

# Operating Sustainably:
*Making Life Better*


Vicente Reynal
Chairman and CEO

Vikram Kini
SVP and CFO

# Introduction

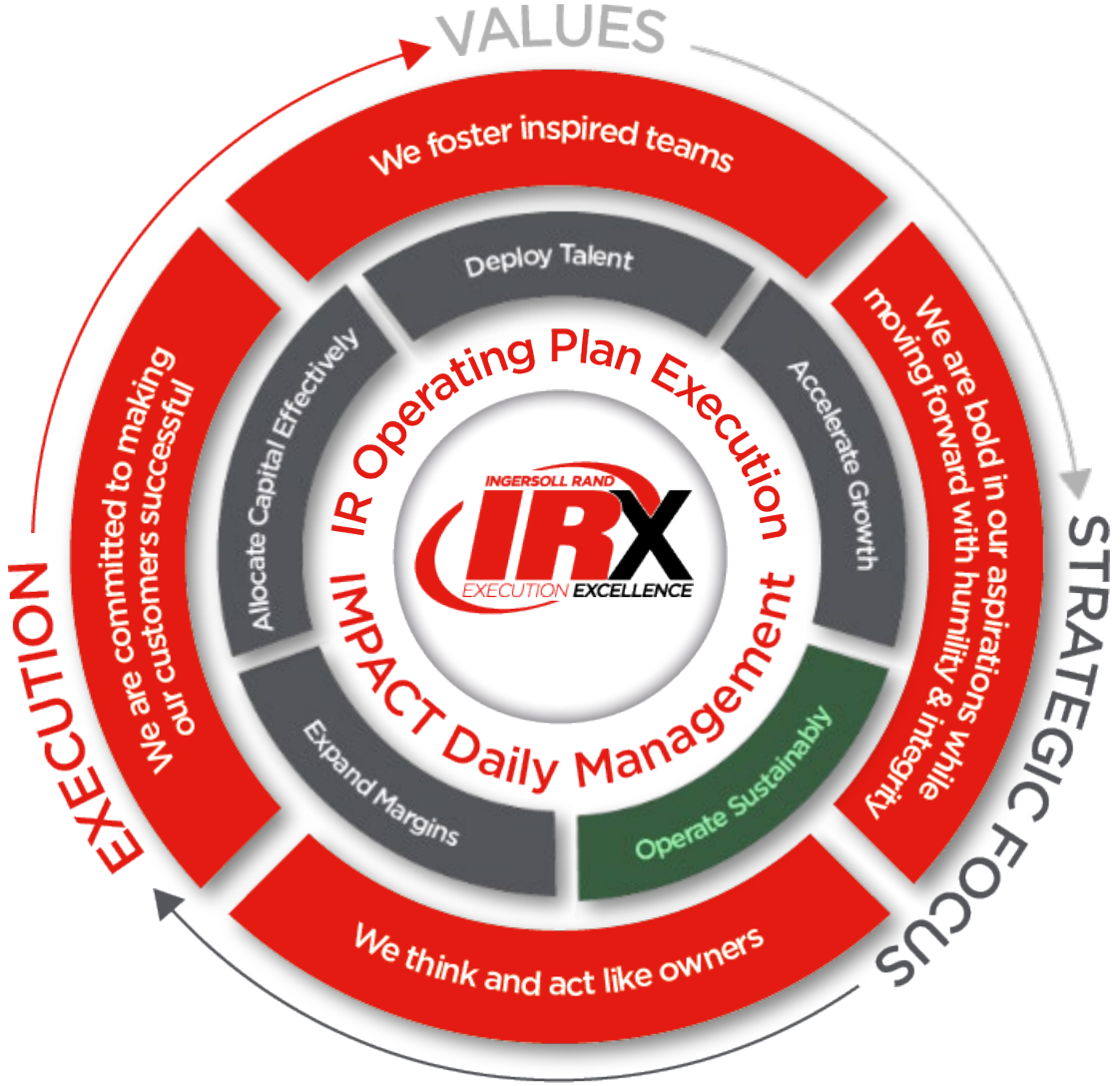


# It All Starts With Being a Purpose-driven Company



**Lean on us**

To help you make life better



# This is Ingersoll Rand Today (NYSE: IR)

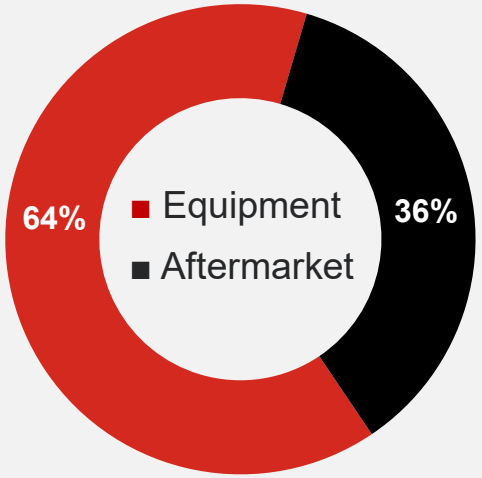
## Key Company Stats

- **Davidson, NC** Headquarters
- **~15,700** Total Employees[1]
- **$21.0B** Market-Cap[3]
- **65** Key Manufacturing Locations Worldwide

## 2021E Key Financial Metrics

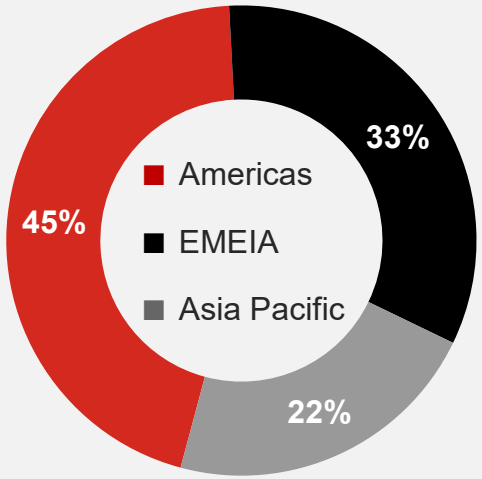
- **$5.2B** Total Revenue
- **$1.2B** Adjusted EBITDA[2]
- **23.1%** Adjusted EBITDA Margin[2]
- **$799M** Adj. Free Cash Flow[2]

## Revenue by OE / AMT[1]




**Total recurring revenue (aftermarket plus like-for-like replacement of PST pumps) is ~44%**

## Revenue by Geography[1]




[1] As of or for the YTD period ended 9/30/2021.
[2] Non-GAAP measure.
[3] As of 2/25/2022.

# A Leadership Team and Board Committed to ESG and Sustainability



VICENTE REYNAL
Chairman & CEO



WILLIAM DONNELLY
Lead Director
Retired EVP Mettler-Toledo

## SUSTAINABILITY COMMITTEE



MARC JONES
CEO & Chairman, Aeris Communications



GARY FORSEE
Retired Chairman, President & CEO, Sprint Nextel

Former President, University of Missouri System



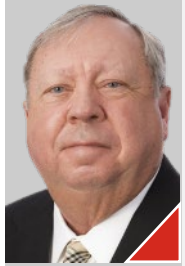
KIRK ARNOLD
Former CEO, Data Intensity



ELIZABETH CENTONI
Chief Strategy Officer and GM, Applications, Cisco Systems



JOHN HUMPHREY
Retired EVP & CFO, Roper Technologies



TONY WHITE
Retired Chairman, President & CEO, Applied Biosystems

## EXECUTIVE TEAM ESG LEADERSHIP



ANDY SCHIESL
SVP, General Counsel, Chief Compliance Officer and Secretary



MARY BETSCH
VP, Sustainability



JENNY CLEMENTE
Global Director, Diversity, Equity & Inclusion

Newly appointed to role in last two years

# Recognized as a Top ESG Performer

**The speed of improvement in ESG is gaining recognition with rating agencies + scores continuously improving**

## S&P Global

**61** Industries
**7,554** Companies Assessed
**716** Companies Selected

### Sustainability Yearbook
Member 2022

## S&P Global

*A distinction awarded to single company in top 15% of their industry*

### Sustainability Award
Industry Mover 2022

## S&P Global

*A distinction awarded to single company in top 15% of their industry and achieved strongest YoY improvement*

CORPORATE GOVERNANCE AWARDS
2021
BROUGHT TO YOU BY
corporate secretary
WINNER

**Best Compliance and Ethics Program (Large Cap)**

SUSTAINALYTICS

ESG Risk Rating **23.5** Updated Feb 27, 2022 **-9.4** Momentum

**Medium Risk**

| NEGL | LOW | MED | HIGH | SEVERE |
|---|---|---|---|---|
| 0-10 | 10-20 | 20-30 | 30-40 | 40+ |

**ESG Risk Rating Ranking**

| UNIVERSE | RANK (1st = lowest risk) | PERCENTILE (1st = lowest risk) |
|---|---|---|
| Machinery INDUSTRY | 68/511 | 12th |
| Industrial Machinery SUBINDUSTRY | 33/372 | 10th |

*Recently upgraded to Medium Risk by Sustainalytics*

# We Make Life Better Every Day Through our Strategic Imperatives

- Deploy Talent
- Accelerate Growth
- **Operate Sustainably**
- Expand Margins
- Allocate Capital Effectively

## 1 Grow Sustainably

Leverage sustainability megatrends into growth

- Helping customers address GHG emission and water usage goals
- Satisfy customer demand for sustainable, resource efficient products
- Selling into high growth sustainable end-markets

## 2 Operate Sustainably

Gain recognition as a top-quartile ESG industrial company as defined by targeted rating agencies

Dow Jones Sustainability Indexes

CDP DRIVING SUSTAINABLE ECONOMIES

MSCI

SUSTAINALYTICS

# 1 Grow Sustainably



# We Are Structurally Aligning Our Portfolio to Three Global Megatrends

**Ingersoll Rand is at the optimal intersection to maximize benefits from these megatrends**

## Digitization

Demand for intelligent and connected equipment increases as industrials seek guaranteed uptime, reduced emissions and waste, and enhanced employee safety and productivity

IIoT spending expected to grow ~12% per year from $290B to $500B by 2025[1]

US B2B e-commerce site revenue expected to grow 11-12% per year to >$2T by 2024[2]

## Sustainability & Efficiency

Achieving the 1.5°C target requires an increase in annual investment in clean energy projects and infrastructure to ~$4T by 2030[3]

Renewables expected to provide 55% of world electricity and heat supply by 2050, up from 17% in 2020[4]

Global demand for fresh water expected to exceed supply by 40% by 2030[5]

## Quality of Life

Aging populations are seeking better quality of life, including at-home care and personalized medicine

Global middle class is expected to reach 4.8 billion people by 2030, up by 1.3 billion from today[6]

Surging demand for organic and locally-sourced foods, including plant-based proteins

[1] McKinsey: Leveraging Industrial IoT and advanced technologies for digital transformation, February 2021. [2] https://www.insiderintelligence.com/insights/e-commerce-industry-statistics/
[3] International Energy Agency: World Energy Outlook 2021. [4] International Energy Agency: World Energy Outlook 2021, "Announced Pledges Scenario".
[5] 2030 Water Resources Group: 2020 Annual Report, https://www.2030wrg.org/ [6] https://knowledge4policy.ec.europa.eu/growing-consumerism_en

## We Are Growing Sustainably While Helping Our Customers Achieve Their Goals

# Making Life Better



# Our Products Enable Customers to Materially Reduce their Energy Usage

## Customer Challenge

- Customers identify **air compressor optimization** as a focus area for energy reduction
- Air compressors consume up to 30% of a site's electricity
- Optimized air compressors help customers **reduce their Scope 1 and 2 GHG** emissions

## IR Value Proposition

- Provide air compressors and air treatment products with **industry-leading efficiency**
- Air compressor optimization can reduce customers' energy costs by **up to 50%**
- Air treatment optimization can reduce customers' energy costs by **up to 90%**

## IR Product Goal

- IR Scope 3: Customers achieve **>15% GHG emissions reductions** (Scope 1 and 2) from the use of our products

## Results

- A minimum 15% reduction in GHG emissions is equivalent to a **>40M MT $CO_2$e reduction**
- Equivalent to **>100 billion miles** driven by average passenger vehicle
- **>9 million** homes' annual electricity use

## Customer Sustainability Report Excerpts

"We are developing a global inventory of potential investments to reduce energy use and GHG emissions, focusing on compressors."

***– 2020 Sustainability Report from $50B market cap consumer electronics company***

"Among many other processes…our efforts included implementation of compressed air optimization…"

***– 2020 Sustainability Report from $45B market cap paper company***

# Case Study: Energy Efficiency and GHG Reduction

## Delivering Growth through Innovation in Compressed Air Dryers

### OPPORTUNITY

- Businesses are under pressure to reduce GHG emissions and improve energy efficiency
- Solve Scope 1 and 2 challenges for our diverse global customer base
- Help customers transition to a low-carbon future

### OUR SOLUTION

**Refrigerated Dryers – 20% higher efficiencies from innovative heat exchanger design**

- 47% lower GWP refrigerants
- 40-50% lower refrigerant charge per unit
- 24% less material weight
- Leveraged across multiple brands for maximum impact

**Heat of Compression Dryers – provide highest levels of clean, very dry air for critical applications**

- Dries 3M cubic feet of air/day, removing 99% of water content or 285 gallons/day
- Innovative system architecture that uses “waste heat” from the compressors to regenerate desiccant
- Less equipment with no need for external heaters/blowers

**Sub Freezing Dryers – 70% efficiency improvement vs. traditional desiccant dryers**

- Allows for smaller air compressor: no need to oversize for purge losses
- 25% smaller footprint & 16% less material weight
- No desiccant to dispose of
- Compatible with all compressor types

### OUTCOME

✓ Deliver above market growth by helping customers transition to energy efficient products

**Refrigerated Dryers**

✓ 40% reduction of GHG emissions per unit

**Heat of Compression Dryers**

✓ 90%+ less energy usage than a traditional desiccant dryer

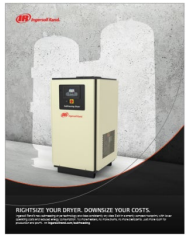
**Sub Freezing Dryers**

✓ 16% less material and 70% less energy than a traditional desiccant dryer









# Our Products Enable Customers to Materially Reduce their Water Consumption

## Customer Challenge

- **Water scarcity**, water **management** and water **quality** challenges are impacting industries reliant on water

## IR Value Proposition

- Technologies that reduce water consumption via **industry-leading efficiency** and **IIoT**, data monitoring and predictive maintenance
- **~30% of IR's total revenue**, or ~$1.5 billion, is **focused on improving water** management, consumption and purification

## IR Product Goal

- Customers achieve **>1 billion gallons of water** saved annually from the use of our products

## Results

- **>1 billion** gallons of water is equivalent to:
- **20 million** bathtubs
- **1,500** Olympic swimming pools

## Customer Sustainability Report Excerpts

"We're focused on both water use and water quality in our operations… this contextual approach informs our Vision 2030 targets on water stewardship: to reduce our operational water use by 25% per ton of production."

***– 2020 Sustainability Report from $18B market cap paper company***

"2020 Environmental Goals …reduce water use in manufacturing facilities by 20% per unit of production with conservation focused on water-stressed regions."

***– 2020 Sustainability Report from $378B consumer goods company***

# Case Study: Water Conservation and Energy Efficiency

## Improving water management through our products

### OPPORTUNITY

- Water-scarcity as a result of climate change is on the rise
- The pulp and paper industry is a substantial user of fresh water
- Offer a proven, energy-efficient, completely water-free vacuum solution with significant heat recovery potential for paper, board and tissue machines

### OUR SOLUTION

- Runtech Systems, acquired in 2018
- Customer example: Alicante, Spain – Papelera de la Alqueria
- Application: Paper manufacturing
- Project: Completely water-free vacuum solution rebuild

Runtech Systems



### OUTCOME

- ✓ 90% average water savings per installation
- ✓ 45% average energy savings per installation
- ✓ 50% material savings per installation

**Since acquisition of Runtech in 2018, drove growth by:**

- ✓ Increasing installed base >65%
- ✓ Launching new products, such as RunEco EP Turbo Blowers, designed to operate efficiently across a wide range of vacuum levels and air flows

**Alicante, Spain – Customer Installation Highlights**

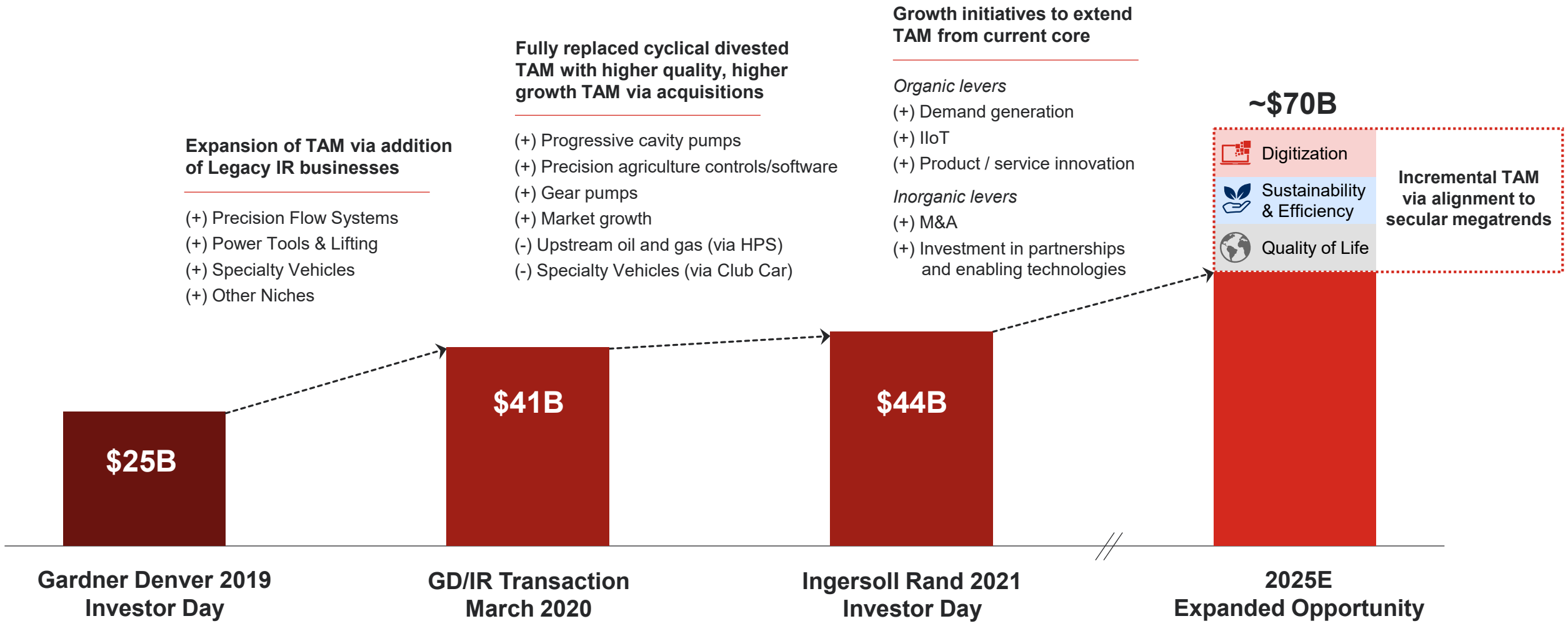
| Annual Usage | Water | Energy |
|---|---|---|
| Old System | 24 million gallons | 8.8 GWh |
| New System | 0 $m^3$ | 3.1 GWh |

**Savings Achieved**

- Water equal to ~36 Olympic-sized swimming pools
- Power used by 532 U.S. households in a year
- 13% productivity improvement

# Our Addressable Market Is Large; Will Expand with Growth Initiatives and Expansion into Markets Aligned to Secular Megatrends[1]

**Serving more customers in new markets with new technologies increases our Total Addressable Market**




[1] All figures are management estimates.

# Case Study: Sustainability through Product Innovation in High Growth End Markets

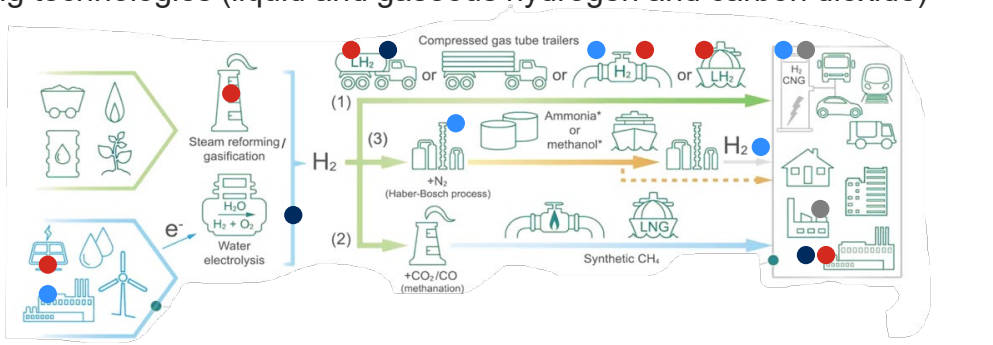
## Capturing the hydrogen / $CO_2$ opportunity

### OPPORTUNITY

- IR's TAM of global hydrogen and adjacent carbon capture and storage (CCS) market (ex-mobility) is ~$2B and estimated to grow to ~$10B by 2025[1]
- Market shifting to green and blue hydrogen applications and away from fossil fuels
- Currently a player in niche applications

### OUR SOLUTION

- Identified most attractive segments of $H_2$ and CCS markets to participate with our existing technologies (liquid and gaseous hydrogen and carbon dioxide)




### OUTCOME

- ~$20M revenue YTD with strong and growing funnel of future opportunities
- Examples below highlight commercialization of comprehensive applications

**Hydrogen Liquefaction (Transport)**





BellissMorcom Ingersoll Rand

IR is uniquely positioned to combine offerings of BellisMorcom Reciprocating Compressors with Ingersoll Rand Multi-Stage Centrifugal Compressors

**800,000 tons / year reduction in GHG emissions from one plant**

**Steel Plant Carbon Capture**





**Marine Fuel Cell**
**$H_2$ Recovery & Compression**





NASH

Nash Gas Compressor captures, recycles and reinjects $H_2$ into the fuel cell, improving efficiency of the cell to provide electric energy

[1] Source: International Energy Agency and management estimates.

# 2 Operate Sustainably



# Progress On Our Journey as a Leader in ESG…with More to Come in 2022 and Beyond

**2022+ Accelerate Commitment to Sustainably Serving All Stakeholders**

- Deliver on milestones towards 2030 & 2050 environmental targets
- Execute on ambitious 2025 Diversity, Equity & Inclusion goals
- Provide more sustainable products to make life better for our customers
- Continue to leverage IRX to ensure ESG progress and value creation

**2021 Acted as Owners in Stewardship of Employee, Customer and Environmental Outcomes**

- Established 2030 & 2050 environmental goals,
- Launched 2025 Diversity, Equity & Inclusion goals and four Inclusion Groups
- Completed the DE&I strategy and toolkit for leaders
- Incorporated energy efficiency metrics in new product development processes
- Published 2020 Sustainability Report

**2020 Established Key Focus Areas**

- Achieved world-class recordable safety rates
- Signatory to CEO Action for Diversity and Inclusion
- Listed among Top 10 Innovations in Diversity and earned Award of Excellence from Profiles in Diversity Journal
- Completed ESG materiality assessment
- Published 2019 Sustainability Report

# Environmental: Creating Value through Our Operations




ENERGY IMPACT




WATER CONSERVATION




WASTE REDUCTION

## Ingersoll Rand Operations Goals

**60%**
GHG Emissions Reduction
by 2030

**100%**
Renewable Energy
by 2050

**NET ZERO**
Greenhouse Gas (GHG) Emissions
by 2050

**17%**
Use Reduction
by 2030

**>50%**
Of Sites Zero Waste to Landfill
by 2030

For more details on our Environmental Goals, please visit https://www.irco.com/en/company.corporate-responsibility/2030-and-2050-environmental-goals

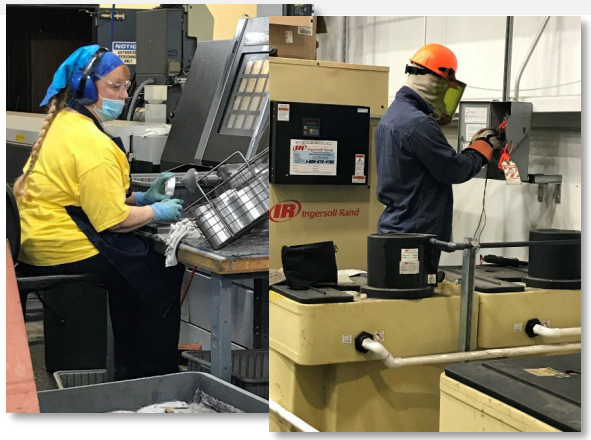
# Environmental: Leveraging IRX to Achieve Our Goals

| Operationalizing Sustainability IDM | Product Sustainability IDM | Health & Safety IDM |
|---|---|---|
| **Goals** | | |
| • Achieve 2030 and 2050 Environmental Operational Goals | • > 1 Billion Gal of Water Recycled or Saved Annually<br>• > 15% GHG Emission Reduction | • Achieve and sustain world class safety levels |
| **Focus Areas** | | |
| • Defining business unit and site-level goals<br>• Identifying energy, water and waste projects by site<br>• Developing standard work/tools – air leak/pressure trackers, carbon footprint calculator, waste analysis, packaging guidelines<br>• Campaign: “How You Work Matters” | • Baseline “Use Phase” life cycle assessment for energy and water<br>  • Science Based Targets for Carbon (SBT)<br>  • Alliance for Water Stewardship (AWS)<br>• Life Cycle Assessment (product development to end of life) to calculate absolute impact reduction | • Culture: safety leadership, new employee training<br>• Framework: Updates to standard work, self/corporate audits<br>• Recognition: Safety concern reporting, recognition of leading indicators, root cause analysis |









# Social: Employees as Owners are Vital To Everything We Achieve

**Equity granted to all 15,000+ employees** [1]

- **$250M** in grant date value awarded since 2017
- Current value of equity granted **~$500M** [2]
- **Nearly 70% of employees** continue to hold their 2020 equity grant shares

**Newly launched employee equity grant program provides new employees ownership in Ingersoll Rand**



















*"Thanks to this company, **a kid from a Pakistani orphanage bought a house** and developed a rewarding career! Everything is possible, and this is just the start!"*

*– Rizwan ("Rizzy") Rabbani, ITS EMEIA employee*

[1] Equity grants in May 2017 and August 2020 awarded to all permanent Ingersoll Rand employees in good standing who are not eligible for our annual long-term incentive plan. Except in Vietnam and Philippines where local laws prohibit us from granting equity. [2] Based on May 2017 grant at $20.00/share and August 2020 grant at $34.63/share as compared to price as of 2/22/2021.

# Social: Owners Value Diversity, Equity and Inclusion










| Increase representation for under-represented (URT)[1] employee groups | Help navigate career paths and ensure equal opportunities | Foster a sense of belonging and build global networks / relationships |
|---|---|---|
| **2025 Goals** | | |
| • Increase **under-represented talent** in the U.S. workforce to **at least 30%**<br>• Increase global **employment of women to at least 25%** | • Increase **"growth"** and **"equal opportunity"** on **employee engagement** survey to **top quartile** among all manufacturing companies | • Increase **"belonging"** on **employee engagement** survey to **top quartile** ranking among all manufacturing companies<br>• Build networks, mentoring and sponsorships |
| **Enabling Initiatives** | | |
| • Diversity sourcing strategy and action plan<br>• Platform to support diversity hiring, tracking and reporting | • Employee confidence in career advancement regardless of ethnicity or gender<br>• E-learning platform<br>• Leadership competency model aligned with DE&I<br>• Structured career paths for all roles | • Expansion and annual programming of Inclusion Groups<br>• Mentoring programs<br>• Unconscious Bias training and DE&I learning path |

[1] Under-represented talent is defined as Black or African American, Hispanic or LatinX, Asian, American Indian, Alaska Native, Native Hawaiian. Source: Management Leaders for Tomorrow ("MLT").

# Social: Owners Care About Making Life Better for Our Neighbors and Shared Planet




**Focus Area**

**Sustainable Development and Community Infrastructure**

**Social Strategic Partnerships**

ENGINEERS WITHOUT BORDERS

**Engineers Without Borders: Build a better world**

Empower communities to meet their basic human needs and equip leaders to solve the world's most pressing challenges

DROP IN THE BUCKET · WATER · SANITATION · EDUCATION

Planet Water Foundation

INTERNATIONAL SOS

# Governance: We Have Made Significant Progress in Implementing Best in Class Corporate Governance

## GOVERNANCE BEST PRACTICES IN 2021

- ✓ De-classified our Board of Directors and provided for the annual election of our directors
- ✓ Eliminated the requirement for a supermajority vote of our stockholders to amend our certificate of incorporation
- ✓ Eliminated the requirement for a supermajority vote of our stockholders to amend our Bylaws
- ✓ Created a board-level Sustainability Committee that is highly engaged and supportive of our long-term sustainability vision
- ✓ Amended bylaws to allow for election of directors by majority of votes rather than a plurality
- ✓ Completed a large share repurchase as part of KKR's sale of their final equity stake in the company

# Leveraging IRX to Achieve Our ESG Goals

## ESG Rating Agency IDM

### Goals

- Ingersoll Rand will be recognized as a top-quartile ESG industrial company as defined by targeted rating agencies

### Focus Areas

- First 100-day Cycle
  - Identify Gaps
  - Develop Gap Closure Plan
  - Close Gaps
- Second 100 Day Cycle
  - Continue Closing Gaps
  - Submit to DJSI & CDP
  - Complete Sustainability Report (PDF and Microsite)

| | 2020/21 | Current |
|---|---|---|
| MSCI | BBB | A |
| SUSTAINALYTICS | 30.1<br>High Risk | 23.5<br>Medium Risk |
| S&P Global | Unranked | Sustainability Yearbook<br>Member 2022<br>S&P Global<br>Sustainability Award<br>Industry Mover 2022<br>S&P Global |
| CDP<br>DISCLOSURE INSIGHT ACTION | D | B |

# Key Takeaways

1. Operating sustainably supports and reinforces Ingersoll Rand's strategic imperatives, with IRX driving rapid execution and change
2. Sustainability megatrends are driving Ingersoll Rand's long-term growth through innovative products and services that enable our customers to reduce their environmental impact
3. Operating sustainably is about Making Life Better for our communities and shared planet while creating value for our stakeholders
4. Creating value by becoming more efficient in our own operations through reductions in energy, water, material usage and waste
5. With employees as owners, the mindset changes from "this is the company I work for" to "this is my company"