

Air Liquide SA
Aude Rodriguez, Head of Investor Relations
75 Quai d'Orsay
75007 Paris
France

Dear Ms. Rodriguez

ISS ESG, the responsible investment arm of Institutional Shareholder Services, enables investors to develop and integrate responsible investing policies and practices, engage on responsible investment issues, and monitor portfolio company practices through screening solutions. Our clients chiefly consist of asset managers and asset owners who have substantial investments in the capital markets and are committed to assessing and mitigating material risks related to environment, social and corporate governance (ESG) issues, including through an active dialogue with companies.

Our services include assisting clients in implementing their responsible investment policies, including through Thematic Engagements with companies. To that end, we are writing to facilitate dialogue on behalf of our subscribing clients with Air Liquide SA on its management of identified ESG risks. **Please find attached a full list of the participating investor clients, along with their letter to Air Liquide SA.**

Please review the attached letter for further information on the nature of this engagement and key objectives of our clients, along with associated timeframes. We look forward to receiving your response.

Sincerely,



Anna Warberg
Global Head of Stewardship and Engagement

In conducting this outreach, ISS ESG seeks to encourage public disclosure on ESG issues identified under investors' policies. ISS ESG does not seek to receive any confidential information, any material non-public information or any information that you are not authorized to disclose to us. Also, ISS ESG does not agree to maintain in confidence any information that you may provide to us in response to this outreach. No information provided as part of this outreach shall in any way restrict our business and operations nor the securities trading activities of our clients. Furthermore, any information you provide through this outreach may be considered and used in other ISS ESG offerings.

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Aude Rodriguez, Head of Investor Relations
75 Quai d'Orsay
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Dear Ms. Rodriguez

We, the undersigned, are institutional investors with substantial investments in the capital markets, representing more than \$155bn in assets under management. Together we are conducting this engagement with the assistance of ISS ESG to **better understand and improve corporate transparency and management of identified risks related to water.**

Background

Water is a vital resource which holds significant social, economic and environmental value. Access to water is a basic human right, and it is at the core of attaining sustainable development as it nourishes ecosystems, contributes to food security, and helps maintain the health of people and wildlife. Despite this, [less than 1.2%](#) of water on earth is available for human use.

Increased demand for water, coupled with shifts in water availability due to the impacts of climate change, is likely to result in a [40% shortfall in freshwater supply within 10 years](#). On top of this, water consumption is not equally shared globally, and the pollution of freshwater poses significant issues to the quality of both water sources and their surrounding environments. For [Chemicals companies](#), water impact is significant across the value chain, from production and manufacturing processes to the generation of wastewater.

Water presents a range of financially-material business risks which can be categorised into [three types](#), based on how water-related challenges are likely to undermine business activities: physical risks, regulatory risks, and reputational risks. As investors, we wish to better understand the relevant risk in our portfolios, starting with corporate disclosure of water-related information. Water is often underpriced, leading to inaccurate calculations on financial materiality. The issues of water quantity, quality and accessibility are inextricably tied to companies' physical climate risks, so it is critical that as investors we have access to comparable water-related data to better understand and manage the risk pertaining to the companies in which we invest. For companies, increased and improved water-related disclosures can aid improved risk management, as well as help to identify water-related opportunities. Additionally, there are financial incentives to improved risk management, and [it is estimated](#) that the cost of inaction on water-related issues is five times greater than the cost of addressing them.

Selection

Air Liquide SA has been selected for engagement based on your company's incomplete water-related disclosure. We would appreciate a dialogue with you to aid our understanding and evaluation of your company's ability to improve its water-related risk management.

Engagement focus

In conducting this engagement, we are aiming to improve corporate disclosure of water-related risk and impact focused around the management of water consumption, management of wastewater, and the disclosure of water use reduction targets. With this in mind, we would appreciate to receive further clarity on the following questions, preferably during a virtual meeting:

1. What is your company doing to manage its water use, for instance the disclosure of freshwater use inventories or identification of activities taking place in regions of with high levels of water stress?
2. Could you provide further information regarding your company's wastewater management processes, such as the disclosure of relevant pollutants, monitoring processes and water treatment?
3. Does your company have (or plan to set) freshwater use reduction targets?

Process and timeline

We welcome the opportunity to discuss these matters further and propose a meeting with Air Liquide SA, as this enables us as investors to gain valuable insights and better understand your perspectives. In the meantime, we are happy to accept any information you wish to provide in writing. If your company remains unresponsive to our outreach, further escalation measures may be taken.

Over the course of the next 24 months, we hope to see Air Liquide SA take the necessary steps to respond to and take action on the questions listed above, and maintain regular communication to inform us of your progress.

The engagement will be facilitated and coordinated by ISS ESG, who will monitor the progress of the engagement and provide us, the investors, with regular updates. The engagement will track your company's public disclosure on water-related issues and will leverage ISS ESG data and research to conduct company assessments. Please note that additional investors may join this dialogue over the course of the engagement cycle.

We thank you in advance for your consideration of these matters and request an initial response **by 28 October 2022**. Please address your response to ISS ESG Stewardship & Engagement by email to thematic.engagement@iss-esg.com.

Sincerely,

Gothaer Asset Management AG

SEB Investment Management

By ISS ESG on behalf of the identified investors



Anna Warberg
Global Head of Stewardship and Engagement

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Fabienne Lecorvaisier
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Anna Warberg
ISS ESG Global Head of Stewardship and Engagement

thematic.engagement@iss-esg.com

Paris, September 28th 2022

Reference: your email letter received September 15, 2022

Dear ISS ESG Stewardship & Engagement,

We acknowledge receipt of your letter dated September 15, 2022. We appreciate your focus on chemical companies and attention to better understand and improve corporate transparency and management of identified risks related to water.

To clarify, Air Liquide is an **Industrial Gas company, not an industrial chemical producer**. As such, our primary business is in the production and distribution of gases, technologies and services for Industry and Health. Present in 75 countries, we serve more than 3.8 million customers and patients. Embodying Air Liquide's scientific territory, oxygen, nitrogen and hydrogen are essential small molecules for life, matter and energy and have been at the core of our company's activities since its creation in 1902.

In this letter, we want to shed light on the actions implemented by our Group in the environmental fields and then specifically on those related to water management.

As an industrial gas company, we are very committed to a sustainable future with tremendous opportunity to impact emissions for a low-carbon society. To note, in full support of the 2015 Paris agreement, Air Liquide addresses the urgency of climate change and energy transition by **targeting Carbon Neutrality by 2050**.

As announced initially during our Sustainability Day 2021, and later confirmed as part of our corporate strategic plan ADVANCE, announced in March 2022, we are committed to sustainable development and growth. In ADVANCE, we confirm our **leadership in the decarbonization of the industry and in the emergence of a low-carbon society** in which hydrogen plays a decisive part. Air Liquide has a large portfolio of technological solutions and

services, which notably includes the supply of low-carbon gases, CO₂ capture and management, and solutions to transform our customers' industrial processes as well as our own. The Group is **committed to start reducing its absolute CO₂ emissions around 2025, reaching a 33% reduction by 2035 vs. 2020 levels**. Please note that Air Liquide is the **first in its industry to obtain CO₂ trajectory validation from the Science Based Targets Initiative**, an important validation which we are very proud to highlight.

More specifically on the topic of water management, the Group **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. We invite you to consult the pages 341 to 343 of our [Universal Registration Document](#) (URD), where you will find more information on water management at Air Liquide.

In 2021, the **Groups published its objectives in terms of water management**. They include:

- implementing a documented water management plan by 2025 aimed at **reducing water withdrawal and use risks for water-intensive operations in areas of high water stress**;
- defining and implementing a **Group-wide standard for all operations that goes beyond existing local processes** and procedures, and guarantees that the quality of discharged water will meet or exceed applicable local criteria.

The actions undertaken by the Group are intended to actively contribute to the UN Sustainable Development Goals 6 "Clean water and sanitation" and 14 "Life below water." Specifically we stated that in 2021, Air Liquide withdrew 950 million m³ of water from various sources, mainly for cooling processes. 87% came from customers, 6% came from freshwater sources such as rivers or lakes, 2% from municipal supply and the remaining 5% from various other sources. **Air Liquide returned 91% of this water to the sources**, hence the Group's actual consumption was 82 million m³, and most of the water is used as a coolant in semi-open, open, or closed circuits. Please find on pages 341-342 and 389 of the URD, detailed disclosures on water withdrawal, consumption and other parameters related to the quality of water discharged.

In 2021, the implementation of a new reporting tool and the introduction of new data collection criteria, have made it possible to increase the scope of measurement to include more water withdrawal sources at customer sites. This water is used in facilities with open cooling circuits in which the water withdrawn is returned to customers. Consequently, although the reported quantities of water withdrawn and returned to the source have increased, the **net water consumption**, which is more accurately measured thanks to the improved means, **has decreased by -9%** compared with previous year. These continuous improvements reflect the Group's continued stewardship in water management. In fact, we **achieved "A-" score and maintained leadership level in Climate and Water according to CDP**.

As water is a limited resource and not equally available across all regions, Air Liquide has also **assessed the risks associated with water consumption at its sites** by referring to the “Aqueduct 3.0 Water Risk Atlas” map of the World Resource Institute (WRI) published in August 2019. This assessment takes into account the specific data for each site according to its location in terms of a watershed, groundwater and an administrative boundary.

To carry out this assessment, the Group used the “business as usual” scenario (SSP2 RCP8.5 of the GIEC). Each site is thus identified as belonging to an area of water stress or not (area defined according to the intensity of water conflict). This mapping also includes new units.

In 2021, according to the mapping of the Group’s sites and based on the WRI map, **1% of these were located in areas considered arid zones**. With regard to sites located in areas of high water stress, as indicated on the map in page 343 of our URD, an analysis is currently underway and will be completed in 2022. It will then be possible to **prioritize actions in the most water-intensive operations**.

Furthermore and beyond water management, Air Liquide has been **a reference in water treatment for 35 years**, providing its customers with efficient and easy-to-implement solutions to face environmental challenges. The Group continues to support its customers to meet more stringent regulations, and to fight water stress and scarcity with cost-effective solutions. Air Liquide’s “Essential Small Molecules” (mainly O₂, O₃ and CO₂) play a fundamental role in **drinking water and wastewater treatment processes**. The Group continues to innovate in water treatment to help respond to the world’s growing environmental needs.

We would welcome the opportunity to discuss with you the topic of water related risks and broader ESG topics. If you wish additional information of ESG initiatives at Air Liquide, the presentation of our [Sustainability Day 2021](#) and [Capital Markets Day 2022](#) announcing the ADVANCE strategic plan are both available on our website, as well as our 2021 Universal Registration Document ([Universal Registration Document](#)). The Investor Relations team remains at your disposal.

We would also be pleased to receive from you the list of investors participating in this study, as it wasn’t attached to your letter.

Yours faithfully,



Fabienne Lecorvaisier
Executive Vice President
Supervising Sustainable Development