

## START OF TRANSCRIPT

### John Ostergren

Hello, I'm John Ostergren, Chief Sustainability Officer at Smiths. Today, I'm honoured to share our Sustainability at Smiths strategy and a snapshot of our progress. Let me start by saying that our strategy reflects a couple of basic design principles. First, Sustainability at Smiths is personal and practical. It's about delivering tangible results for people. Applying our skills to deliver for our customers, colleagues and communities, and through that, delivering sustainable results for our shareholders that enable us to do even more.

Second, Sustainability at Smiths is fully integrated to our business strategy. Sustainability is at the heart of our purpose. Sustainability at Smiths establishes an ESG framework that helps us translate our purpose into practical action that contributes to growth and the value we deliver to all our stakeholders.

These are things that make me proud to be a part of the Smiths team – a team that's improving the world today and positioned to deliver even more tomorrow. We recently published our first Sustainability at Smiths Report which sets out our ESG strategy in detail. Thanks again to our more than 14,000 colleagues around the world whose leadership makes it all happen.

As this is my first Smiths Capital Markets Event, I'll take this opportunity to share a little about myself. I joined Smiths a year ago as the Company's first CSO. I'm a scientist at heart, lawyer by training, and sustainability leader with more than 20 years of experience in technical, legal and leadership roles. At Smiths, I'm privileged, and pleased, to represent the great work and results delivered by our team across four divisions and more than 50 countries.

Our value engine is how we deliver value for all of our stakeholders. It all starts with our purpose; improving our world through smarter engineering – that's what Smiths' teams do, and it's why we're all here. Working toward our purpose, we leverage our strengths and prioritise, contributing to growth, driven by delivering sustainability performance that our customers need and want. Executing to deliver our commitments to Net Zero and science-based targets, and supporting our people who make it all happen, to grow a safer, more diverse, and inclusive Smiths.

Sustainability at Smiths establishes a holistic ESG framework that helps translate our purpose into practical action. Environmental performance, commercialising high-value green value, including technology enabling energy-efficiency, green electrification, Next

Generation fuels and carbon capture and sequestration, and delivering Net Zero, and respecting natural resources. Social performance; improving safety, health, and wellbeing, developing our talents, promoting diversity and inclusion, and contributing to our communities. All supported by strong governance, including ethics and compliance, effective risk management, and transparent decision making.

Here's how it all comes together. Our three priorities; growth, execution, and people, delivering for our customers, communities and colleagues, mapped to our top priorities to create value for all our stakeholders. Next, I'll step through how the strategy drives action that's delivering tangible results.

Starting with our customers. I am speaking to you today with a backdrop of COP 27 in Egypt ongoing, and almost a year after Russia's invasion of Ukraine triggered the largest disruptions in global energy markets since at least the 1970s. We're all reading frequent reports intended to inform, influence, and predict COP 27 outcomes and the trajectory of public and private sector climate and energy policies for the next 30 years, addressing the so-called Energy Trilemma of sustainability, affordability and security.

So what does it all mean for our customers and businesses? I won't try to answer that question definitively today. What I will do is share how we are approaching the issue, and some of the opportunities we see for each of our businesses, helping deliver solutions our customers' need and want to enable energy transition. These charts summarise a few simple observations, borne from practical experience, delivering greenhouse gas reductions, and informed by Smiths businesses and markets.

Delivering Net Zero requires significant investment in three areas: energy efficiency, green electrification, and alternative low-carbon fuels, coupled with carbon capture and sequestration. The left chart shows a potential distribution of investment divided between these three categories, through 2050. There are just a few fixed data points here. The start point of just under \$900 billion, and total investment estimated at over \$100 trillion from 2021 to 2050. Or approximately \$4 trillion a year on average.

As illustrated, we anticipate energy efficiency investments will lead, along with investments in green electrification. Followed by investments in alternative fuels, and CCS, or carbon capture, growing in later years following further technology development. The timing and magnitude of these investments is open to debate.

What's clear is that a substantial and sustained investment in each of these areas is required to deliver Net Zero, estimated at approximately three to four times the current annual investment rate, on average, over the next 30 years.

The chart on the right shows where our businesses have established strengths and significant growth opportunities. As illustrated, Flex-Tek has opportunities in all three dimensions. Building efficiency with products like Heat Kits for heat pumps, and flexible ducting for HVAC conveyance through conditioned space walls. Green electrification, such as the Tutco SureHeat Green Steel project, working with our partner, Midrex, to help develop the world's first production scale green steel plant, by safely preheating hydrogen gas to over 1000 degrees Celsius for direct reduction of iron. Looking further to the future, Flex-Tek has the opportunity to apply its design and manufacturing expertise with engineered tubing systems to help enable new infrastructure needed for hydrogen and other alternative fuels.

Like Flex-Tek, John Crane offers capabilities in each dimension, helping improve energy efficiency in industry processes, enabling alternative fuels and carbon capture, including as applied to support green electrification. Smiths Interconnect's electrical conductor technology has broad application, enabling more durable and efficient connections for the many challenging applications presented by green electrification, such as offshore wind farms and fast charging electric vehicles.

Finally, Smiths Detection's robust product design methodologies that enables safe and secure transit around the world each day, have proven capability to deliver ingenious and significant energy efficiency improvements. These design improvements translate directly to a lower total cost of ownership, and something that's increasingly important to our airport customers, contributing meaningfully to meet their sustainability goals.

Here's a snapshot of how each our four divisions is impacted by the energy transition today. In all cases, we're working closely with our customers to deliver what they need and want. Examples highlighted here include Flex-Tek Midrex Green Steel Project, which will save nearly four million tonnes of CO<sub>2</sub> a year. To put that in context, that's about 100 times our entire Smiths Scope 1 and 2 emissions. Or almost 6000 transatlantic flights every year.

Looking further down our development pipeline, in fiscal 2022, Interconnect launched its Go-Green initiative to systematically explore high value applications of our space-proven robust connector technology to enable step change improvements in fast, easy charging. Our best opportunity is to participate wisely in a market that's projected to see significant investment over the next several decades.

John Crane's methane emission reduction capabilities enable immediate benefits for our customers, with its replacement seal programme and seal gas recovery systems, as we continue working advancing the frontiers of seal performance for hydrogen and

carbon capture. Finally, in Smiths Detection, as we commercialise the Next Generation in safety and security performance, we're simultaneously delivering market-leading energy efficiency performance, needed to meet customer goals.

A great example is the CTiX Cabin Baggage System that has the lowest power consumption in its class. Let's hear more on this with a word directly from one of our customers, Incheon International Airport in South Korea.

**Testimonial: Mr Dong-Ho Choi:**

Our ambition at Incheon International Airport is to be the world's most sustainable airport. Part of how we can plan to do this is by selecting suppliers that can provide innovative and energy-efficient technologies that help to reduce our greenhouse gas emissions along their life cycle. Reduce our energy demands, improve efficiencies, and lower the overall cost of ownership, and this is part of the reason why we choose Smiths Detection when selecting a supplier for the CTiX Checkpoint.

**John Ostergren**

What an honour it is to hear that kind of customer feedback. Congratulations to the Smiths Detection team for making it real and delivering sustainability value our customers need and want.

Moving on now to our second priority; execution to deliver our commitments. As shown here we can look at these in three categories: Scopes 1 and 2, Scope 3, and respecting natural resources by reducing our waste and water use. Our priority actions are relatively straightforward. For fiscal '23 we're setting our science-based targets for Scopes 1, 2 and 3. To support this work, we've created a Group-wide energy team, including ESG leaders from each division to coordinate projects and roll off results to ensure we deliver on our targets.

On the right you can see we are solidly on track through our first year of our current three-year goal period, posting a two per cent increase in renewable electricity to 63 per cent total overall, and 7.2 per cent reduction in greenhouse gas emissions. Next, we've recently completed our Scope 3 baseline and we'll be submitting the inventory, along with proposed targets to the science-based targets initiative during fiscal '23. Pending finalisation through the SBTi process, I can share that the vast majority of our Scope 3 emissions fall into two primary categories. Category 1, purchase goods and services, and Category 11, products and use.

Pictures on the right show examples. First of our CTiX Cabin Baggage System that, as mentioned, has the lowest power consumption in its class. Second, on the far right, is a leased electric fleet vehicle. I'm happy to say we achieved 70 per cent uptake in the first year of our participation with the UK Incentives Program, and we're working to follow similar programmes globally.

Finally, we reduced non-recyclable waste by 11.5 per cent, and water use, in stressed areas, by 4.5 per cent. Again, putting us solidly on track to deliver on our 2024 targets in both of these areas. Last and certainly not least, supporting our people starts with a focus on safety and working systematically to develop our talents and grow a more diverse and inclusive Smiths. Here we hit our targets in 2022 for talent development, and we have recently rolled out our new Leadership Behaviours, underpinned by our values, that provide a blueprint for everyone in the organisation to help lead us forward.

Our safety performance remains in the top quartile, and it will always remain our primary focus, recognising that any injury in the workplace is one too many. Regardless of the statistically low rate, our safety performance last year was not acceptable for any one of the 86 people injured, or for their teams and families. From a diversity perspective, we continue to welcome all forms of diversity at Smiths, with a specific focus this year on initiatives to improve our gender diversity.

To close, let me summarise. We deliver for investors with purpose-driven value creation. Our ESG framework helps translate our purpose into action, and our value engine priorities help us deliver high-value sustainable returns for our shareholders by delivering for our customers, delivering for our colleagues, and delivering for our communities.

Thank you very much for your time; I welcome your feedback and appreciate your support for the great work our team is doing.

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