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DWS Investment GmbH

Petra Pflaum
CIO for Responsible Investments
& Member of the Management Board

Nicolas Huber
Head of Corporate Governance

Paris, June 24, 2021

Reference: your letter of June 2021.

Dear Mrs Pflaum, Dear Mr. Huber,

We acknowledge receipt of your letter dated June 2021, calling on us in particular on Air Liquide's expected commitment onto a 2050 net zero pathway. In this letter, we want to shed light on the actions implemented by our Group in the environmental fields and on 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 CO₂ 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 governance.

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 CO₂ emissions around 2025**
- **to reach a 33% decrease of its Scope 1 & 2 CO₂ 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 CO₂/€ 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 CO₂, 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 100 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 has become 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.

In addition to that, although a large part of Air Liquide's activities are not covered by the **EU Taxonomy**, we are convinced that it will **create new opportunities in many fields, where Air Liquide has the technology and is already active**, such as carbon capture, mobility and clean hydrogen production.

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,



Guy Salzgeber
Executive Vice President
Sustainable Development

June 2021

Dear Sir/Madam, Dear Members of the Board of Directors,

As one of the largest asset managers in Europe, in the past year DWS Group GmbH & Co. KGaA became a signatory of the Net Zero Asset Managers initiative. The Net Zero Asset Managers initiative is committed to supporting the goal of net zero greenhouse gas (GHG) emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius; and to supporting investments aligned with net zero emissions by 2050 or sooner. As a responsible investor, it is our fiduciary duty to express our expectations on sustainability in the best interest of our clients. Our commitment to sound corporate governance and responsible, environmental and social practices among our investees is not only a crucial element of our responsibilities, but also forms an integral part of our investment process. With our engagement activities, we are also supporting the Climate Action 100+ initiative with the aim to enhance the governance of climate change risk and opportunities, curb emissions and strengthen climate-related financial disclosures. Our active ownership approach revolves around carefully monitoring our investees and engaging with them with the aim of improving their financial and non-financial performance, building a sound understanding of their business and a constructive dialogue on their sustainable development.

Climate change is one of the greatest environmental challenges, accelerating the rise in the global mean temperature and affecting most other attributes of climate. Corporations and investors, as owners and lenders have a key role to play towards the need for emissions to be reduced in the mutual goal of coping with the impacts of global warming. The changes so far have already had an impact on multiple sectors and the effects are expected to be amplified as the continued rise in greenhouse gas emissions results in further changes to the climate. In order to meet the 1.5°C global warming target in the Paris Agreement, global carbon emissions are required to reach net zero by 2050 or sooner. Reallocating capital in a responsible and sustainable direction can make a difference in avoiding a climate crisis. When done cautiously, it can even improve financial return. Investment managers play a crucial role in driving the necessary progress and identifying investment opportunities to support the transition to a sustainable future. Thus, we expect companies that face substantial climate transition risks to accelerate their efforts in setting ambitious targets and providing enhanced transparency on their strategy to tackle the common issue of climate change.

We are sending you this letter as we believe that your company faces material headwinds from a move onto a 2050 net zero pathway. It is, therefore, of utmost importance that the Board of Directors ensures a proper oversight and management of these headwinds. Based on these concerns, we expect the Board to take transparent, effective and conscious measures to solve existing or to avoid potential climate controversies and risks their companies are facing, whereby protecting them from becoming structural and recurring. We expect a commitment to be made as soon as possible to become net zero by 2050 or sooner.

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Among our expectations are the following key measures in terms of governance and strategic matters:

- Establishing formal and clear oversight for climate change risks and opportunities at Management and Board levels.
- Setting emissions reduction targets verified by the Science Based Targets initiative (SBTi) and elaborating a clear climate transition roadmap with ambitious short-, mid- and long-term targets and milestones, aligned with the 1.5°C global warming target of the Paris Agreement.
- Setting an ambition as soon as possible to achieve net-zero GHG emissions by 2050 or sooner, covering relevant Scope 1, 2 and 3 emissions of the company.
- Laying out a decarbonisation strategy to meet long, medium and short term quantitative GHG reduction targets.
- Commitment to align future capital- and operational expenditure plans with its respective GHG emission reduction targets and the 1.5°C global warming target set out in the 2015 Paris Agreement.
- Integrating relevant climate/GHG reduction targets as performance metrics into executive and top management compensation plans to ensure alignment with the business strategy.
- Applying comprehensive procedures and stakeholder engagement for the assessment and the management of the impacts of existing and planned exploration and production projects on biodiversity, water, the ecosystem and relevant local stakeholders.
- Supporting relevant government climate policies and aligning lobbying activities via memberships in industry associations with the company's climate strategy as well as the Paris Agreement.
- Providing enhanced transparency to investors and other stakeholders by using internationally recognized reporting frameworks (e.g. the SASB standards, the TCFD Recommendations) as well as by reporting the impact on Sustainable Development Goals and the level of compliance with the EU Taxonomy.
- Ensuring material climate risks associated with the transition onto a 2050 net zero pathway are fully incorporated into the financial statements (aligning accounts with the targets of the Paris Agreement).

We expect the Boards of Directors and Management of our portfolio companies to go a step further and provide full transparency and comprehensibility on these matters. Where we believe directors of investees have not made sufficient progress planning for and managing climate change related risks and when executive compensation does not incentivize addressing climate risks and opportunities sufficiently, we will reflect our expectations in our voting decisions, whereby we will consider:

- voting against one or more board members accountable;
- voting against executive compensation reports/policies and
- supporting relevant shareholder proposals on climate-related topics, where we agree with the proposed resolutions.

We value our constructive dialogue on these topics with you to date and appreciate any updates you have on these relevant topics. In case we see no progress and transparent commitments from our investees to our expectations, we will follow various escalation steps as outlined in our Engagement Policy, making use of our active ownership rights as asset managers and integrating these considerations into our investment decisions.

Striving to be very transparent with our activities, we also disclose details around our engagements in our public Active Ownership: Engagement and Proxy Voting Report and make it available on our website (dws.com/solutions/esg). In this, we might report on the entire engagement process, in particular on information that we receive from you. In doing so, we may also report in detail about your company and evaluate the progress of our engagement according to our criteria, whereby our engagement with you could be used as a case to demonstrate the progress and/or status of our discussions. We would appreciate hearing more about your company's efforts in that regard and are looking forward to having a constructive dialogue with you. Our CIO Office for Responsible Investments can be reached via dws.engagement@db.com.

Yours sincerely,

DWS Investment GmbH



Petra Pflaum,

CIO for Responsible Investments &
Member of the Management Board



Nicolas Huber,

Head of Corporate Governance