Air Liquide

Fabienne Lecorvaisier
Executive Vice President
Supervising Sustainable Development
75, quai d'Orsay
75007 Paris

Andrew Howard
Global Head of Sustainable Investment
Schroders

Paris, 23/11/2021

Reference: your letter of September 30, 2021.

Dear Andrew,

We acknowledge receipt of your letter dated September 30, 2021. We appreciate your attention to this most serious subject and agree the urgency of action to tackle the threat climate change poses is intensifying. In this letter, we want to reinforce our stated commitments and actions implemented by our Group in the environmental fields, especially our **recent commitment to carbon neutrality by 2050**.

On **March 23, 2021,** we held our Sustainability Day, during which we announced ambitious ESG objectives to **ACT for a sustainable future**, based on 3 dimensions:

- **A** for Abatement of CO_2 emissions for a Low-Carbon society,
- **C** for Care for patients,
- **T** for Trust as a base to engage with our employees and build a best in class gouvernance.

In full support of the 2015 Paris agreement, the Group's commitments address the urgency of climate change and energy transition, targeting Carbon Neutrality by 2050 with key intermediary milestones in 2025 and 2035:

- **to start reducing its absolute CO_2 emissions around 2025**
- **to reach a 33% decrease of its Scope 1 & 2 CO_2 emissions by 2035 compared to 2020**

Within this context, the Group also **maintains its existing objective to reduce by -30% its carbon intensity** in kg CO_2/€ Ebitda in 2025, compared to 2015.

AL has presented its **full plan to decarbonize its assets** during its Sustainability Day in March 2021, by leveraging on capturing CO_2, accelerating low-carbon hydrogen production through electrolysis or by using renewable feedstock such as biomethane. With regards to indirect emissions, the focus will be on increasing energy efficiency and low carbon electricity consumption.

Air Liquide will also deploy a broad range of **low-carbon solutions for its clients to help them decrease their CO2 footprint.** This includes low-carbon gases offering, accompanying customers in industrial process transformation, recognized carbon capture expertise, as well as an asset takeover strategy with an objective to decarbonize them.

This plan also includes an **acceleration in Hydrogen development, to at least triple turnover in order to reach more than 6 billion euros by 2035**. The Group will reach that goal by **investing approximately 8 billion euros in the low-carbon hydrogen supply chain** and by contributing to the development of a low-carbon hydrogen ecosystem for the industry and clean mobility. **By 2030, Air Liquide aims at bringing its total electrolysis capacity to 3 GW.**

Air Liquide's advocacy regarding Hydrogen energy is not recent: together with Toyota it co founded the **Hydrogen Council** in Davos beginning of 2017 to bring together all key players in the Energy Transition and to coordinate efforts in energy, mobility and chemistry. Since then, the Hydrogen council has grown to now include more than 120 leading energy, transport and industry companies and has issued two major reports: Hydrogen, Scaling up, in September 2017 and Path to hydrogen competitiveness in January 2020.

At Air Liquide, **our Climate strategy is fully embedded in our decision processes**, notably with a systematic assessment of projects' sustainability in addition to financial review. The management of Carbon impact is also **cascaded down in local operations** in addition to financial targets, to ensure the full involvement of employees to reach our Carbon neutrality objective by 2050.

We acknowledge our responsibilities and have been working for many years on combining growth and respect for the environment thanks to our innovative technologies. More than a third of our innovation expenses is allocated to it. **Our development in biomethane and hydrogen** reflects this conviction.

Moreover, Air Liquide is **committed to full transparency on extra-financial information**, using international frameworks. Indeed, Air Liquide is an active member of the Task force for Climate-related Financial Disclosures (TCFD) and **declared its support to the TCFD in 2020**. Air Liquide already **applies the European Directive** in extra-financial information, which includes all TCFD recommendations, except the financial projection of climate-related measures. Matching tables are available in Air Liquide 2020 Universal Registration Document for both TCFD and SASB standards.

In July 2019, **Air Liquide joined the Science Based Targets initiative** (SBTi) and has been working with them in order to get Air Liquide trajectory validated.

At Air Liquide, **climate objectives are cascaded down in the operations** and their fulfillment is **part of managers compensation**. Regarding the Chairman & CEO remuneration, 10% of annual variable is linked to ESG objectives and 10% of the performance shares granted for the LTI is aligned with the carbon intensity target.

Economic performance and sustainable development are therefore at the heart of Air Liquide's growth strategy. If you wish additional information, the replay and the presentation of our Sustainability Day are both available on our website, and the Investor Relations team remains at your disposal.

Yours faithfully,

Fabienne Lecorvaisier
Executive Vice President
Supervising Sustainable Development

Schroders

30 September 2021

Dear Chair

The urgency of action to tackle the threat climate change poses is intensifying, and with it the pace of political and social change pushing companies to ensure climate ambitions are reflected in their strategies and goals. The financial risks of failing to act are closer to becoming reality.

We are therefore asking European companies that are key to driving the transition towards net zero greenhouse gas emissions to:

- set an ambition to achieve net zero emissions by 2050 or sooner, covering scope 1, 2 and most relevant scope 3 emissions
- set short-, medium-, and long-term targets aligned with the goal of limiting global warming to 1.5°C, again covering scope 1, 2 and most relevant scope 3 emissions
- produce and publish a detailed transition plan setting out how the company intends to meet its emission targets and overarching net zero ambition.

We will be monitoring company progress against these, and broader, indicators assessed as part of the CA100+ Net-Zero Company Benchmark and our own climate alignment tools. Certain climate indicators are also used to determine whether a company can be included in some of our sustainability-themed funds.

Further information on what we look for in a detailed transition plan can be found in the attached appendix.

As an active asset manager, we believe that we have a fundamental role to play in encouraging large companies to take account of the urgent need to plan, and execute, a transition to net zero.

We commend your company for its net zero ambition and the progress it has made so far. Around 25% of companies assessed by CA100+ have set a net zero ambition that also covers relevant scope 3 emissions, and we encourage your company to widen the scope of its ambitions and targets, and to continue to develop its transition plan.

We believe that good plans, carefully considered, will benefit both company valuations and contribute towards reducing climate change. These plans, and progress against them, are incorporated into the research tools we use to assess corporate sustainability, which help inform our investment decisions.

We are committed to driving change in our own business. We have joined the Net Zero Asset Manager initiative, through which we will align our investments to an emission pathway consistent with decarbonisation goals. Alongside this, we have joined the Business Ambition for 1.5°C, and have committed to the Science-Based Targets initiative.

Schroder Investment Management Limited
1 London Wall Place, London EC2Y 5AU
T +44 (0)20 7658 6000 **F** +44 (0)20 7658 6965
www.schroders.co.uk

You will be aware that the challenge ahead is immense. The ambitious commitments many governments have made to decarbonise their economies are quickly raising the strategic importance of far sighted climate plans across the corporate world.

Should you wish to discuss anything further, please get in touch with our Sustainable Investment team via ActiveOwnership@Schroders.com.

Yours faithfully

Andrew Howard

Global Head of Sustainable Investment

Schroders

Appendix: Transition plans

A detailed transition plan would ideally answer the following questions on your company's net zero ambition.

You may also wish to refer to the detailed framework and methodologies used by the CA100+ to assess companies on their progress.

Net zero ambition

Has the company set an ambition to reach net zero emissions by 2050 or sooner?

What is the scope of the company's ambition?

- Does it take the most relevant direct and indirect emissions (i.e. scope 1, 2 and relevant scope 3 emissions) into account?
- Is it restricted to operations or certain parts of the business?
- Does it include wider supply or value chains?

Target setting

Has the company provided details of short-, medium- and long-term targets aligned with the goal of limiting global warming to 1.5°C?

- Do the targets take the most relevant direct and indirect emissions (i.e. scope 1, 2 and relevant scope 3 emissions) into account?
- Are the targets appropriate within the context of the company's sector and region/country? How stretching are they compared to peers?

Has the company provided details of its target setting methodology?

- How are the company's targets defined (e.g. absolute emissions, emissions intensity) and are these appropriate for the company's sector?
- How are joint ventures, mergers, acquisitions and disposals treated?

Are the targets validated by the Science Based Targets initiative or an independent third-party?

How often will the company report progress against its targets?

Detailed transition plan

Has the company published a roadmap on how it intends to achieve net zero emissions?

- What timeframe does its roadmap cover?
- Is the company's transition plan incorporated into wider group strategy or disconnected from it?

What actions is the company taking to meet its net zero ambition?

- Has the company set out the impact of these activities in terms of emissions?
- What proportion of net zero emissions will be met by real emissions reductions rather than offsets or disposals of parts of the business?

Who is responsible for governance and oversight of the transition plan, including the most senior level of oversight within the organisation?

- Are board members and senior employees remunerated against the company’s emissions targets and / or other elements of the company’s transition plan?

Has the company considered the implications of its transition plan on its workforce and other stakeholders?

- What organisational and people changes are taking place across the business to facilitate the company’s transition?

Are company policies aligned with the company’s net zero ambition?

- How are the company’s lobbying efforts and industry memberships assessed for consistency with a low carbon transition?
- Is the company plugged into political discourse about net zero?

Does the company understand the financial implications of its transition plan, even if just in the short- to medium-term?

- Has the company provided an indication of the financial costs of implementing changes needed to deliver its plan?
- Has the company provided an indication of the financial savings or benefits its plan is expected to deliver?
- How is the company’s net zero ambition reflected in capital allocation decisions (e.g. internal price of carbon)?

How does the company deal with the uncertainty inherent in a 10- to 30-year plan?

- Has the company used scenario analysis to inform its plan?
- Is the technology required to meet the company’s plan viable yet?
- Has the company set out any assumptions or dependencies needed to meet its objectives?

Does the company plan to put its climate strategy to a shareholder vote?