

# Information on the remuneration of the Executive Officers

## Pursuant to the AFEP/MEDEF Code

At its meeting on February 14, 2018, the Board of Directors of Air Liquide adopted the components of remuneration of the Executive Officers.

### 1. 2017 fiscal year

The components of the Benoît Potier's remuneration are part of the new remuneration policy, as determined by the Board of Directors on February 14, 2017 and approved by the Shareholders during the Shareholders' Meeting on May 3, 2017 (10th resolution).

This policy takes account of the Group's new size following the acquisition of Airgas, which was major and transforming, and of the resulting increased level of responsibility of the executive officer. It was decided that, subject to a good performance, the successful integration of Airgas and subject to generating the synergies from Airgas, the total annual target of Benoît Potier's remuneration would be repositioned by stages until 2018/2019. The policy provides a balance of the fixed remuneration/variable remuneration/elements of long-term incentives ("LTI") of approximately 25%/35%/40%, the elements subject to performance conditions thus representing approximately 75%. A target objective is determined for each quantitative criteria, which include an objective of growth in revenue, in the trajectory of the NEOS Company Program. A greater relative weight is given to the quantifiable criteria as compared to the qualitative criteria, which are for their part simplified.

With regard to Pierre Dufour, who decided to claim his pension rights in 2017 et not to request the renewal of his office as Senior Executive Vice-President of L'Air Liquide S.A. at the close of the Shareholders' Meeting of May 2017, the fixed and variable remuneration and the other elements of remuneration will depend upon the amount of time he worked in 2017. The remuneration policy applicable to Pierre Dufour in respect of 2017 was approved by the Shareholders' Meeting on May 3, 2017 (11th resolution).

#### 1.1. Variable remuneration of the Chairman and Chief Executive Officer

##### 1.1.1. Reminder of the criteria and objectives for 2017

As a reminder, pursuant to the principles and criteria decided upon by the Board of Directors on February 14, 2017 and approved by the Shareholders' Meeting on May 3, 2017 (10th resolution), the variable remuneration is based on **three financial criteria**:

- the increase in **net earnings per share (recurring EPS)** (excluding foreign exchange impact and significant exceptional items; calculation made on the basis of the consolidated financial statements of the new Group for 2017 compared to the estimated financial statements for 2016 including Airgas as of January 1<sup>st</sup> and excluding the businesses available for sale),
- the **return on capital employed, after tax (ROCE)**,
- the comparable growth in **consolidated revenue** (excluding significant scope impact, excluding foreign exchange impact and energy costs; calculation made on the basis of the consolidated financial statements of the new Group for 2017 compared to the estimated financial statements for 2016 including Airgas as of January 1<sup>st</sup> and excluding the businesses available for sale).

The increase in **EPS** criterion makes it possible to take into account all the income statement items. The **ROCE** criterion, which makes it possible to measure the return on capital employed, is relevant in **a highly capital-intensive industry**.

These three criteria, growth in **revenue**, the **EPS** and the **ROCE** reflect **the balance achieved each year between profitable growth and return on investment**.

For each criterion, the Board of Directors had defined a target objective. The **objectives were exacting**. They were completely consistent with the **trajectory of the NEOS Company Program** which targets, for the period 2016-2020, an average annualised **growth in Group revenue** of +6% to +8% (including a scope impact linked to the consolidation of Airgas corresponding to +2% as an annualised average) and a **return on capital employed (ROCE)** of more than 10% after five to six years.

For each financial criterion, a formula adopted by the Board makes it possible to calculate the amount of the variable remuneration due (within the limit of a maximum) taking into account, on the basis of the consolidated financial statements for the fiscal year, the value achieved for the criterion as compared to the target objective set. Thus, in the event of a performance that exceeds the objective set, the value of the variable part is adjusted upward within the limit of the maximum set for each criterion. **In the event of a performance that is below the lower limit set for each objective, the fraction of the variable remuneration corresponding to this criterion is equal to zero.**

**The objectives are not made public for confidentiality reasons.** Nevertheless, the rate of achievement of the objectives for the variable remuneration as a % of the fixed remuneration and, consequently, as a % of the target remuneration for this criteria, are communicated below.

Benoît Potier's variable remuneration for 2017 was also based on personal (qualitative) criteria relating:

- **for two-thirds to the following three fields:**
  - **Integration of Airgas:**
    - finalising the integration of Airgas,
    - achieving the amount of synergies announced for 2017,
  - **CSR:**
    - safety and reliability – Continuing the efforts to improve safety in terms of the lost-time accident frequency rate – Increasing vigilance with regard to prevention in terms of road/professional accidents,
    - continuing the deployment of the Corporate Sustainability Program (CSP). Ensuring the due and proper setting-up of the specialist committee on the Board (Environment and Society Committee),
  - **Organisation/Human resources:**
    - progress by young managers,
    - organisation of the succession plans,
- **for one-third to individual performance.** This criterion responds to the Board of Directors' desire to keep a part of the variable remuneration subject to the Board's assessment, in order to take account of the unpredictability of the environment. This may be beneficial to the executive officer if the Company is facing an unfavourable environment which was not anticipated at the time the objectives were set, or disadvantageous if the environment ultimately turns out to be more favourable than anticipated.

The weight of each criterion, expressed as a percentage of the fixed remuneration, is as follows:

	Target variable remuneration <i>(as a percentage of the fixed remuneration)</i>	Maximum variable remuneration <i>(as a percentage of the fixed remuneration)</i>
<b>Financial criteria (quantifiable), incl. :</b>	<b>105</b>	<b>122</b>
● Recurring EPS	40	47
● ROCE	45	52
● Revenue	20	23
<b>Personal criteria (qualitative), incl. :</b>	<b>45</b>	<b>45</b>
● Integration of Airgas, CRS, Organisation/HR	30	30
● Individual performance	15	15
<b>TOTAL</b>	<b>150</b>	<b>167</b>

### 1.1.2. Rate of achievement of the objectives for 2017

At its meeting on February 14, 2018, the Board of Directors made an assessment of the performance of the executive officers for 2017.

With regard to the **financial criteria (quantifiable criteria)**, the results in 2017 were above the target set for the criterion of recurring EPS and almost at the target set for the ROCE and the consolidated revenue criteria. The amount of the variable remuneration in respect of these criteria is as follows:

- Recurring EPS: 47% of the fixed remuneration, representing 117.5% of the target remuneration for this criterion,
- ROCE: 43.7% of the fixed remuneration, representing 97% of the target remuneration for this criterion,
- Revenue: 19.6 % of the fixed remuneration, representing 98% of the target remuneration for this criterion.

The performance, with regard to the **personal objectives (qualitative objectives)**, was considered to be **excellent. The amount of the variable remuneration for these criteria is as follows:**

- Integration of Airgas, CSR, Organisation/Human resources: 27.8% of the fixed remuneration, representing 92.5% of the target and maximum remuneration for this criterion,
- Individual performance: 15% of the fixed remuneration, representing 100% of the target and maximum remuneration for this criterion.

i.e. in total 42.75% of the fixed remuneration, representing 95% of the target and maximum remuneration for the personal objectives.

When assessing performance with regard to personal criteria, the Board of Directors noted the following:

- **Integration of Airgas and synergies:** the integration of operations is completely finalised and a shared organisation, supported by integrated systems, is now in place. The Air Liquide processes are also gradually implemented at Airgas (in particular safety, human resources policy and Research and Development).

Airgas synergies represent 215 million US dollars cumulatively since the acquisition of Airgas in May 2016 and 170 million US dollars in 2017 alone - 40 million more than initial objectives. Growth synergies totaled approximately 25 million US dollars cumulatively and are in line with expectations.

- **CSR:** in 2017, with regard to safety, lost-time accidents were reduced in terms of their frequency (drop from 1.76 in 2016 to 1.61 in 2017) and in terms of their number (drop from 229 in 2016 to 198 in 2017). A significant drop in the number of accidents has been noted at Airgas, together with a drop in the number of business-related and process-related incidents.

Moreover, the Environment and Society Committee is now in place and has already met on two occasions during the second half of 2017. It is responsible for the deployment of the sustainable development programme, and tackles those issues which are a priority for Air Liquide: energy transition and development of chronic diseases. Quantitative objectives linked to the climate are in the process of being drawn up, a task force having been set up for this purpose. Moreover, Benoît Potier is Co-Chair of the Hydrogen Council created in January 2017. First global initiative of its kind, the 'Hydrogen Council' is determined to position hydrogen among the key solutions of the energy transition. It was present at the COP 23 and the One Planet Summit and an investor day was organised in September in New York.

- **Organisation/Human Resources :**
  - Implementation of organisational changes in the management teams: following the recent retirements of Pierre Dufour, Senior Executive Vice-President, and Jean-Pierre Duprieu, Executive Vice-President, three Executive Vice-Presidents and two new Company Directors were appointed on July 1st, 2017. The method of operational management was also changed in mid-2017 in order to promote interaction and to allow for more agility in decision-making; it

proved to be successful right from the 2nd part of the year. In line with these changes, succession plans have been determined.

- Lastly, a programme dedicated to young managers who show strong potential is in place and ensures their advancement within the organisation. For the last few years, more employees have been involved with the Company's long-term objectives through the performance share programme.

- **Individual performance:**

The year 2017, which saw an improvement in the macro-economic climate, was also marked by continued geopolitical uncertainty (which affected the Group's activities, particularly in Eastern Europe and the Middle East) and an unfavourable foreign exchange impact for the year (which affected the Group, in particular as a result of the consolidation of activities in the USA). Against this background, the individual performance of the Executive Officers was considered to be excellent. With regard to Mr Benoît Potier, was emphasised his strong commitment to long-term investments (development of the Hydrogen Energy business, Group innovation in particular through the renewal of the research centres).

In total, the amount of the variable remuneration represents 153% of the fixed remuneration (compared to a target of 150% and a maximum of 167%), which is 55.1% higher than the variable remuneration for 2016. This variation can be explained by the fact that, although the variable remuneration for 2017 is on target in light of the 2017 results, on the contrary in 2016, in the context of moderate world growth, the results obtained for the recurring EPS and the ROCE were lower than the objectives set, which had a significant impact on the level of variable remuneration (a decrease of -24% in the variable remuneration for 2016 as compared to 2015).

As an annualized average, Benoît Potier's variable remuneration increased by +4% over 3 years, by +3.4% over 5 years and by +3.2 % over 10 years.

The total amount of the variable remuneration due for the 2017 fiscal year in respect of the term of office will be paid in 2018, after approval of the financial statements by the Annual Shareholders' Meeting it being noted that its payment is conditional on approval by an Annual Shareholders' Meeting of the elements of Benoît Potier's remuneration for 2017, under the conditions provided by Article L.225-100 of the French Commercial Code.

## **1.2. Variable remuneration of the Senior Executive Vice-President for 2017 (pro rata the amount of time worked in 2017)**

### **1.2.1. Reminder of the criteria and objectives for 2017**

For 2017, during which Pierre Dufour decided to claim his pension entitlements<sup>1</sup>, it had been decided, in accordance with the principles and criteria adopted by the Board of Directors on February 14, 2017 and approved by the Annual Shareholders' Meeting on May 3, 2017 (11<sup>th</sup> resolution), that the **financial criteria** for Pierre Dufour's variable remuneration would be, for simplicity, identical to those for 2016:

- increase in **recurring net earnings per share** (recurring EPS) (excluding foreign exchange impact and significant exceptional items). For 2017, the calculation is made on the basis of the consolidated financial statements of the new Group compared to the estimated financial statements for 2016 including Airgas as of January 1<sup>st</sup> and excluding the businesses available for sale.
- the level of return on capital employed after tax (ROCE).

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<sup>1</sup> Since Pierre Dufour has decided to claim his pension entitlements, his term of office as Senior Executive Vice-President of L'Air Liquide S.A. came to an end at the close of the Shareholders' Meeting on May 3, 2017. His term of office as managing director of the German subsidiary ALGMS came to an end on July 14, 2017.

For each criterion, the Board of Directors defined an **exacting objective**. **This objective is not made public for confidentiality reasons.**

For each financial criterion, a formula adopted by the Board makes it possible to calculate the amount of the variable remuneration due (within the limit of a maximum) taking into account, on the basis of the consolidated financial statements for the fiscal year, the value achieved for the criterion as compared to the target objective set. Thus, in the event of a performance that exceeds the objective set, the value of the variable part is adjusted upward. In the event of a performance that is below the lower limit set for each objective, the fraction of the variable remuneration corresponding to this criterion is equal to zero.

The **personal (qualitative) criteria** determined by the Board of Directors for Pierre Dufour's variable remuneration for 2017 were identical to those set for Benoît Potier (see §1.1.1) and were related:

- for two-thirds, to the following three fields:
  - the integration of Airgas,
  - CSR,
  - Organisation/Human Resources;
- for one-third, to an individual performance.

### Weight of each criterion

**In respect of 2017**, the variable remuneration, expressed as a percentage of the fixed remuneration, could amount to a maximum of 140% for the Senior Executive Vice-President.

The weight of each criterion and the maximum amount of the variable remuneration, expressed as a percentage of the fixed remuneration, were identical to those in 2016 and were as follows:

	<b>Weight</b> <i>(as a percentage of the fixed remuneration)</i>
<b>Financial criteria (quantifiable)</b>	85
Recurring EPS	50
ROCE	35
<b>Personal criteria (qualitative)</b> including: Integration of Airgas, CSR, Organisation/Human Resources and individual performance	55
<b>Total (maximum expressed as a percentage of the fixed remuneration)</b>	140

### 1.2.2. Rate of achievement of the objectives for 2017

The Board of Directors on February 14, 2018 made an assessment of Pierre Dufour's performance for 2017.

**With regard to financial criteria (quantifiable criteria)**, the results in 2017 were above the objective set for the Recurring EPS and slightly below the objective for the ROCE. Pierre Dufour's variable remuneration in respect of these criteria amounts to:

- Recurring EPS: 50% of his fixed remuneration,
- ROCE : 34% of his fixed remuneration.

The performance with regard to **personal objectives**, which were common to the executive officers, was considered to be excellent (see §1.1.2). The amount of the variable remuneration in respect of the personal objectives represents 52.3% of Pierre Dufour's fixed remuneration.

In total, the amount of the variable remuneration, as a percentage of the fixed remuneration, represents 136.25% (compared to a maximum of 140%) of the fixed remuneration, which is 63.1% higher than the variable remuneration for 2016 (on an annual basis for 2017). The reasons for such variation are identical to those relating to Benoît Potier's variable remuneration (see §1.1.2. above - Pierre Dufour's variable remuneration also decreased by -24% between 2015 and 2016). As an

annualized average (annual basis for 2017), Pierre Dufour's variable remuneration increased by +4.8% over 5 years.

The variable remuneration due for the 2017 fiscal year for the office of the Senior Executive Vice-President (pro rata the amount of time worked in the fiscal year) will be paid in 2018, after approval of the financial statements by the Annual Shareholders' Meeting it being noted that its payment is conditional on approval by an Annual Shareholders' Meeting of the elements of the Senior Executive Vice-President's remuneration for 2017, under the conditions provided by Article L. 225-100 of the French Commercial Code.

### 1.3. Total of the fixed and variable remuneration

The total amount of gross remuneration is therefore as follows:

<i>Amounts in €</i>	<b>B. Potier</b>	<b>P. Dufour *</b>
Fixed remuneration	1,275,000	320,663
Variable remuneration	1,950,750	436,981
<b>Total fixed + variable remuneration</b>	<b>3,225,750</b>	<b>757,644</b>

*\* prorata temporis.*

For Benoît Potier, the total fixed and variable remuneration for 2017 is 32.6% higher as compared to 2016. The variation of the total remuneration can mainly be explained by a substantial increase in the variable remuneration for 2017 as compared to the level in 2016, which was below the objectives set (see explanation §1.1.2). In that respect, while the total target remuneration increased by approximately +8% between 2016 and 2017, the decrease in the variable remuneration for 2016 as compared to the variable remuneration for 2015 (-24%) results in an important mechanical (but not significant) increase in the total fixed and variable remuneration between 2016 and 2017.

As an annualized average, the fixed and variable remuneration of Benoît Potier increased by +4.41% over 3 years, by +3.22% over 5 years and by +2.80 % over 10 years.

With regard to Pierre Dufour, whose remuneration depends on the time worked in 2017, the remuneration on an annual basis increased by +28.7% as compared to 2016. This corresponds, in terms of annualized average, to an increase of +3.3% over 5 years.

Pierre Dufour, who was in charge of the management of the Frankfurt hub, also received 134,921 euros paid by the German subsidiary and which includes, in particular, as to approximately one-half, an amount corresponding to the benefits in kind (housing) which he previously benefitted from under his employment contract in France (paid in accordance with the amount of time worked in 2017). In Germany, Pierre Dufour received an amount of 60,667 euros corresponding to the balance of the paid leave which he had not yet taken on the expiry of his service agreement entered into with the German subsidiary ALGMS.

The Board of Directors placed on record the benefits in kind paid for the benefit of the executive officers in 2017 which include the use of a company car for each of the two executive officers as well as, for Benoît Potier, contributions to unemployment insurance for company managers and corporate officers.

It placed on record that the Group paid to third parties, for Benoît Potier, the contributions to the supplementary defined contribution pension plans, to the collective life insurance plan and the additional death and disability benefits plan, and for Pierre Dufour, the contributions in respect of the savings contract entered into by the German company.

## 2. 2018 fiscal year

### 2.1. Remuneration policy applicable to the Chairman and Chief Executive Officer

The Board of Directors, at its meeting on February 14, 2018, recorded that the conditions on which the implementation of a change to the remuneration policy for the Chairman and Chief Executive Officer were dependent for 2018-19 are satisfied.

In terms of performance, 2017 was marked by an acceleration in comparable sales growth during the second half and an improvement in operating performance which was reflected in an increase in operating margin and return on capital employed.

The integration of operations of Airgas is completely finalised and a shared organisation, supported by integrated systems, is now in place.

Airgas synergies represent 215 million US dollars cumulatively since the acquisition of Airgas in May 2016, and 170 million US dollars in 2017 alone – 40 million more than initial objectives.

It can be seen from these elements that the conditions determined in 2017 for the repositioning of Benoît Potier's remuneration are satisfied. The Board of Directors, at its meeting on February 14, 2018 took care, however, to take account of the remarks made by certain shareholders and, on the recommendation of the Remuneration Committee, decided to mitigate this repositioning by limiting the increase in the fixed remuneration. Accordingly, in 2018, the total target annual remuneration grows by +5.2% as compared to 2017 (instead of + 8 %, as initially planned). With such evolution, the repositioning started in fiscal year 2017 is thus complete in fiscal year 2018.

In keeping with the remuneration policy defined in 2017, the remuneration structure for 2018 is as follows:

- maintaining a proportionate balance between the three remuneration components (fixed, variable and elements of long-term incentives) so that, in accordance with recurring practice at Air Liquide:
  - the weight of the **variable remuneration and the elements of long-term incentives (or "LTI") combined continues to represent approximately 75%** of the total annual remuneration; and that
  - in the balance between the aforementioned three components, a slightly greater weight continues to be given to the LTI. Accordingly, **the fixed remuneration represents approximately 25%, the variable remuneration 35% and the LTI 40%** of the total remuneration;
- maintaining unaltered the structure of the annual variable remuneration, while making certain improvements to take account of the remarks made by certain shareholders. Thus:
  - (i) the variable part continues to be expressed as a **target variable part (as a % of the fixed part) and as a maximum**; the total target variable remuneration represents approximately 90% of the total maximum variable remuneration, for a very good performance. Consequently, for a fixed remuneration of 100, the target is 150% and the maximum is 167%.
  - (ii) the quantifiable criteria remain unchanged as compared to 2017 (Recurring EPS, ROCE and revenue, the last of these criteria having been added in 2017 and forming, like the ROCE, part of the strategic objectives of the NEOS Plan),
  - (iii) the qualitative criteria continue to be based, as to two-thirds, on three to four categories or sub-categories of objectives which are defined each year and, as to one-third, on an evaluation of the individual performance,
  - (iv) in the weighting of the various criteria adopted (see the table below):
    - a **greater relative weight is still given to the quantifiable criteria** as compared to the qualitative criteria,
    - a **weighting is now given to each of the qualitative criteria, in order to meet the expectations of certain shareholders,**
    - as before, each quantifiable criterion is given a target weighting (expressed as a % of the fixed remuneration) corresponding to a 100% achievement of the target objective set at



- the start of the year, and a maximum weighting (expressed as a % of the fixed remuneration),
- the target weighting and the maximum weighting are communicated ex ante; the actual weight of each criterion in determining the variable remuneration due in respect of the fiscal year shall be established in accordance with the performance measured for each criterion in light of the target objective, based on applying a formula for the financial criteria and on the assessment of the executive officer's performance by the Board of Directors on the recommendation of the Remuneration Committee for the qualitative criteria. The rate of achievement of the objectives for the variable remuneration as a % of the fixed remuneration and, hence, as a % of the target objective assigned to this criterion, will be communicated ex post.

Finally, following the remarks made by certain shareholders, the Board meeting in February 2018 decided, for the **LTI**, to introduce for any executive officer, in the event of his departure (other than resignation or removal from office for serious cause which are events of loss) between the initial allocation and the expiry of the period of assessment of the performance conditions, the **principle of a proration on the basis of his actual presence**. This rule, which makes it possible to justify with precision the percentage of LTI granted in respect of the period of presence, replaces the previous practice of not allocating any LTI in the year prior to retirement. As before, no allocation is granted in the year of departure. Accordingly, solely for the executive officers and for all events of departure for any reason other than resignation or removal from office for serious cause, the total rate of allocation (after applying the performance conditions) is reduced on a prorated basis to the number of months during which the executive officer was effectively present at the Group during the period of assessment of the performance criteria. The executive officer remains subject to all the provisions of the plans, including in particular those relating to the vesting periods, the lock-up and the holding of the shares and stock options granted.

## 2.2. Implementation for the 2018 Remuneration

Applying the principles and objectives noted above, the Board of Directors, at its meeting on February 14, 2018 adopted the components of Benoît Potier's remuneration for 2018 as follows:

### 2.2.1. Fixed remuneration

The fixed remuneration is set at 1,325,000 euros, an increase of +3.9% as compared to 2017. **The average annual increase in the fixed remuneration over the last five years is +3.79%.**

### 2.2.2. Variable remuneration

The Board of Directors, on the recommendation of the Remuneration Committee, decided that the criteria for the variable remuneration for 2018 would be as follows:

- **Three quantifiable financial criteria identical to those for 2017:**
  - the increase in net earnings per share (Recurring EPS) (excluding foreign exchange impact and significant exceptional items),
  - the return on capital employed, after tax (ROCE),
  - the comparable growth in consolidated revenue (excluding significant scope impact, excluding foreign exchange impact and energy).

The increase in EPS criterion makes it possible to take into account all the income statement items. The ROCE criterion, which makes it possible to measure the return on capital employed, is relevant in a highly capital-intensive industry. These three criteria, growth in revenue, the recurring EPS and the ROCE reflect the balance achieved each year between profitable growth and return on investment.

The ROCE and growth in revenue criteria are among the four objectives of the NEOS strategic plan.



For each criterion, the Board of Directors has defined a target objective, which is **not made public for confidentiality reasons**.

**The target objectives are exacting. They are completely consistent with the trajectory of the NEOS Company Program which targets, for the period 2016-2020, an average annualised growth in Group revenue of +6% to +8% (including a scope impact linked to the consolidation of Airgas corresponding to +2% as an annualised average) and a return on capital employed (ROCE) of more than 10% after five to six years.**

For each financial criterion, a formula adopted by the Board makes it possible to calculate the amount of the variable remuneration due (within the limit of a maximum) taking into account, on the basis of the consolidated financial statements for the fiscal year, the value achieved for the criterion as compared to the target objective set. Thus, in the event of a performance that exceeds the objective set, the value of the variable part is adjusted upward within the limit of the maximum set for each criterion. In the event of a performance that is below the lower limit set for each objective, the fraction of the variable remuneration corresponding to this criterion is equal to zero.

- **Qualitative personal criteria, a weighting being allocated to each of them with effect from 2018** (see the summary table below). They relate:
  - **for one third, to RSE:**
    - o Safety and reliability – continue efforts to improve safety in terms of the lost time accident frequency rate and vigilance concerning the prevention of road traffic and business-related accidents,
    - o Deployment of the sustainable development programme – Definition and communication of the CSR objectives for the Group, in line with the NEOS programme.
  - **for one third, to Organisation/Human Resources:** continuation of the policy to develop talent, in particular for the advancement of young managers – Organisation of future succession plans.
  - **For one third, to an individual performance.** This criterion responds to the Board of Directors' desire to keep a part of the variable remuneration subject to the Board's assessment, in order to take account of the unpredictability of the environment. This may be beneficial to the executive officer if the Company is facing an unfavourable environment which was not anticipated at the time the objectives were set, or disadvantageous if the environment ultimately turns out to be more favourable than anticipated.

A target and maximum weight is set for these qualitative criteria.

The summary table below provides details of the allocation key for the criteria for the variable remuneration, together with the target and maximum weight for each element.

Type of criterion	Indicator	Measure (see detailed description above)	Target <sup>(1)</sup>		Maximum	
			As a % of the fixed remuneration	As a % based on 100	As a % of the fixed remuneration	As a % based on 100
Financial criteria (quantifiable)	Earnings per share (Recurring EPS) <sup>(2)</sup>	Increase in the Recurring EPS	40	26.7	47	28.1
	Return on capital employed (ROCE)	Value <sup>(4)</sup>	45	30	52	31.1
	Revenue <sup>(3)</sup>	Comparable growth in consolidated revenue	20	13.3	23	13.8
	<b>SUB-TOTAL</b>		<b>105</b>	<b>70</b>	<b>122</b>	<b>73</b>
Personal criteria (qualitative)	CSR	Safety and reliability: continue efforts to improve safety in terms of the last time accident frequency rate and vigilance concerning the prevention of road traffic and business-related accidents Deployment of the sustainable development programme – Definition and communication of the CSR objectives for the Group, in line with the NEOS programme.	15	10	15	9
	Organisation / Human Resources	Continuation of the policy to develop talent, in particular for the advancement of young managers – Organisation of future succession plans.	15	10	15	9
	Individual performance	Assessment by the Board of Directors, in light in particular of the external environment for the year.	15	10	15	9
	<b>SUB-TOTAL</b>		<b>45</b>	<b>30</b>	<b>45</b>	<b>27</b>
<b>TOTAL</b>			<b>150</b>	<b>100</b>	<b>167</b>	<b>100</b>

- (1) The target corresponds to 100% achievement of the performance criterion  
(2) Excluding the foreign exchange impact and significant exceptional items  
(3) Excluding significant scope impact, foreign exchange impact and energy  
(4) As at December 31, 2018

The total amount of the variable remuneration due for the 2018 fiscal year in respect of the term of office will be paid in 2019, after approval of the financial statements by the Annual Shareholders' Meeting, it being noted that its payment is conditional on the approval by an Annual Shareholders' Meeting of the elements of Benoît Potier's remuneration for 2018, under the conditions provided by Article L. 225-100 of the French Commercial Code.

### 2.2.3. Long-term remuneration components

The following principles were adopted by the Board of Directors on February 14, 2018 for the allocation programmed for the autumn of 2018:

- the Board decided to continue with the policy initiated in 2015 aimed at giving preference to performance shares rather than stock options in terms of the volumes granted. The Board confirmed that, according to the principle adopted in 2016, the award of performance shares and options to the executive officer and the changes therein over time will be assessed in terms of the

IFRS value (and no longer in terms of the volumes granted), for all stock option and performance share plans combined.

For 2018, the Board of Directors intends to grant to Benoît Potier LTI representing an IFRS value of approximately 2,250,000 euros representing 40.4 % of the total target remuneration for 2018.

- all the stock options and performance shares granted are subject to performance conditions that apply to both the stock option and performance share plans and are calculated over a period of three years. As decided in 2017, the relative TSR criterion is simplified and consequently includes a comparison with a single published index: the CAC 40 TSR index, reinvested dividends. For the fraction of the performance condition which depends upon this relative TSR criterion, no grant of stock options or performance shares will be possible, if the average of the Air Liquide TSR (reinvested dividends) over the period is lower than the average of the CAC 40 TSR, reinvested dividends, over the same period.

The performance conditions, which apply to the plans decided upon in the autumn, are set by the Board of Directors at the start of the year, at the February meeting, in order to comply with a reference period of three full years.

The exacting objectives set for each performance condition are made public ex post, at the end of the Board Meeting in the month of February following the end of the three fiscal years during which the performance has to be achieved. The rate of achievement for the performance conditions and the percentage of stock options/performance shares definitively awarded are also published at the end of this Board Meeting.

### Performance conditions

As a consequence of the above, the performance conditions which apply to all the beneficiaries of the stock option and performance share plans which will be allocated in 2018 have been determined by the Board of Directors on February 14, 2018. The number of stock options which can be exercised out of the total number of options which will be granted, together with the number of performance shares definitively allocated pursuant to the 2018 Plans will depend:

- (i) for 65% of the stock options/performance shares granted,** on the rate of achievement of an objective, set by the Board, consisting of the average annual rates of growth in the Group undiluted net earnings per share, excluding foreign exchange impact and excluding significant exceptional items (“Recurring EPS”) for the fiscal years 2018, 2019 and 2020. At the objective set, the grant is 100%, and then decreases on a straight-line basis to zero, if there is no growth in the EPS.

This objective has been set, as for the 2017 Plans, at a level of growth included within the bracket of + 6 % to + 10 % per year. The objective will be communicated ex post;

- (ii) for 35% of the stock options/performance shares granted,**

- for 50% of the stock options/performance shares referred to in sub-paragraph (ii): on an objective of return for the shareholder set by the Board, defined as the average annualised growth rate of an investment in Air Liquide shares, reinvested dividends, for fiscal years 2018, 2019 and 2020 (“AL TSR”). The objective of an absolute TSR is set in accordance with the historic performances. At the objective set, the grant is 100%, then decreases on a straight-line basis, to a lower limit,
- for 50% of the stock options/performance shares referred to in sub-paragraph (ii): on the rate of shareholder return from an investment in Air Liquide shares, reinvested dividends – sourced from Bloomberg (“B TSR”), as compared to the CAC 40 TSR index, reinvested dividends (sourced from Bloomberg).

The rate of achievement will be 0%, if the average of the Air Liquide TSR is lower than the average of the CAC 40 TSR, 50% if it is equal to the average of the CAC 40 TSR and 100%, if it is

at least higher than 2 % of the average of the CAC 40 TSR on the basis of a straight-line change. Any grant for a performance lower than the average of the CAC 40 TSR is impossible.

The rate of achievement of the performance conditions will be recorded by the Board at the time when the financial statements are adopted for the 2020 fiscal year.

### Shareholding and share ownership obligations

On the recommendation of the Remuneration Committee, the Board defined the shareholding obligations resulting from Articles L. 225-185 and L. 225-197-1 of the French Commercial Code applicable to the shares resulting from the exercise of stock options and performance shares respectively as from September 28, 2015. They lead to the obligation, for Benoît Potier, to hold, in registered form, until the termination of his duties, a minimum quantity of shares corresponding to 50% of the capital gain on acquisition net of social security charges and tax resulting from each exercise of stock options/each definitive award of performance shares.

This percentage will be lowered to 5%, as soon as the quantity of shares held by the executive officer represents an amount equal to at least three times the gross annual fixed remuneration of the executive officer concerned.

In addition, the internal rule defined by the Board of Directors since 2008, pursuant to which the Chairman and Chief Executive Officer must hold in a registered share account a number of shares equivalent to twice his gross annual fixed remuneration remains in effect. This obligation will remain in force until it is exceeded by the effect of the aforementioned rules resulting from the French Commercial Code. The number of shares required to be held is assessed as of January 1<sup>st</sup> and July 1<sup>st</sup> of each year.

At its meeting on February 14, 2018, the Board of Directors recorded that, at January 1, 2018, the minimum shareholding obligation pursuant to these rules is complied with by the Chairman and Chief Executive Officer.

### Other rules applicable to the Executive Officer

- **Condition of presence:** loss of the stock options/rights to the performance shares in the process of being acquired, in the event of resignation or removal from office for serious cause.
- Implementation, with effect from the 2018 stock option and performance share plans, of the **principle of proration on the basis of the actual presence of the Executive Officer**, in the event of a departure during the period of assessment of the performance conditions. This principle will apply (i) only to the executive officers, (ii) in all cases of a departure for a reason other than resignation or removal from office for serious cause. Accordingly, in practice, the total allocation rate (after applying the performance conditions) will be reduced on a prorated basis to the number of months' actual presence of the Executive Officer at the Group during the period of assessment of the performance criteria.

In addition, no grant will be made to an executive officer in the year of his departure, in accordance with the AFEP/MEDEF Code.

## 3. Recording of the achievement of the performance conditions under the 2015 stock option and performance share plan

The Board of Directors of L'Air Liquide, at its meeting on September 28, 2015, decided all **the performance share and stock option plans for 2015**. For the first time, performance shares were awarded to the Executive Officers, as a replacement for (and not in addition to) stock options. Furthermore, the performance conditions for the performance shares were aligned with those for the stock options.

On the basis of the financial statements adopted for the 2017 fiscal year submitted for the approval of the Annual Shareholders' Meeting on May 16, 2018, the Board of Directors recorded, at its meeting on February 14, 2018, the rate of achievement of the performance conditions which apply to all the stock

options and performance shares awarded to any beneficiary as defined at the time of implementation of the September 28, 2015 stock option and performance share plans.

The 2015 plans provided that the number of stock options which could effectively be exercised in respect of the total number of stock options granted, together with the number of performance shares definitively awarded, within the scope of the 2015 plans, would depend on the rate of achievement of the following objectives:

**(i) for 65 % of the stock options/performance shares granted**, an objective of the average annual increase in the Recurring EPS for the fiscal years 2015, 2016 and 2017 set at +5% (a) in order to be able to exercise all the stock options and (b) in order for all the shares to be awarded, and then decreasing on a straight-line basis to 0% growth.

The Board of Directors recorded that the average annual growth of the recurring EPS over the aforementioned period amounted to + 5.67 %, i.e. an objective achieved as to 100 %;

**(ii) for 35 % of the stock options/performance shares granted**, an objective of shareholder return:

- for 50 % of the stock options/performance shares referred to in sub-paragraph (ii): an objective defined as the average annualised growth rate of an investment in Air Liquide shares for the fiscal years 2015, 2016 and 2017 ("AL TSR"), set at 8 % (a) in order to be able to exercise all the stock options and (b) in order for all the shares to be awarded, and then decreasing on a straight-line basis to 4 %.

The Board of Directors recorded that this growth, over the aforementioned period, amounted to 10.58% per annum, i.e. an objective achieved as to 100 %,

- for 50 % of the stock options/performance shares referred to in sub-paragraph (ii): the rate of shareholder return from an investment in Air Liquide shares, reinvested dividends – sourced from Bloomberg ("B TSR"), as compared to a reference index made up:
  - as to half by the CAC 40 index, reinvested dividends (sourced from Bloomberg), and
  - as to half by the return for the shareholder from companies in the industrial gas sector - Peers (average of Air Liquide, Linde, Praxair and Air Products), reinvested dividends (sourced from Bloomberg).
- in respect of the fiscal years 2015, 2016 and 2017.

The rate of achievement was 0% if the rate of return for Air Liquide was 3% less than the median objective, and 100% if the rate of return for Air Liquide was more than 3% higher than the objective.

The rate of return for Air Liquide over the aforementioned period is 7.3 %. That of the CAC 40 index over the same period is 11.1 % and that of the companies in the business sector amounts to 9.5 %.

Consequently, the difference between the rate of return for Air Liquide and the average rate of return for the CAC 40 and Peers indices amounts to -3.001 %. Thus, the proportion of stock options/shares that can be exercised/awarded pursuant to this relative criterion is 0 %.

Accordingly, the Board of Directors recorded that the rate of achievement of performance conditions amounts to 82.50%. The number of stock options and performance shares has been adjusted for the 2016 capital increase and the 2017 free share attribution and amounted after adjustment to 79,263 stock options and 11,324 performance shares for Benoît Potier and to 45,181 stock options and 6,455 performance shares for Pierre Dufour. The definitive number of stock options and performance shares after taking into account the rate of achievement of performance conditions is: 65,391 stock options and 9,342 performance shares for Benoît Potier and 37,274 stock options and 5,325 performance shares for Pierre Dufour.

#### **4. Regulated agreements and commitments concerning Benoît Potier and Pierre Dufour**

- In accordance with French law, in connection with the renewal of the Chairman and Chief Executive Officer's term of office in May 2018, the Board of Directors held on February 14, 2018 took the following decisions with regard to the termination indemnity and the defined benefit pension plan which Benoît Potier benefits from and that will be voted during the Shareholders' Meeting on May 16, 2018:
  - **Termination indemnity:** taking account of the remarks made by certain shareholders, the Board of Directors decided to amend the termination indemnity which Benoît Potier could benefit from. Thus, the non-renewal from office is removed from the list of events of forced departure. Furthermore, if the departure is related to a change of control, the period during which the indemnity is due is reduced from 6 months following the change of control, as compared to 24 months previously.  
The termination indemnity, capped at 24 months of gross fixed and variable remuneration, is subject to performance conditions using scale based on the average annual difference between Return On Capital Employed (ROCE) after tax and Weighted Average Cost of Capital (WACC) over three years, with stricter conditions for increases than previously.  
The amount of the termination indemnity decreases gradually during the two years prior to the age limit of the executive defined in the Company's articles of association.
  - **Defined benefits pension plan:** in response to the requirements of the 2015 Macron law, the Board of Directors decided that, with effect from the renewal of his term of office of Chairman and Chief Executive Officer at the close of the Shareholders' Meeting of May 16, 2018, the increase in Benoît Potier's conditional rights will depend on performance conditions similar to those provided for the above-mentioned termination indemnity.  
The corresponding decision of the Board of Directors has been published on the Company's website in accordance with Articles L.225-42-1 and R.225-34-1 of the French commercial code.
- In accordance with French law, the Board of Directors carried out the annual re-examination of the agreements and commitments entered into and authorised during previous financial years which continued to be performed during the last financial year. These agreements concern the defined contribution pension plan/death and disability benefit/life insurance plans applicable to Benoît Potier. The Board was also informed about the situation of the commitments applicable to Pierre Dufour up until his retirement in 2017 (in particular the absence of payment of any termination and non competition indemnities).  
On the recommendation of the Remuneration Committee, the Board of Directors decided to maintain the current authorisations in force for Benoît Potier.  
The Statutory Auditors' special report on regulated agreements and commitments will be included in the 2017 reference document.

## 5. « Say on Pay ex post »

The Board of Directors adopted the draft resolutions and the summary tables showing the elements of remuneration due or allocated to Benoît Potier, Chairman and Chief Executive Officer, and Pierre Dufour, Senior Executive Vice-President (up until May 3, 2017), respectively, in respect of 2017, which will be put to the advisory vote of the shareholders at the Annual Shareholders' Meeting on May 16, 2018.

## 6. « Say on Pay ex ante »

In accordance with Article L.225-37-2 of the French Commercial Code, the Board of Directors adopted the principles and criteria for determination, allocation and distribution of the fixed, variable and exceptional elements of the total remuneration and the benefits of all kinds that may be granted to the executive officers which will be submitted for approval by the Annual Shareholders' Meeting in a specific resolution for each Executive Officer.