



Air Liquide

ISIN code : FR0000120073 . Rating : September 2009

General Information

Air Liquide is an industrial gas company specialised in the supply of industrial and medical gases (oxygen, nitrogen, hydrogen, etc.) and related services, divided into five business lines: Industrial Customers (small to medium quantities of gas), Electronics (carrier and speciality gases, liquid chemicals, related equipment and installations), Healthcare (medical gases and homecare services), Large industries (large volumes of industrial gases and energy solutions), and Related activities (specialty chemicals, cryogenics, engineering, space and aeronautics, welding and diving activities). The firm bought Linde Gas UK in March 2007 and in July of the same year, completed the acquisition of the Lurgi engineering business based in Frankfurt, which doubled the size of the Engineering Division. As of 2008, Air Liquide operates in 75 countries worldwide through 200 subsidiaries, employing 55% of its workforce in Europe, 22% in the Americas, 20% in Asia-Pacific and 3% in Middle East and Africa.

CSR Profile

In line with the previous rating, the firm still lacks formalised corporate policies and measures on several challenges that are at stake for the sector, accounting for its below average rating on the Business Behaviour domain. This lack of investment is an area of concern, regarding the repeated fines received by the company for anti-competitive practices. Although some weaknesses are visible in terms of Environment, Community Involvement, and Human Resources, the firm still performs average on these domains. Improvement has been noticed in Human Rights and Corporate Governance, resulting in an average and a positive rating, respectively.

Executive Summary

Human Resources

While agreements on working conditions cover more than 75% of its employees, Air Liquide's policy and reporting related to labour relations are limited to its European Works Council (although the company has about 1,800 employees in China). The firm presents a noteworthy policy on career management and training, and an integrated management of the key challenges of health and safety. Across all these criteria, Air Liquide still scores average relative to its peers on the Human Resources domain.

Environment

Air Liquide's main weaknesses remain in its management of atmospheric emissions and waste. However, thanks to an integrated environmental management system, some innovative measures to reduce its water emissions and its impacts related to energy use, and to a better than average reporting on environmental impacts from transportation, Air Liquide overall balances its performance on this domain.

Business Behaviour (C&S)

Air Liquide provides its customers with appropriate tools for the safe handling of its products, and is still in the first steps of deploying an integrated approach to manage social and environmental factors in its supply chain ("Procurement Code of Conduct" developed for purchasing activities). A major area of concern lies on the relative weakness of measures set up to prevent anti-competitive practices, besides the presence of an Ethics officer, enhanced by the repeated antitrust convictions

faced by the company over the past few years. Overall, Air Liquide rates still below the sector average in terms of Business Behaviour.

Corporate Governance

Compared to last rating, Air Liquide's score on Corporate Governance increased and its rating improved from average to above average. The company still performs well in terms of Board and Audit Committee independence. Board members are now elected at least every 3 years. The non-audit fees allocated to the audit firm has passed below the 25% threshold of total fees. However, some discrepancies are still visible compared to Vigeo's standards in terms of executive remuneration, although some progress have been noticed in severance pay and long term incentives.

Community Involvement

Air Liquide provides a general statement in favour of local economic development and concentrates its activities on the transfer of technology to developing countries and supplying them with logistical and technical assistance free of charge . Even if the reporting is weak, the company addresses some of the issues at stake for the chemical sector and has not been confronted with negative reports. This enables Air Liquide to maintain its average ranking on this domain.

Human Rights

Air Liquide has issued a detailed and outstanding policy on diversity in all its forms among its personnel, particularly in its home country. This is translated in above average results, as regards gender distribution. Air Liquide has not been subject to any major public controversies on Human Rights during the period under review. Nevertheless, the company still fails to address the respect for freedom of association and the right to collective bargaining. Overall, the company's performance on human rights issues improved since last rating, and is average, compared to its sector peers.

Negative criteria assessment for the company

Minor involvements in animal maltreatment and armament.

Animal maltreatment: minor involvement. Air Liquide produces therapeutic gases, some of which may be in contact with stem cells for instance and are subject to mandatory animal tests.

Armament: minor involvement. Air Liquide produces auxiliary/dual use products for the defence industry through its Advanced Technologies Division. The "Board Oxygen Generating System" is a continuous system producing breathing oxygen from engine bleed air and is used in fighter aircrafts and military cargo aircrafts. Air Liquide is a 'historic' supplier of decarbonation for French nuclear submarines and is developing an innovative method for removing pollutants by cryotrapping. Air Liquide is part a US military aeronautical program: breathing protection and anti-G, and for some part chemical and bacteriological protection.

Nuclear energy: no involvement. Air Liquide supplies helium and gas to cool nuclear reactors. This is considered as a semi-nuclear activity, and the company derived less than 5% from this division.

Controversies

No serious allegations detected.