Ingersoll Rand Overview

• A $14 billion diversified industrial company
• Publicly-held; NYSE:IR
• More than 52,000 employees worldwide in 54 countries
• Operations in every major geographic region
• Strategic brands are #1 or #2 in their markets
• Products and services for commercial, industrial and residential markets
A 140 Year Legacy of Addressing Global Challenges

Current global challenges include resource scarcity, environmental impact of products and services, and feeding a growing population.
Changes to the global business environment

How the world changed since the 1992 Rio Earth summit

**Globalization**
International trade and foreign investments tripled

*Source: The World Bank, World Development Indicators (2011).*

**Digital connectivity**
Mobile phone and internet use exploded (up 20,000%)

*Source: UNEP: Keeping Track of our Changing Environment (2011).*

**Accelerated consumption**
Our population has grown by one quarter


**Disparate prosperity**
1.3 billion people have no access to energy

*Source: IEA, World Energy Outlook (2011).*

**Resource scarcity**
4 billion people are affected by water scarcity

*Source: Heinberg. Peak Everything. (2007).*

**Ecological decline**
80% of fish stocks are over, or fully, exploited

*Source: UNFAO. World Review of Fisheries & Agriculture. (2010).*
Corporate Sustainability Actions Taken Over the Past 12 Months

% of respondents who say companies have taken these actions

- **72%**: Improving Energy Efficiency
- **69%**: Reducing products’ environmental footprint
- **67%**: Cutting emissions or pollutants
- **65%**: Improving environment around facilities
- **61%**: Enhancing impact on local communities

Source: Economist Intelligence Unit survey, October 2010 / KPMG 2011
Unlocking the benefits of energy efficiency
An executive dilemma

A report from the Economist Intelligence Unit
Sponsored by Ingersoll Rand
Energy Efficiency: benefits

- Cost Savings
- Carbon Emissions
- Brand Value
- Performance
Energy Efficiency: challenges

- Scarce resources
- Payback periods
- Lack of expertise
- Split incentives
Nearly half identify bottom line improvements

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<table>
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<tbody>
<tr>
<td>Yes</td>
<td>49 %</td>
</tr>
<tr>
<td>No</td>
<td>33 %</td>
</tr>
<tr>
<td>Don't know</td>
<td>18 %</td>
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Have your organisation’s energy efficiency initiatives helped improve the bottom line at your organisation in the past three years?

82% see energy efficiency as strategically important

How important are energy efficiency initiatives to your organisation’s overall business strategy today?

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<tbody>
<tr>
<td>Very important</td>
<td>24 %</td>
</tr>
<tr>
<td>Somewhat important</td>
<td>58 %</td>
</tr>
<tr>
<td>Not at all important</td>
<td>17 %</td>
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</tbody>
</table>
C-suite disconnect

Does your organisation do enough to integrate energy efficiency initiatives into business strategy?

44.7% of respondents at C-level and 46.6% at CEO-level thought energy efficiency initiatives were well integrated into their business strategy.

Only 33% of managers below C-level agreed.
Funding and ROI are the biggest concerns

Lacking the following presents the biggest obstacle to energy efficiency initiatives

- Sufficient funding/resources: 42%
- Proven return on investment: 46%
- Energy efficiency management: 39%
- External incentives: 38%
- Senior management support: 40%
- Government policies: 22%
- Internal incentives: 18%
- Employees Consultation: 21%

The most important factors for integrating energy efficiency initiatives into business strategy

- Sufficient funding/resources: 42%
- Proven return on investment: 46%
- Energy efficiency management: 39%
- External incentives: 38%
- Senior management support: 40%
- Government policies: 22%
- Internal incentives: 18%
- Employees Consultation: 21%
More are focused on low-hanging fruit

What tactical and strategic energy efficiency initiatives has your organisation undertaken?

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Improved lighting efficiency</td>
<td>68 %</td>
</tr>
<tr>
<td>Complied with government regulations</td>
<td>53 %</td>
</tr>
<tr>
<td>Improved air-conditioning efficiency</td>
<td>47 %</td>
</tr>
<tr>
<td>Improved heating efficiency</td>
<td>45 %</td>
</tr>
<tr>
<td>Enhanced energy efficiency of our buildings (insulation, etc.)</td>
<td>40 %</td>
</tr>
<tr>
<td>Improved energy efficiency of our IT department</td>
<td>35 %</td>
</tr>
<tr>
<td>Improved energy-efficiency of plant and equipment in our factories</td>
<td>33 %</td>
</tr>
<tr>
<td>Conducted an energy audit</td>
<td>26 %</td>
</tr>
<tr>
<td>Created new energy efficient products or services for our customers</td>
<td>24 %</td>
</tr>
<tr>
<td>Created flexible work arrangements for employees to work at home</td>
<td>22 %</td>
</tr>
</tbody>
</table>
Real savings

How much of your company’s annual energy bill would you estimate has been saved by the energy efficiency initiatives in the past three years?

<table>
<thead>
<tr>
<th>Percentage</th>
<th>1-5%</th>
<th>6-10%</th>
<th>11-20%</th>
<th>More than 20%</th>
</tr>
</thead>
<tbody>
<tr>
<td>27%</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>42%</td>
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<tr>
<td>16%</td>
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<td></td>
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<tr>
<td>4%</td>
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</table>

Serious scepticism

Do you generally believe other organisations’ claims about their return on investment in regard to energy efficiency initiatives?

<table>
<thead>
<tr>
<th>Response</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>Yes</td>
<td>38%</td>
</tr>
<tr>
<td>No</td>
<td>40%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>22%</td>
</tr>
</tbody>
</table>
Cost savings and brand reputation are the key benefits

What are the principal benefits of an energy efficiency programme?

- Cost savings: 83%
- Enhanced brand reputation: 54%
- Market differentiation: 43%
- Increased revenue through innovation: 32%
- Enhanced ability to hire talented employees: 12%
- Enhanced ability to raise capital: 9%
- Closer supplier relationships: 6%

As the most important reasons to improve energy efficiency:
- 69% of the respondents highlighted cost savings
- 45% as part of their corporate social responsibility
- Only 27% mentioned government compliance
In the field of energy and climate change large companies have argued that legislation will create a level playing field, helping foster a market for energy efficient systems.

- Fully 50% of respondents identified current energy efficiency legislation in their country as a benefit to the private sector
- Only 28% identified such legislation as a burden
Survey Conclusions

- Environmental stewardship
- Business case
- Growing market
- Institutions vital
Sustainability at Ingersoll Rand

Aspiration: ADAPT
Do old things in new ways
Compliance +

Aspiration: BEST IN CLASS
Do new things in new ways and grow core business
Advance

Aspiration: DIFFERENTIATE
New business model creation and differentiation
Transformation

Risk Mitigation → Breakthrough Growth
Key Environmental, Health & Safety Progress

Total Recordable Incident Rate
- 2010: TRIR = 1.20; 639 incidents
- 2011: TRIR = 0.97; 510 incidents
- 20% reduction

Lost Time Incident Rate
- 2010: LTIR = 0.25; 135 incidents
- 2011: LTIR = 0.18; 95 incidents
- 29% reduction

Energy Consumption
- 17.6% over 3x better than goal of 5% reduction

Waste Disposal
- Hazardous
  - 36.3% disposal amount over 7x better than goal of 5% reduction
- Non-Hazardous
  - 26.6% disposal amount over 5x better than goal of 5% reduction
Trane Facility Earns Two Green Globes

- **Reuben Trane Building**  
  *(La Crosse, WI)*

- 700 employees /195,000 sq. ft.

- Savings include:
  - Installed hand dryers to save $30K/yr on paper towels
  - Eliminated 9 tons of paper in the waste stream
  - Parking lot lighting retrofits save $6K/yr plus improve security
Green Teams:
Contribute to enterprise goals for EH&S performance, operational excellence, and employee engagement
One STEP Forward—Personalizing Sustainability

Sustainable: Contributes to a better world
Transformative: Supports you in living your values
Encourages Others: Inspires your colleagues, friends, and family
Personal: Connects to something that is meaningful to you
Corporate Sustainability Actions Taken Over the Past 12 Months

% of respondents who say companies have taken these actions

- **Improving Energy Efficiency**: 72%
- **Reducing product’s environmental footprint**: 69%
- **Cutting emissions or pollutants**: 67%
- **Improving environment around facilities**: 65%
- **Enhancing impact on local communities**: 61%

Differentiation and revenue growth can be achieved by leveraging sustainability in the product and innovation process.

Source: Economist Intelligence Unit survey, October 2010 / KPMG 2011.
Product Stewardship

*Companies Are at Early Stage of Defining “Green”*

- Company actions vary but most have green product portfolio focusing on 1-2 dimensions
- Most companies’ environmental product claims are either vague or related to external standards
- Most claims are focused on use-phase, but some are considering full life-cycle (LCA)
Product Stewardship

*Increasing focus on LCA*

Path to Breakaway—Benefits Include Revenue Growth, Cost Reduction, and Environmental Footprint Reduction
Transparency Enables Thought Leadership

Integrated Reports + On-line Supplements

Reporting & Ratings

- Dow Jones Sustainability Indexes
- Newsweek
- Global Reporting Initiative
- MSCI
- SAM Sustainability Investing

Ingersoll Rand
Key Points of the Journey

1. Customer value
2. Enterprise-wide impact
3. Lifecycle thinking
4. Embedding sustainability: capture heart & mind