

## Replies to questions asked prior to the Annual General Meeting

### I. CSR

#### 1. Questions from the Forum pour l'Investissement Responsable

- Have you made an express commitment to align your revenue and investments (CAPEX/OPEX/R&D/M&A...) with the objective of the Paris Agreement to limit the increase in global temperature to 1.5°C? How do you ensure that this revenue and these investments meet the objective (please describe the methods used)? What are the main action plans and, if applicable, the associated amounts invested in order to achieve this objective in the short, medium and long-term?

At the presentation of its new sustainable development objectives in March 2021, during which the goal to reach carbon neutrality in 2050 and the objective of reducing its (Scope 1 + 2) CO<sub>2</sub> emissions by 33% by 2035 were announced, Air Liquide stated the drivers on which the reduction of emissions will be based, including in particular CO<sub>2</sub> capture at hydrogen production plants by reforming natural gas, supplying the air separation units with low carbon and renewable energy, and improving the efficiency and modernization of its production assets.

These drivers will be activated in parallel with the development of offers intended to support our customers in lowering the emissions from their activities. Accordingly, in terms of CAPEX, energy transition and the decarbonization of industrial activities are creating major opportunities for the Group.

There is currently no sector-specific "1.5°" trajectory for the chemical industry in general or the industrial gas industry in particular. Air Liquide has nevertheless developed its climate objectives based on various studies, including those of the IPCC (specifically including the special report on 1.5°) and those of the International Energy Agency, whose Net Zero report published in May 2021 highlights similar drivers, and a similar trajectory for heavy industry, to those in our plan.

Air Liquide's climate objectives were restated and integrated into our strategic plan presented on March 22, 2022, which also stated that half the industrial investments for the period 2022-2025 will be dedicated to energy transition, i.e. approximately 8 billion euros.

The investment decisions follow a process that ensures they are aligned with our ambitions to reduce greenhouse gas emissions, while any decisions having a material upward or downward impact are reviewed by a dedicated committee. This investment process is accompanied by the allocation and monitoring of an annual CO<sub>2</sub> budget for Group operations, in order to monitor the trajectory closely.

In addition, by 2035, Air Liquide aims to invest around 8 billion euros to support low-carbon and renewable hydrogen markets, encompassing primary production of the molecules and CO<sub>2</sub> capture – as to approximately 50% – and approximately 50% in the hydrogen logistics sector, to accompany the increasing importance of markets linked to energy transition, in particular in geographies that have made strong commitments in this area – or are in the process of doing so – like in Europe, North America and most Asian countries where the Group has a strong presence. Air Liquide also has the ambition to develop 3 GW of electrolysis for hydrogen production between now and 2030.

Moreover, as explained at the presentation of the strategic plan in March 2022, 16 billion euros will be invested by the Group over the period 2021-2025 of which 50% in Energy Transition.

Moreover, a number of projects were announced in 2021, two of which have been selected by the European Innovation Fund:

- the Kairos@C project jointly developed by Air Liquide and BASF at the chemical site in Antwerp, which will help avoid 14.2 million tonnes of CO<sub>2</sub> emissions over the first 10 years of operation, and will make a significant contribution to the European Union's carbon neutrality objective by 2050;
- the K6 project which aims to capture nearly 8 million tons of CO<sub>2</sub> over the first ten years of operation, through the implementation of technological innovations, thus making it possible to significantly reduce emissions from cement production.

It should be noted that these two projects are in line with the heavy industry decarbonization trajectories highlighted by the IPCC in its latest report published in early April 2022.

Moreover, Air Liquide intends to allocate approximately 100 million euros of Innovation expenses each year to reduce its carbon footprint or that of its customers. It is notably developing technologies to reduce its own emissions and is proposing cleaner solutions for the other CO<sub>2</sub> emitting sectors: the Innovation teams are working among other things on improving the energy efficiency of the production units, but also on technology for CO<sub>2</sub> capture and valorization.

Details of our climate objectives can be found in our Universal Registration Document, notably in the Extra-financial Performance Declaration at page 328 onwards, and in our Sustainable Development Report published on April 7, 2022.

- [What percentage of your business \(expressed as revenue, net banking income, etc.\) is directly related to biodiversity? How much do you spend on biodiversity?](#)

Air Liquide is mindful of its impact on biodiversity, which encompasses both the diversity of living things and the links between species themselves. At a time when the balance of natural environments is threatened, it is important to preserve biodiversity – not only because of the many services it provides to human society, but also for its own intrinsic value. To explore this subject in greater depth, Air Liquide launched an overall in-depth review in 2021 of its product supply chain's impact on biodiversity.

The direct impacts are fairly limited: the Group's production units are generally at sites located in industrial zones and usually occupy a minor area of the industrial site. For this reason, the Group's impact in terms of land artificialization is limited and, where necessary, is the subject of particular attention.

The Group's main impact on biodiversity is due to:

- its energy consumption (electricity, natural gas), the production and distribution of which may have an impact; its CO<sub>2</sub> emissions due to the established link between climate change and loss of biodiversity;
- its water consumption in some regions;
- and certain atmospheric, liquid or solid discharges.

Moreover, the Group has a positive impact on biodiversity through some of its products such as hydrogen used for fuel desulfurization, thus reducing emissions of sulfur compounds.

The Group's operations are rarely directly dependent on ecosystem services; this dependence is mainly related to two activities: biomethane and the activities of its subsidiary Seppic. The proportion of these 2 activities that are directly dependent on biodiversity represented less than 5% of Group revenue in 2021.

Concerning the Group's spending on biodiversity, the Group is currently unable to identify expenses that are specifically linked to biodiversity.

Details of all these elements can be found in Air Liquide's Universal Registration Document, in particular in the Extra-financial Performance Declaration at page 344.

- List the strategic natural resources that are required for your business and/or that of your customers (water, energy, raw materials, etc.)? How do you assess and calculate the impact of a scarcity of such resources on your business models? What actions are you putting in place to address procurement problems and to take advantage of opportunities to develop “circular business models”? What are your objectives in this regard?

Electricity and natural gas are the main raw materials used by production units, and it should be noted that almost 85% of Air Liquide’s large production units are Air Separation Units, which consume almost exclusively electrical energy. The Group’s other two main energy consuming activities are hydrogen production and cogeneration.

In terms of actions to address procurement problems, Group subsidiaries secure the energy sourcing through medium to long-term supply commitments and competitive bidding scenarios with local suppliers, with the objective of achieving the most reliable and competitive energy costs, with a low-carbon footprint, available on the market. These activities are subject to the supervision of a Group risk management committee that reviews the energy sourcing strategies of the entities, examines the most significant commitments and ensures the proper implementation of the climate objectives. The rapid increase in our use of renewable or low-carbon energy is one of the drivers of the Group’s decarbonization plan.

The Group also depends on water for its activities. Its water consumption is related to the loss of water by evaporation in the process of cooling rotating machines, particularly for the production of air gases, or its use as a raw material for products such as hydrogen. Air Liquide pays particular attention to water management, especially in areas of water stress. To manage the risks associated with water withdrawal and use, as well as the quality of the water returned to ecosystems, a water management policy was published. Group objectives in terms of water management have also been defined.

Details of all these elements can be found in Air Liquide’s Universal Registration Document, in particular in the Extra-financial Performance Declaration at page 341.

In terms of actions to take advantage of opportunities to develop “circular business models”, a good example of Air Liquide’s contribution to the development of a circular economy is represented by our biomethane activity. Through its technologies and skills along the whole biomethane value chain, Air Liquide purifies biogas from the fermentation of organic and agricultural wastes to obtain biomethane. Such biogas can be used locally to cover the needs of the agricultural operation for example, or can be injected into the domestic grid or liquefied for transportation, storage and distribution as a clean alternative fuel or as an industrial fuel, or for the production of low-carbon hydrogen.

## **2. Questions from Trusteam Finance (Climate Action 100+)**

- Net Zero commitment and Scope 3:
  - Does Air Liquide Net Zero ambition cover the most relevant Scope 3 GHG emissions categories ?
  - What is the breakdown of your scope 3 Category 11 between end sectors ?
  - What part of sold CO<sub>2</sub>/N<sub>2</sub>O are emitted during use ?

In March 2021, Air Liquide announced its ambition to reach carbon neutrality by 2050, in order to help reach carbon neutrality on a global scale, which is the objective stated by the IPCC in order to make it possible to keep the rise in temperatures under 1.5°C at the end of the 21<sup>st</sup> century. **This carbon neutrality ambition must be understood as applying throughout the whole of Air Liquide’s value chain**, and therefore cover not only direct Group emissions (“Scope 1”), but also indirect emissions relating to energy supplies (“Scope 2”) and the **main items of indirect emissions covered by “Scope 3”**.

2021 emissions reported in Scope 3 category 11 “use of sold products” correspond to 9.2 MtCO<sub>2</sub>e, i.e. **~40% of Scope 3 emissions** and ~15% of cumulative Scope 1+2+3 emissions.

**This sets the Group apart from other companies where this emission item is linked to the main products and may represent more than 90% of the total carbon footprint.**

These Scope 3 category 11 emissions correspond to products that represent **less than 5% of the Group's 2021 revenue**. These products are themselves greenhouse gases:

- **CO<sub>2</sub>**, used mainly in the **food and beverage** market (3.6 MtCO<sub>2</sub>e in 2021),
- **N<sub>2</sub>O**, used mainly in the **food and healthcare industry** (5.6 MtCO<sub>2</sub>e in 2021).

In 2021, for CO<sub>2</sub> reporting purposes, Air Liquide **conservatively** considered that all CO<sub>2</sub> and N<sub>2</sub>O volumes were emitted back into the atmosphere after use and that biogenic CO<sub>2</sub> should be accounted for. This approach will be further refined in order to ensure that the sources and applications served are taken into account, some of which do not lead to the re-emission of products.

**Over 80% of the CO<sub>2</sub> sold by the Group** comes from sources where the CO<sub>2</sub> is a **by-product of an existing process and would therefore have been released to the atmosphere**. This CO<sub>2</sub> is purchased by Air Liquide, purified and distributed by the Group for other uses. Moreover, the share of biogenic CO<sub>2</sub> - from which carbon has been captured by biomass - is increasing and represents 15% of the CO<sub>2</sub> sold by the Group in 2021.

Concerning N<sub>2</sub>O, whose main applications are in healthcare (as an anaesthetic) and the food industry (as a foaming agent/propellant in whipped cream), there are as yet no known good alternatives. Research on the subject is rapidly expanding - for example, the replacement of N<sub>2</sub>O by xenon in healthcare - and the Group is actively involved with its customers to this end, and remains committed to finding environmentally friendly alternatives.

Fluorinated gases, one of the main markets for which is electronics, are generally not re-released but are destroyed by Air Liquide's customers at the end of the process. Given the lack of any clear methodology, and the marginal contribution to Group revenue, these emissions have not been reported in Scope 3 for the time being. That said, the Group is actively committed to finding and industrializing alternatives to these fluorinated gases, having successfully introduced two new molecules with very low GWP into the semiconductor industry over the past 5 years with its enScribe product family.

- **Decarbonation pathway:**
  - **Will Air Liquide commit to use and produce fully emissions neutral feedstock in its production and operating sites by 2050 at the latest?**

The main raw materials used by the Air Liquide Group are electricity (over 85% of the production assets are electric) for air separation and natural gas for hydrogen and carbon monoxide production.

The Group's neutrality ambition is part of a broader vision to achieve carbon neutrality for the entire industry. With this in mind, the decarbonization of the electricity sector should be completed between 2040 and 2050 (in line, for example, with the recommendations of the Science Based Targets initiative for the electricity sector), enabling Air Liquide to use decarbonized electricity. Without delay, Air Liquide is already proactive in negotiating contracts for the supply of carbon-free electricity.

Moreover, another major lever for decarbonizing our assets is the electrification of processes that are not yet electrified, such as the large-scale roll-out of water electrolysis for hydrogen production. This also means that the electricity sector has to be totally decarbonized.

**Achieving our carbon neutrality objective in 2050 will require the use of carbon-free raw materials.**

- **When will Air Liquide publish its investment plans for grey, blue, and green hydrogen?**

At its Sustainability Day in March 2021, Air Liquide announced its ambition to invest around 8 billion euros by 2035 to support low-carbon and renewable hydrogen markets, 50% covering the primary production of molecules and CO<sub>2</sub> capture and 50% in the hydrogen logistics sector. Air Liquide also announced its ambition to develop 3 GW of electrolysis for hydrogen production between now and 2030.

Moreover, as announced in March 2022 in the new strategic plan, 16 billion euros will be invested by the Group over the period 2022-2025 of which 50% for Energy Transition.

Accordingly, a number of investment projects were announced in 2021, two of which were selected for

grants by the European Innovation Fund:

- the Kairos@C project jointly developed by Air Liquide and BASF at the chemical site in Antwerp, which will help avoid 14.2 million tonnes of CO<sub>2</sub> emissions over the first 10 years of operation, and will make a significant contribution to the European Union's carbon neutrality objective by 2050;
- the K6 project which aims to capture nearly 8 million tonnes of CO<sub>2</sub> over the first ten years of operation, through the implementation of technological innovations, thus making it possible to significantly reduce cement production emissions.

It should be noted that these two projects are in line with the heavy industry decarbonization trajectories highlighted by the IPCC in its latest report published in early April 2022.

Moreover, Air Liquide will continue to allocate approximately 100 million euros of Innovation expenses each year to reduce its carbon footprint or that of its customers. It is notably developing technologies to reduce its own emissions and is proposing cleaner solutions for the other CO<sub>2</sub> emitting sectors: the Innovation teams are working among other things on improving the energy efficiency of the production units, but also on technology for CO<sub>2</sub> capture and valorization.

Details of our climate objectives can be found in our Universal Registration Document, in particular in the Extra-financial Performance Declaration at page 328 onwards, and in our Sustainable Development Report published on April 7, 2022.

- **Capex Alignment:**
  - Does Air Liquide commit to align its capital expenditure plans with your long-term GHG reduction target?
  - Does Air Liquide plan to phase out planned expenditure in unabated carbon intensive assets or products?

Air Liquide committed in 2018 and then in March 2021 to a decarbonization trajectory for its activities:

- Neutrality in 2050,
- Reduction of -33% in CO<sub>2</sub> emissions in absolute terms compared to the 2020 baseline,
- Start of a reduction in Scope 1 and 2 CO<sub>2</sub> emissions in absolute terms around 2025.

**According to Air Liquide's business model, business growth requires investment in new production units. Consequently, the achievement of our decarbonization objectives will necessarily involve aligning our investment plans with this trajectory.**

In order to manage this trajectory at Group level, Air Liquide has, since 2021, allocated a Carbon budget to the various regions. Monitoring of the volume of CO<sub>2</sub> emissions from new projects has been implemented and integrated into the Group's investment project selection process. **This management thus ensures that all new investments are in line with the Group's carbon neutrality trajectory and in line with the shorter-term objectives, and it excludes any projects that are not in line with the trajectory.**

## II. TAXATION - LOBBYING

### 3. Questions from Trusteam Finance (Climate Action 100 +)

- **Lobbying on Climate change:**
  - Will Air Liquide commit to conduct all of its lobbying activities in line with the goals of the Paris agreement?

Yes, it is already the case: all lobbying activities are in line with the Group's strategy which is committing to carbon neutrality.

- Will Air Liquide commit to ensure that the trade associations the company is a member of lobby in line with the goals of the Paris Agreement?

Yes, we are carrying out for the main trade association where we are active, reviews of trade associations positions regarding the Paris agreement, and we will publish a synthetic overview of our survey for the associations where we are the most active in Europe and in the US.

- Will Air Liquide publish a Review of Climate Lobbying, including a list of at least the 15 most important associations?

Yes, we will extend the publication of the list of the main business associations (already mentioned in our charter on Engagement with Public Stakeholders) where we are active in the field of energy transition, and will publish by the end of 2022 a synthesis of our analysis of their positions, as mentioned above.

- Paris Aligned Accounts:
  - Will Air Liquide publish additional relevant climate-related assumptions or estimates used in the preparation of your financial statements ?

Air Liquide has existing industrial scale **carbon capture** technologies and continues to announce additional investments in this more temporary solution for its existing internal production facilities, which contributes to increase the life of our hydrogen plants. In addition, for new hydrogen production plants, Air Liquide is accelerating its **investments in electrolyzers** for the production of green hydrogen. The air separation **process is, in turn, already electrified** and Air Liquide **is progressively switching to renewable electricity** as noted by the several signings of renewable energy PPAs announced over the last few months.

**Climate risks are therefore fully integrated into business development criteria, and asset depreciation rules limit obsolescence risks, avoiding the need for specific provisions.**

Air Liquide's consolidated financial statements of the Group are prepared in accordance with IFRS as endorsed by the European Union and which do not require disclosure of climate-related assumptions or estimates in the financial statements.

The Group does, however, take the Climate risk and its potential impacts into consideration when preparing its financial statements, the main risk identified by the Group being that linked to greenhouse gas emissions.

The costs incurred for measures related to gas emissions are already taken into account in investment decisions and in the running costs of the Group's plants. These costs are passed on to most of the Large Industries' customers in accordance with the terms of the contract.

As indicated in the Group's Accounting Principles, the preparation of the financial statements requires Air Liquide to make certain estimates and assumptions when preparing the financial statements, notably with regard to climate-related risks.

More specifically, **note 32 of the 2021 URD, page 287, "Climate risks consideration"**, clearly states that **"the potential impacts** on the Financial Statements of the Group's sustainable development objectives, published in March 2021 and in the process of being deployed, **have been studied. No significant impact has been identified**, either on the useful life or on the value of the assets, on the client portfolio or on the cash flows generated by existing activities or on provisions for risks and charges. The decarbonization objectives can be achieved in particular by adapting existing assets or by meeting new capacity needs for the use of innovative technologies that are already controlled by the Group."

- How are these assumptions, such as the carbon prices used for investment decisions and plant costs, consistent with an accelerating decarbonization in line with the Paris Agreement ?

The vast majority of the Group's investments are based on a long-term contract signed with a customer. As stated at page 40 of the 2021 URD, for all its projects, for all geographies, Air Liquide includes a carbon price in its investment decision process. A sensitivity study is performed with a reference price of 50 euros per tonne of CO<sub>2</sub>, the local current price and a high value of at least 100 euros per tonne, chosen according to the geography and the context. The study allows to assess the economic cost of greenhouse gas emissions and consequences on the project, even in the case of strong carbon price increase on the long term. The analysis of investments with this internal carbon price ensures the robustness and sustainability of the customer project, **the CO<sub>2</sub> cost being contractually invoiced to the client.**

This analysis also makes it possible to validate the relevance and viability of the investment solution planned by Air Liquide and to propose low-carbon technological solutions, whenever possible.

An increase in the **price of CO<sub>2</sub> above €100 per tonne is consistent with an acceleration of the decarbonization of assets invested in by Air Liquide for its customers**. Since the cost of CO<sub>2</sub> is contractually passed through to the customer, the customer must choose between paying the carbon tax or being supplied with decarbonized gas. Consequently, the higher the price of CO<sub>2</sub>, the more attractive it is for the customer to accept a higher gas price, thus enabling Air Liquide to invest in a CO<sub>2</sub> capture unit (on an existing production unit) or to invest in a new low-carbon technology gas production unit. We consider that, in the industrial phase, the price of CO<sub>2</sub> capture on existing assets will be less than €100 per tonne. Accordingly, **a very high CO<sub>2</sub> price, in line with the Paris Agreements, does not in fact increase the risk for Group assets but, on the contrary, reduces it.**

Moreover, **the Group's investment projects are evaluated and selected considering their contribution to the Group CO<sub>2</sub> emissions trajectory, the objective being carbon neutrality in 2050 in line with the Paris Agreements**. Intermediary objectives have been adopted by the Group for 2025 and 2035, aimed at a reduction in CO<sub>2</sub> emissions in absolute value (2021 URD page 40).

#### 4. Questions from the *Forum pour l'Investissement Responsable*

- Do you publish a charter detailing your fiscal responsibility commitments? If so, how is this fiscal responsibility more broadly integrated within your social responsibility? Is this charter reviewed and approved by the board? Do you produce an annual fiscal responsibility report on the application of the charter's principles? Does this report include details of taxes paid country by country?

The Group publishes a tax Charter which is available in the Universal Registration Document approved by the Board (at pages 84 and 85). This is fully in line with the Group's social responsibility commitments. Air Liquide's French companies have been selected to be part of the Business Partnership Service programme implemented by the French tax authorities within the framework of the Relationship of Trust.

The Group does not publish a fiscal responsibility report, but the Audit Committee receives an update once a year. The Group prepares a fiscal report for the French tax authorities of taxes paid by country but this is not published.

- Do you publish a responsible lobbying<sup>1</sup> charter? Are you members of any professional associations that take controversial positions in terms of public interest? If so, what actions are you taking to change the positions of these associations? What consolidated human and financial resources (i.e. across the whole of your geographical area) do you allocate to interest representation?

Since 2020, the Group has consolidated its internal organization within the European and International Affairs Department in order to ensure that the messages conveyed by Air Liquide to the public authorities are in line with its own sustainable development objectives. At present, ten or so individuals work in Paris and Brussels to promote these interactions with the public authorities.

A responsible lobbying charter was published on the Group's web site at the end of 2021 (engagement with public stakeholders) which provides details concerning the manner in which the Air Liquide Group conducts its actions in order to contribute to public debate in areas where the Group has a legitimate interest.

This also involves reinforcing the governance of our participations within professional associations in order to ensure actively that they are aligned with our own sustainable development objectives and, in particular, our carbon neutrality trajectory in line with the Paris Agreement.

<sup>1</sup> "Lobbying - or interest representation - plays an increasing role in public decision-making. The organizations concerned (companies, professional organizations, associations and public sector entities, etc.) devote considerable time and resources to lobbying. When it is conducted with integrity and its use is made clear and transparent, lobbying can play a positive role and can help to provide public decision-makers with elements of analysis to inform their thinking. On the other hand, unregulated lobbying can lead to abusive practices that result in decisions that serve private interests rather than the general interest." (Transparency International)

The Group plans to gradually extend these analyses in 2022 and to publish a summary report on the main associations to which the Group actively contributes, specifying where appropriate the actions taken when we consider that the position adopted by certain associations is not consistent with our own carbon neutrality objectives.

- How does your Group involve its social partners - at local and global levels - in the various stages of the development, evolution and implementation of its vigilance plan? What resources does the Group offer them in order to carry out this task? How are the social partners involved in reporting on the effective implementation of this vigilance plan?

The Group has more than 70 Social and Economic Councils (SEC) with more than 700 elected representatives within its activities in France. In addition, Air Liquide has a France Group Committee and a European Works Council. These bodies enable Air Liquide to pursue pragmatic social dialogue that is tailored to each organization/entity by finding the right balance between:

- a major social, economic and strategic dialogue at the central level, and
- a close social dialogue at the local level.

L'Air Liquide SA's SEC is supported by a Socio-Economic and Environmental Commission (SEEC) that was expanded in 2021 after the signing of a framework agreement that incorporated broader environmental and extra-financial issues. The SEEC is composed of eleven members who are informed about the strategy, the economic and financial situation, the social policy and the environmental and extra-financial issues. The SEEC proposes discussions on these topics to the SEC. In particular, in the areas of gender equality, disability, health and social security, the SEC is regularly consulted within the framework of its social policy.

During the first half of 2022, the SEEC members benefited from a training course on extra-financial issues, notably including the duty of vigilance.

In order to involve employee representatives in the preparation of the Vigilance Plan, more extensive discussions were held in 2022. In March 2022, a detailed presentation of the newly published Vigilance Plan was made to the SEEC. It was suggested that this Commission continue its discussions and, in particular, that it be involved in identifying and assessing risks to persons and to the environment.

In order to increase the number of employee representatives in French subsidiaries, it is intended that presentations and discussions concerning the Vigilance Plan will be held at several SEC throughout 2022.

At European level, a presentation of the Vigilance Plan to the European Group Committee is planned for the fourth quarter of 2022.

The employee representative bodies in France were consulted prior to the extension of access to the Ethicall whistleblowing system, at the end of 2021, to include all internal and external stakeholders, in addition to the employees and external personnel who work at Air Liquide's sites.

The Vigilance Plan, which is published in the Universal Registration Document as well as separately in a document entitled "Air Liquide and its Vigilance Plan" available on the internet company site, describes the measures implemented worldwide within the Group.

Moreover, the Environment and Society Committee is one of the Board of Directors' specialist Committees focusing on societal and environmental responsibility issues which includes a Director representing the employees. This Committee supervises the roll-out of the Vigilance Plan, which was presented to it at two meetings in 2021.

### III. HUMAN RESOURCES

#### 5. Questions from the Forum pour l'Investissement Responsable

- What proportion of your corporate officers and employees (classified by type) are concerned by the inclusion of environmental and social (E&S) criteria in the determination of their variable remuneration (bonus, long-term remuneration, profit-sharing, etc.)?



Which governance bodies are responsible for the selection and approval of these E&S criteria?  
How do they ensure that these criteria are relevant, provide sufficient incentives and are consistent with the objectives to be achieved in order to successfully implement the group's environmental and social strategy? (Please specify the non-financial criteria used for corporate officers and for employees).

The executive officers, as well as the categories of employees described below, are concerned by the integration of environmental and social (E&S) criteria in the determination of their variable remuneration (bonus, long-term remuneration):

**A/ Executive officers<sup>2</sup>: 100%**

The executive officers are:

- the Chairman and Chief Executive Officer up until May 2022
- the Chief Executive Officer with effect from June 2022.

**Bonus:** Part of the executive officers' annual variable remuneration is linked to an E&S criterion, concerning a proportion of 10% of the total target remuneration.

These criteria are completely in line with the Group's environmental and social strategy. The performance evaluation is analyzed by the Remuneration Committee, and then submitted for decision to the Board of directors and presented to the ex post vote of the General Meeting. The 2021 objectives and the assessment of their achievement are contained at pages 173 to 175 of the Universal Registration Document.

For 2022, as stated in the remuneration policy submitted to the General Meeting (pages 203 to 208 of the 2021 Universal Registration Document), the E&S criterion takes into account:

- o Safety and reliability: continue efforts to improve safety (lost-time accident frequency rates, road traffic accidents and job-related accidents),
- o Roll-out of the action plans relating to the Group's new sustainable development objectives; progress made concerning the various key indicators and harmonization with the 2025 trajectory for these new objectives.

**Long-Term Remuneration** (performance shares):

The executive officers benefit, to the extent of the IFRS amount determined by the remuneration policy adopted by the General Meeting, from Long-Term Remuneration plans, which also concern over 2,000 Group employees. The number of LTI granted depends on performance conditions which have, since the 2020 plans, incorporated a 10% criterion linked to the Group's Climate commitments (the reduction in the Group's carbon intensity for the 2020 and 2021 plans in line with the Climate objectives announced in 2018) and, with effect from the 2022 plans, a reduction in CO<sub>2</sub> emissions in absolute terms in line with the climate Objectives announced by the Group on March 23, 2021.

Accordingly, the environmental and societal criteria used to assess the executive officers' short and long-term remuneration are systematically aligned with the Group's ambitious ESG objectives.

**B/ Employees who receive variable remuneration:**

**Bonus:** 100% of Executives (approximately 400 top managers spread across all regions) share the same variable remuneration system, 15% of which is linked to E&S criteria: **Safety** and the local application of the Group's **ESG objectives**, announced in March 2021 (reduction in carbon emissions, diversity (gender, nationality) and roll-out of the Group's common basis of care coverage).

60% of other Group employees receive variable remuneration (including the Managers & Professionals, who represent 44% of the Group's workforce) which incorporates at least safety, as well as E&S criteria relevant to their scope.

**Long-Term Remuneration** (performance shares): Over 2,000 employees, including the Executives, are members of the Long Term Incentive Plans which include the criterion related to Climate commitments as described above (identical to the criterion for the executive officers).

<sup>2</sup> The Chairman of the Board of Directors (within the framework of the separate governance structure implemented beginning on June 1, 2022) does not receive any variable or long-term remuneration.

- What lessons have you learned from the new ways of organizing work linked to the Covid-19 pandemic (remote working, digital communication methods, greater flexibility, etc.) that have been implemented at your company in terms of their impact on working conditions? How does your Human Resources strategy currently integrate these new organizational methods? What social dialogue has been conducted on this topic (agreements, joint reflection on the future of work, etc.) across all your business lines and geographic locations?

The development of remote working has led to increased use of digital tools to ensure business continuity. Within the context of changes to organizational models, which were accelerated by the Covid-19 pandemic, the Group launched a global project in 2020 called "Next Normal" to support this shift in working methods. Within this project, the entities can provide their employees with:

- a new framework including team management;
- a supervised remote working policy, of up to 2 days remote working per week;
- reorganization of workspaces;
- a framework for reexamining interactions with customers and patients.

To facilitate the deployment of the project, a team within the Human Resources department developed a reference guide in 2021. First shared with managers, it helps the entities to set up new working methods based on the initial global experience. Working groups were then organized with employees in the entities to validate the commitments.

Management of the health crisis was very widely discussed with employee representatives in 2020 and 2021. Continuous and strengthened social dialogue was conducted with bodies such as the Social and Economic Council (SEC), the Group Committee, the European Committee and the health, safety and working conditions commissions (HSWCC) of the various entities. In particular, a new framework for work organization was defined based on a vision of what it will be in the future. This vision is linked to the "Next Normal" project and was the framework for the negotiation of remote working agreements at many Group companies. As a result of around thirty such agreements or charters in France, more employees are able to spend more time working from home with no disruption to working relationships.

Since 2021, the annual employee engagement survey worldwide has included questions on the impact of the health crisis in order to provide appropriate and timely responses.

- Do you have a definition of a "decent wage" which is not simply limited to the local statutory minimum wage? If so, which? How does your company guarantee that its employees (and also the employees of its suppliers) receive a decent wage?

Air Liquide shares the principles enshrined in the ILO (International Labor Organization) Declaration on Fundamental Principles and Rights at Work and is a signatory to the United Nations Global Compact. The state of the local market, local minima, the Group's pay equity and current legislation are fundamental considerations for the employee remuneration policy. This policy is based on three criteria: the position held, the degree of responsibility and performance. The remuneration may also include benefits such as death and disability cover, health insurance, profit-sharing or work-life balance solutions that vary from country to country. As part of the sustainability objectives announced in March 2021, Air Liquide's aim is to ACT to build trust by engaging with employees. The Group has therefore committed to offering a common basis of care coverage to all employees by 2025.

This common basis of care coverage guarantees:

- an insurance with a compensation equivalent to one year's salary in the event of death;
- healthcare that includes inpatient and outpatient care;
- a minimum of 14 weeks' paid maternity leave.

Concerning suppliers, Air Liquide rolls out all elements of the sustainable procurement procedure, which notably provides for the evaluation of sustainability-critical suppliers. They are identified based on four criteria:

- Air Liquide's current spend with the supplier;
- the risk relating to the nature of the supplier's activity;
- the risk relating to the country where the supplier carries out its main activities;
- the supplier's dependency on Air Liquide.

Their evaluation is mainly carried out using two kinds of questionnaires, and notably by an external platform specialized in the assessment of CSR performance (EcoVadis) which deploys an online questionnaire based on the ISO 26000 standard. Among the themes covered, social and human rights issues contain questions relating to remuneration.

- **France Scope:** apart from investments in your company's securities, what proportion of the employee savings funds available to your employees has a responsible label (SRI, Greenfin, CIES or Finansol)? How do you explain the fact that non-responsible funds are still held when there is no difference in profitability and when the Paris market is a leader in this area?  
In the other countries where you operate: do your pension and other employee savings schemes also include ESG criteria?  
How does the board of directors or supervisory board promote subscription to these types of employee savings funds?

Air Liquide offers its French subsidiaries a **Group Savings Plan** that includes a range of investments through **6 corporate mutual funds (FCPE)**.

As at 12/31/2021, this Group Savings Plan represented total assets of **441 million euros**. This offer allows employees to invest according to their profile, ranging from **very low risk investments** (money market funds) via diversified funds, and ending with **riskier assets**, that are fully invested in equities.

Air Liquide also provides a **shareholding fund** invested in company securities. This represents around 30% of employee savings.

Several of the funds follow a responsible investment policy:

- the **AL Développement Solidaire** corporate mutual fund is invested as to 5.8% in solidarity funds under the "finansol" label and as to 44.9% in "SRI" label funds;
- the **Rendement Mixte Air Liquide**, **Dynamique Air Liquide Croissance** and **Offensif Air Liquide Expansion** corporate mutual funds are respectively invested in funds with an "SRI" label as to 29.6%, 47% and 88.5%.

On the supervisory boards of the following three funds, **developments are underway to integrate extra-financial ESG** (Environmental, Social and Governance) **criteria** in the management processes and to formalize them in the regulations:

- **the Régulier Air Liquide Développement Solidaire mutual fund** (*under analysis*);
- **the Dynamique AL Croissance mutual fund** (*under analysis*);
- **the Offensif Air Liquide Expansion mutual fund** (*developments validated by the board members, to be implemented soon*).

At that time, the funds will be able to invoke **article 8** of the European **SFDR** regulation, concerning financial products that promote environmental and/or social characteristics, with a **sustainable investment** objective that they are able to report on.

Each of these mutual funds may be awarded an **SRI label** once these operations are completed.

It should be noted that the **Air Liquide Épargne** employee share ownership fund cannot engage in such a process, because of its very nature and management objective. Moreover, the **Natixis ES Monétaire** multi-company money market fund with a recommended three-month investment period, does not have a sustainable investment objective.

## IV. BUSINESS ACTIVITY

### 6. Questions from Mr. Jean-Baptiste PERRIER

- The hydrogen business that you are rolling out in Normandy relies on hundreds of millions of euros in subsidies. Can this type of installation be intrinsically profitable without state intervention? Is the risk of a shift in policy towards fewer subsidies taken into account in other projects?

Air Liquide has invested in and has been operating, since 2015, a low-carbon hydrogen production unit with a CO2 capture unit at Port-Jérôme. As part of the Normand'hy project, Air Liquide plans in the same basin: 1) to acquire Totalenergies' hydrogen production plant, 2) to add a Cryocap style CO2 capture unit in order to produce low-carbon hydrogen; 3) to build an electrolyzer of at least 200MW powered by renewable energy and 4) to connect these new low-carbon hydrogen production plants to the existing hydrogen network in the industrial basin.

In order to be approved, these projects must show a level of profitability consistent with Group criteria. They notably take into account a higher price due to the valorization of the low-carbon hydrogen supplied to our industrial customers. However, since low-carbon hydrogen production technologies are still relatively new, their construction costs remain high and subsidies enable the project to reach the required level of profitability. However, the production and commissioning costs of electrolyzers are expected to decrease as a result of economies of scale and technological improvements, thus enabling projects to reach an acceptable level of profitability without subsidies.

Furthermore, the grants for which we are applying are European grants decided within the framework of the Green Deal, announced in July 2020.

- [Air Liquide is involved in large underground seed banks storing seeds for all the planet's food crops. Can you provide details of the corresponding revenue and the technology used?](#)

In some underground seed banks, liquid nitrogen is used for the cryopreservation of some plants. However, the quantities involved are small.

Air Liquide is not currently a supplier of underground seed banks.

- [Is your development in quantum computing based on specific developments or on existing technology \(e.g. from the electronics industry\)?](#)

The technology and solutions we offer our customers for quantum computing are based on our extreme cryogenics technologies, which we have been developing for over 60 years. We are talking here about liquefaction and refrigeration technologies, notably developed for large scientific research instruments such as CERN for example, or for space. However, while our teams have long been familiar with the cold generation technology used in the quantum field - "the dilution system"-, Air Liquide acquired the company Cryoconcept in July 2020 in order to expand its extreme cryogenics portfolio and enter the quantum computing market. Cryoconcept designs and manufactures dilution systems. This means that Air Liquide can now offer its customers a range of services across the entire cold chain, ranging from 300 Kelvin (room temperature) to less than 10 milliKelvin (-273,14°C) to develop projects at the cutting edge of technology and science.

- [To what extent do you see this business opportunity developing in the future?](#)

The market is developing and will continue to do so progressively, initially with the sale of cryogenic equipment and the helium 3 needed to operate it. The amounts will therefore gradually increase in order to keep pace with the technological maturity of quantum computers. We expect the market to mature after 2030.

## V. OTHER

### 7. [Question from Mr. Hugues MOUSSET](#)

- [What is the position regarding the default transfer of all attendance fees to the Air Liquide Foundation?](#)

In 2020 and 2021, since the General Meeting was held behind closed doors, we had decided to donate the amount of the attendance fees usually paid to shareholders who attend the General Meeting in person to the Air Liquide Foundation.

The return to the usual General Meeting format also means a return to payment of the amount due to shareholders who attend the Meeting. If those shareholders wish to use it to support solidarity initiatives, we consider that this should be an individual decision.

**8. Question from Mr Christian HODORA**

- Why doesn't your company set up an optional system for the automatic reinvestment of dividends?

Such a system would be complicated for Shareholders, as we would have to ask them individually and obtain their reply before the dividend payment, and the question could only be asked after Shareholder approval of the dividend payment at the General Meeting, which would also make the process longer. It is simpler for Shareholders to place a stock market order, in particular our direct registered Shareholders who can place their stock market orders via the online Shareholder's Portal and thus benefit from a reduction in brokerage fees. They can also contact the Shareholder Services Department via our online contact form, or by telephone or letter, or by coming in person to the Shareholders' Lounge to place their orders with the help of our advisors.