainable, modern cities, where more significant populations now live.

In closing, I want to leave you with a few important takeaways, which demonstrate that Smiths is shifting gear in its approach to ESG, to accelerate growth and help our customers meet this moment through smarter engineering.

We are re-energised with Paul's leadership, a new CSO coming on board, and we are intent on achieving best in class ESG performance.

We are proud of the progress we have made and recognise our responsibility to amplify our commitment and influence, in order to reduce Scope 1, 2 and 3 emissions. We have a new Board committee in place to supervise our sustainability strategy, and we have long-term incentives on ESG targets in place.

Our businesses are aligned to key long term ESG themes and trends in our global markets. Combined with our strategic approach, we see tremendous growth opportunities in serving our customers' sustainability needs, notably in the energy transition.

We are firmly committed to doing our part to contribute to solutions in each part of E, S and G, and look forward to sharing our progress with you in the near future.

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