PRAXAIR
Making our planet more productive

Sustainable Value Report
2014

CONTENTS

Photo Captions

Pictured on front cover: (Top) A Praxair tanker in the hills of northern Spain. (Bottom Left) Regional Administration Officer - East Tarak Mukherjee visits a small onsite nitrogen plant in Kalyani, West Bengal, India, serving a manufacturer of passive electronic components such as soft ferrites and inductive components. (Bottom Right) Tarrywile Park in Danbury, CT consists of a Victorian mansion and over 700 acres of open space offering some of the state's best spots for hiking, picnicking, fishing, and nature-watching. To help make sure it can be enjoyed again this year, Langston McElroy and Christine Macciomei volunteered to help with a range of weeding, trimming, clearing and other gardening activities during United Way's Day of Action.

Pictured on back cover: Praxair employees from Danbury, CT show their heart during a United Way Day of Action event. Clockwise from bottom, Erin Voelzke, Melissa Blackstock, Molly Schleis, Lisa Esneault, Dottie McCafferty, Langston McElroy, Lynne Miscedra, Dave Williams, Melissa Andros, Troy Ficarra, Jared DeValk, Sean Covert, Dana Donohue, Diane Miller, Lisa Pratt, Diane Cipully, and Christine Macciomei.

Forward Looking Statement

This document contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management's reasonable expectations and assumptions as of the date the statements are made but involve risks and uncertainties. These risks and uncertainties include, without limitation, the performance of stock markets generally; developments in worldwide and national economies and other international events and circumstances; changes in foreign currencies and in interest rates; the cost and availability of electric power, natural gas and other raw materials; the ability to achieve price increases to offset cost increases; catastrophic events including natural disasters, epidemics and acts of war and terrorism; the ability to attract, hire, and retain qualified personnel; the impact of changes in financial accounting standards; the impact of changes in pension plan liabilities; the impact of tax, environmental, healthcare and other legislation and government regulation in jurisdictions in which the company operates; the cost and outcomes of investigations, litigation and regulatory proceedings; continued timely development and market acceptance of new products and applications; the impact of competitive products and pricing; future financial and operating performance of major customers and industries served; the impact of information technology system failures, network disruptions and breaches in data security; and the effectiveness and speed of integrating new acquisitions into the business. These risks and uncertainties may cause actual future results or circumstances to differ materially from the projections or estimates contained in the forward-looking statements. Additionally, financial projections or estimates exclude the impact of special items that the company believes are not indicative of ongoing business performance. The company assumes no obligation to update or provide revisions to any forward-looking statement in response to changing circumstances. The above listed risks and uncertainties are further described in Item 1A (Risk Factors) in the company's Form 10-K and 10-Q reports filed with the SEC, which should be reviewed carefully. Please consider the company's forward-looking statements in light of those risks.

PERFORMANCE 2014

★ Achieved Early
✔ Achieved
✚ On Track
− Lagging

Priority Factors	KPI Areas	Targets 2009-2015*	Results 2014	
Safety	Occupational Health & Safety	Outperform the ACC published large member average for Recordable Injury Rate (per 200,000 hours)	0.52	✚
		Outperform the ACC published large member average for Lost Time Injury Frequency Rate (LTIFR), also called Lost Workday Case Rate (LWCR) (per 200,000 hours)	0.09	✚
Governance, Ethics & Compliance	Governance & Ethics	Maintain global standards of corporate governance, ethics, integrity, accountability & human rights	100% of required employees certified that they read and understood Praxair Standards of Business Integrity	✔
Energy & Climate Change	Energy & GHG Emissions	Achieve cumulative energy savings in excess of $600 million and 6 million MT CO2e, 2009-2020	Cumulative savings of $200 million and 1.6 million MT CO2e avoided, 2009– 2014	✚
		ASU Design: 8.5% energy intensity improvement per product produced from new ASU facilities	7.5%	✚
		ASUs: 6% GHG improvement per product produced	4.9%	✚
		Hydrogen: 2.4% GHG improvement per product produced	5.1%	★
	Sustainable Transportation	Packaged Gas Trucking: 9% improvement in GHGs per product delivered	13.3%	★
		Bulk Trucking: 9% improvement in GHGs per product delivered	11.1%	★
		U.S. Bulk Trucking: 3% net reduction in fuel use and GHGs, 2012-2015	2.5%	✚
		Reduce vehicle NOx emissions 50%	40%	✚
Eco Portfolio	Environmental Innovation	Earn 30% revenue from eco portfolio	32%	★
		Annually enable at least 2X the GHG to be avoided than was emitted in all Praxair operations	50 million MT CO2e avoided	✔
		Enable delivery of safe drinking water to millions of consumers, particularly in China	> 70 million people	✔
	Product Stewardship	By 2014, introduce at least one major application that offers customers an alternative to the use of substances of very high concern ahead of REACH requirements.	Praxair introduced a new line of REACH-compliant chromium (VI)-free ceramic aluminum coatings for the aerospace and power generation industries	✔
		Comply with the Responsible Care® Global Charter by 2020	In progress	✚
Sustainable Productivity	Eco Efficiency	Achieve $500 million in cumulative environmental savings from productivity	$450 million	✚
	Supplier Sustainability Management	Achieve a cumulative $10 million in greening the supply chain	$12.4 million	★
People Development	Diversity	Source and retain top talent, particularly in emerging economies	92% of emerging economy leaders are local or regional nationals	✚
	Employee Engagement	Continuously improve employee engagement results in corporate engagement survey	83% employee engagement rate	✚
		Achieve and maintain 150 zero waste sites	187	★
	Community Engagement	Achieve a cumulative 1.5 million beneficiaries	1.39 million	✚
		Achieve and maintain a positive net benefit ratio of 10 beneficiaries per employee	12 to 1	✔
	Stakeholder Engagement	Plant or preserve one million trees with major conservation organizations (2012 - 2016)	500,000 trees planted or preserved, 2012-2014	✚

*All targets are 2009-2015 unless otherwise indicated

Message from Praxair's Chief Executive Officer

Chairman & CEO Steve Angel speaking with engineering students at North Carolina State University. Praxair supports STEM education programs around the world through its Global Giving Program.

Photo credit: Becky Kirkland NC State University

Dear Stakeholder,

At Praxair, environmental and social responsibility are core values that are deeply rooted in the way we do business. We help customers improve their environmental performance while minimizing our own use of environmental resources and maximizing our environmental, economic and social contributions. This year's report illustrates some of the important achievements that demonstrate our commitment to making our planet more productive.

Praxair's Sustainable Development efforts continue to make a global impact.

- Our gases enabled 70 million people each day, mainly in China, to receive clean, safe drinking water

- Our employees around the world participated in Zero Waste programs, preventing more than 100 million pounds of waste from going to landfills

- Our technologies enabled at least 2 times more GHG to be avoided per year than were emitted in all of our operations

Sustainable Development is not just good, its good business. Our eco-portfolio, which consists of innovative applications that bring environmental benefits to our customers, generated 32 percent of our revenue in 2014 or $3.9 billion. Resource efficiency contributes to our industry-leading operating margin of 22 percent and Praxair's sustainable productivity programs generated $130 million in cost reductions that also brought environmental benefits.

Our commitment to Community Engagement remains stronger than ever. In 2014, our employees invested more than 78,000 hours of volunteer time in projects that benefitted more than 335,000 people globally. Through company and employee contributions, we gave nearly $8 million to charitable organizations around the world. Our longstanding culture of giving back brings strategic value to our business by assisting in the development of our communities. One example of our commitment in this area is *Praxair Skills Pipeline*, a workforce development program created in collaboration with the Louisiana Community and Technical College System. The program represents a new approach to address the growing need for skilled workers in our global economy. We are currently training 100 new welders and are looking forward to their graduation this Fall.

In recognition of our commitment to environmental and social responsibility, Praxair has been selected as a component of the *Dow Jones Sustainability World Index* for 12 consecutive years, the only U.S. chemical company with this distinction. We were also included in the CDP S&P 500 *Climate Disclosure Leadership Index (CDLI)*, one of only three companies to have achieved this distinction for seven consecutive years. Additionally, Praxair was named to Forbes' *America's Best Employers List* for 2015, ranking fourth in our industry sector.

I am proud of our employees around the world who work hard every day to make our planet more productive. As the best performing industrial gases company in the world, we will continue to drive a culture of environmental and social responsibility – they are not only core values, they are part of our DNA.

Steve Angel

Steve Angel
Chairman, President and CEO

Message from Praxair's Chief Sustainability Officer

Vice President and Chief Sustainability Officer Riva Krut and Praxair Spain Distribution Manager Fernando de la Garza give the thumbs up to the On-Board Computer (OBC) system installed on this Praxair truck parked outside a company facility near Madrid, Spain. For more on the impact of OBCs on driver safety and GHG emissions, see page 30.

Dear Stakeholder,

This report presents Praxair's Sustainable Development results for 2014. Financial results are available in Praxair's 2014 Annual Report. The report focuses on our non-financial activities, which are key elements of our financial results and long-term sustainable success. It describes our relentless focus on safety, compliance, operational discipline, environmental stewardship, innovation, people development and engaging with our communities and other key stakeholders. These programs have been institutionalized over decades and are the foundation of our short- and long-term sustainable results. This report identifies how we invest in and achieve value from natural, human, intellectual, manufactured and relationship capital.

In 2014 Praxair's Board established a new Technology, Safety and Sustainability Committee (see page 11). This is one measure of the integration of sustainable development into the core company strategy and operations.

Praxair has published a voluntary sustainable development report annually since 2002. This Sustainable Value Report (SVR) is presented as the highlights of sustainability performance in 2014. It opens with a table of our priority factors, the related performance targets, and cumulative results through 2014. A separate SVR Annex provides source data and additional information. We also publish our CDP Climate Change response on our website: *www.praxair.com*. Our businesses in Mexico and South America issue regional sustainability reports; both aligned with GRI G4.

Thank you for your interest. We look forward to hearing from you.

Riva Krut.

Riva Krut, vice president & Chief Sustainability Officer

Email: Riva_krut@praxair.com or sustainability@praxair.com

Tel: 203-837-2337

ABOUT THIS REPORT

Scope of Report: This 2014 *Sustainable Value Report* (SVR) includes quantitative and qualitative information relating to calendar year 2014 and cumulative results for our key performance areas and sustainability targets (2009-2015). Praxair uses the same reporting basis in its SVR as is used in its Annual Report. Except where indicated, Praxair includes consolidated global information from entities where it is the majority shareholder (more than 50 percent) and certain joint ventures; it excludes data from entities where Praxair has minority ownership. Two acquisitions in 2013, Dominion Technologies and NUCO2, were fully integrated into this report for the first time this year.

Relationship to Praxair Financial Reporting: Whereas Praxair's Annual Report reports U.S. GAAP financial information, this SVR reports non-financial information and broadens the scope of reporting to include information relating to upstream and downstream activities. Examples: Scope 3 Greenhouse Gas emissions; various initiatives in supplier standards-setting and capacity building; examples of the environmental benefits for customers of Praxair applications and benefits to communities from Praxair community engagement activities.

Sustainability Reporting Frameworks Applied: This SVR applies the Integrated Reporting Framework <IR>, which provides a framework for investors and other stakeholders to gain greater insight into the medium- and long-term sustainability of a company. <IR> proposes that a company should report how it manages all of its capital flows: financial capital as well as human, intellectual, manufactured, natural, and social and relationship (sometimes referred to collectively as "social capital"), and the connectivity between them. In this report, Praxair describes how its business model enables value creation across all the capitals and describes the flow from inputs (raw materials and other resources), to creation of Praxair solutions or outputs, to the medium- or long-term value that these create or enable.

Praxair has followed the Global Reporting Initiative (GRI) framework since 2010. This year's reporting (this Sustainable Value Report and its Annex), is based upon GRI G3.1. As GRI has transitioned to G4, this SVR starts to build in this transition. We expect to report next year, based upon GRI G4. GRI has confirmed that this SVR and Annex were prepared according to the GRI G3.1 Guidelines, at Application Level A+, see Annex page 57. Based on an internal evaluation, it is Praxair's view that this SVR also conforms to the requirements of GRI G4's Principles for Defining Report Quality (G4-2) and the SASB October 2014 Exposure Draft Guidance for Chemical Sector Companies recommendations for reporting scope.

Data consolidation and reporting: Various databases are managed across Praxair to aggregate data - these are separated by function. Safety data, safety and environmental compliance data, and product safety data are collected monthly from the businesses through Safety, Health and Environment (SH&E). Data for Human Resources (HR), Finance, Operations, Global Procurement and Materials Management (GPMM), Productivity, R&D, Sales and the Praxair Global Giving program are collected by the respective organizations and housed in the corporate information systems network. Environmental data for tracking performance against sustainable development targets is collected into the Sustainable Development Management System (SDMS). The SDMS tracks performance against targets, with all businesses reporting monthly. Community engagement activity is tracked with a global survey tool and exported into a spreadsheet for analysis. Sustainable development metrics for the R&D organization are integrated into the R&D database and management system. A GHG Inventory Management Plan (IMP) defines standard operating procedures (SOPs) for GHG measurement and management and is available on the SH&E intranet site and in the SDMS. In 2014, Praxair licensed a global sustainability reporting software program that has integrated data reporting for safety, environment and elements of diversity.

Performance reporting: For most of Praxair targets, 2009 is the baseline year for sustainable development targets, which run 2010-2015. The boundary years of targets with a different baseline or target end year are separately identified. Performance against targets is reported in the *Sustainable Development Performance Dashboard* on pages 22-28.

Changes, Adjustments & Restatements: Restatements are made if a previously reported item is corrected. Praxair has restated Toxic Release Inventory (TRI) releases from 2013 (215,256 pounds to 225,860 pounds). Information from new acquisitions required Praxair to update its Form R TRI reports. In our Scope 3 GHG reporting, we made a slight adjustment to the 2013 value of CO2e from waste generated in operations to correct the conversion from short tons to metric tons. In our safety data, we restated 2013 results to take into account the acquisition of NuCo2.

Completeness: It is our view that the sum of the topics and indicators reported reflect significant economic, environmental and social impacts and enable stakeholders to assess the organization's performance. In making this determination, Praxair considers the results of stakeholder engagement processes as well as emerging issues in sustainable development.

Assurance: An external audit is performed for several of our key environmental and social data, see pages 36-37.

GOVERNANCE

Praxair Board of Directors:

Praxair's Board of Directors consists of 10 Board members, one executive director (Chairman and CEO) and 9 independent directors. In order to enhance the Board's independence and oversight of management, the independent directors elect a Lead Director from among their group. The independent directors elected Robert Wood as Lead Director, effective January 1, 2013. Mr. Wood presides as a Lead Director over meetings of the non-management directors and performs other duties, including coordinating a performance review of the Chief Executive Officer. The Board also has processes in place for the highest governance body to ensure conflicts of interest are avoided.

Praxair's corporate governance policy includes a corporate governance statement, documented in _Praxair's March 2015 Proxy Statement_, page 13. Praxair's Corporate Governance Guidelines are posted on Praxair's public website: _www.praxair.com_. These include a statement of compliance of the formal policy with current legislation. The _Proxy_ provides an independence statement of the Board of Directors.

Board _Independence Standards_ are posted on the Praxair website. A process is established to determine the composition, qualifications, and expertise of the members of the Board and its committees. This includes their professional experience, as well as consideration of diversity. Praxair's Board is diverse: of 10 members, two (20 percent) are female; two (20 percent) are

U.S. minority and one (10 percent) is a non-U.S. citizen. In all, 50 percent of the Board is representative of diverse populations.

The Board has established clear procedures to enable a shareholder or other interested party to direct a communication to the Board. Such communications may be confidential or anonymous and may be communicated by mail, e-mail, or by telephone. Information on how to submit communications, and how they will be handled, is included at _www.praxair.com_ in the _Our Company/Corporate Responsibility_ section.

Praxair's Board ensures its effectiveness and alignment with the interests of its shareholders. During 2014, nominees for reelection to the Board collectively attended 99 percent of all Board and committee

STEPHEN F. ANGEL
Chairman and Chief Executive Officer, Praxair, Inc.

EDUARDO MENEZES
Executive Vice President

ANNE K. ROBY
Senior Vice President

MATTHEW J. WHITE
Senior Vice President and Chief Financial Officer

ELIZABETH T. HIRSCH
Vice President and Controller

SCOTT E. TELESZ
Executive Vice President

KAREN KEEGANS
Vice President and Chief Human Resources Officer

GUILLERMO BICHARA
Vice President, General Counsel and Corporate Secretary

PRAXAIR EXECUTIVE OFFICERS
Praxair's Executive Officers are elected by the Board of Directors and serve at the pleasure of the Board.

The Board elects Praxair's officers annually following each annual meeting of shareholders.

meetings. Biographies and resumes of the Board, as well as other mandates of its members, are provided in the *March 2015 Proxy Statement*, page 28. Praxair's Board members are restricted from having more than five other mandates. Nine of the directors have four or fewer other Board positions.

Board effectiveness is assessed annually under a process determined by the Governance & Nominating Committee (*March 2015 Proxy Statement*, page 14). Praxair complies with U.S. SEC regulation in regard to disclosure of senior management remuneration and provides compensation amounts on an individual level for each Board member, for its CEO and for Praxair's named executive officers. Executive compensation is described in the *March 2015 Proxy Statement*, page 34; Director Compensation on page 73.

Praxair's Board plays a role in risk oversight (*March 2015 Proxy Statement*, page 14). "At least annually, the full Board reviews the Company's risk identification, assessment and management processes and the guidelines and policies by which key risks are managed. As part of that review, the Board discusses (1) the key enterprise risks that management has identified, (2) management accountability for managing or mitigating each risk, (3) the steps being taken to manage each risk, and (4) which Board committees will oversee each risk area on an ongoing basis."

Risk factors disclosed in Item 1A of the Company's Form 10-K and *2014 Annual Report* illustrate the range of the risks faced by a global industrial company and help explain the need for strong Board committee oversight of the management of risks in specific subject areas. Each Committee's calendar of recurring meeting agenda topics addresses risk areas pertinent to the committee's subject-matter responsibilities. These areas include: financing and currency exchange risks (Finance & Pension Committee), compensation risks, and executive development and retention (Compensation & Management Development Committee), regular review of the Board's governance practices (Governance & Nominating Committee), internal controls,

investigations, and integrity standards compliance (Audit Committee), and a regular review of the Company's sustainability program and certain enterprise risks such as natural disasters and plant control systems and security (Technology, Safety & Sustainability Committee). Other risk areas are regularly reviewed by the full Board. These include: safety and environmental risk (covered at each Board meeting), economic, market and competitive risk (part of business operating reports at each Board meeting, and the annual operating and strategic reviews), cyber security, and global compliance risks (supplementing reporting within the Audit Committee). In addition, risk identification and assessment is integrated into Board decision-making with respect to capital projects and acquisitions, entry into new markets, financing, and cash flow analysis, among other matters. In committee meetings and full Board deliberations, each director utilizes his or her particular operating, financial, management development, and other experiences and expertise in assessing management's response to specific risks and in providing advice and counsel with respect to risk mitigation and management.

The *Audit Committee* reviews assessments of Praxair's internal controls, the performance of the Internal Audit function, the performance evaluations of the General Auditor and the Chief Compliance Officer, and the guidelines and policies by which Praxair undertakes risk assessment and risk management. It reviews the effectiveness of Praxair's compliance with laws, business conduct, integrity and ethics programs.

The Governance & Nominating Committee reviews Praxair's policies and responses to broad public policy issues such as social responsibility, corporate citizenship, charitable contributions, legislative issues, and important shareholder issues, including management and shareholder proposals offered for shareholder approval. In addition, the Governance & Nominating Committee annually reviews with an outside expert the Company's governance practices, and updates those practices as it deems appropriate. The committee considers, among other things, the results of the Board

and committee effectiveness assessments, developments in Delaware Corporation Law, federal laws and regulations promulgated by the SEC, and the views and recommendations of recognized governance authorities (*March 2015 Proxy Statement*, pages 14-15 and 25).

Governance of Non-financial Goals

Praxair's governance structure is fully described in its *March 2015 Proxy Statement* and on its website: *www.praxair.com*. The Board currently has five standing committees and each is comprised soley of independent directors. Non-financial economic, social and environmental issues are covered in several of these committees.

- The Audit Committee, among other activities, reviews the effectiveness of Praxair's compliance with laws, business conduct, integrity and ethics programs.

- The Technology, Safety and Sustainability Committee, established in 2014, assists the Board in its oversight of R&D, safety, sustainability and environmental matters, and certain enterprise risks. The VP and Chief Sustainability Officer presents at least annually to this Committee on Praxair's policies, programs and practices related to sustainability and the environment.

- The Compensation & Management Development Committee reviews, among other activities, executive development and succession, and the Company's diversity policies and objectives, and programs to achieve those objectives.

- The Governance & Nominating Committee reviews, among other things, the company's responses to broad public policy issues in the areas of social responsibility, corporate citizenship and charitable contributions. The VP and Chief Sustainability Officer reports at least annually to this Committee on community engagement.

Non-financial Performance

In the discussion of annual performance-based variable compensation, the Compensation & Management Development Committee outlined financial and non-financial goals. In non-financial goals, the Committee observed that: "The Company's culture has been institutionalized over decades and is the foundation on which employees build financial results. The Board believes culture must be driven by example and with emphasis at the top of the organization. As such, the Compensation Committee confirmed the importance of setting non-financial objectives to reinforce leadership's focus on maintaining an enduring culture that supports both short- and long-term sustainable results. The committee identified the non-financial elements that were considered most important to long-term sustainable success and established annual non-financial goals with respect to those elements."

The committee outlined seven areas where non-financial goals and related behavior could be assessed, six of which are directly relevant to sustainability. See *Alignment with Compensation* on the facing page for more details.

Alignment with Compensation

Non-financial goals considered most important to long-term sustainable success by the Praxair Board of Directors Compensation and Management Development Committee*.			
Elements	**Goals**	**Activity**	**2014 Examples**
People Development	Strengthen the leadership pipeline including globally diverse talent	Attraction, retention and development of a diverse and engaged workforce through a robust succession planning process Employee value proposition includes providing strong, dynamic leadership, a challenging work environment, industry-leading performance, competitive pay and benefits, and rewards and recognition for outstanding performance	Demonstrated the strength of the senior leadership succession planning and continued to build the talent pipeline Continued to increase diverse talent throughout the organization
Safety, Environmental Performance and Sustainability	Zero fatalities Maintain best in class safety rates Superior performance in sustainable development including environmental stewardship	Providing our employees with a safe operating environment through investing in state of the art technology and by driving a culture in which safety is top priority Rigorous processes and procedures to ensure compliance with all applicable environmental regulations while also continuously reducing the environmental impact of our operations on the communities in which we operate	Experienced zero employee fatalities and a continuing and significant reduction in roll over and fatality potential events Maintained world class level of recordable injury and lost work cases rates
Compliance	Maintain a strong global compliance program and culture	Create and maintain a strong ethical culture in every country where we operate Every employee accountable for ensuring that business results are achieved in compliance with local laws and regulations and our Standards of Business Integrity	Maintained a strong compliance culture
Strategy	Position the business for long term performance	Deliver excellent results in the short term and over a longer, sustainable period of time Rigorously assess the quality and future impact of actions taken, as benefits may not be recognized for several years	Strengthened industry-leading position in North America through new investments to service the steel industry and growing manufacturing base, and successfully negotiated agreements to participate in the growth of the petrochemical industry in the U.S. Gulf Coast
Productivity	Enhance organizational capabilities in tools, processes and practices	Deliver value through continuous innovation to help our customers enhance their product quality, service, reliability, productivity, safety, and environmental performance Work across disciplines, industries and sectors, with our employees, customers, suppliers and a range of other stakeholders to get more output utilizing fewer resources and with less environmental impact	Implemented sustainable productivity initiatives, with the largest benefits being seen in energy efficiency improvements in the plants and the distribution fleet
Relative Performance	Comparison against peers to determine if management's actions appear more or less effective than those of our peers Management's responses to macroeconomic or other external factors unknown at the time financial goals were established	Continue to be the best performing industrial gases company in the world Assess how well we anticipate and manage adversity to optimize results	Received public recognition: Dow Jones Sustainability World Index for 12th year in a row 7th consecutive year on the Carbon Disclosure Leadership Index (only one of 3 companies in the S&P)

*March 2015 Proxy Statement, pages 45-47.

Sustainable Development

Sustainable development is integrated throughout Praxair's organization. Praxair's Sustainable Development Program helps develop and report meaningful metrics that support the business, the brand and the interests of its stakeholders. Sustainable development is governed as outlined below from the Board and executive leadership and within the corporate functions and business units.

- The Technology, Safety & Sustainability Committee assists the Board in its oversight of sustainability and environmental matters, and among other duties, reviews Praxair's policies, programs and practices related to sustainability and the environment. This committee is made up of four independent, non-executive directors. The VP and Chief Sustainability Officer reports into this Committee at least annually.

- The Executive Leadership Sustainability Steering Committee provides internal oversight of sustainable development within Praxair. This committee consists of the six members of the executive leadership team (Praxair's Office of the Chairman: CEO, CFO, two EVPs, one SVP, and General Counsel), and the vice presidents of Sustainable Development, Human Resources and Communications. This committee meets at least twice a year. It reviews performance to date and reviews and approves priorities, plans and targets for the coming period.

- The SVP responsible for Global Supply Systems, R&D, Global Market Development, Global Operations Excellence, Global Procurement, Sustainability and Safety, Health and Environment is the highest ranking executive officer responsible for sustainability. She reports directly to the CEO.

- The VP and Chief Sustainability Officer (CSO), who reports to the SVP, is the highest ranking functional leader of sustainability. She coordinates the development of the sustainable development targets, action plans and the Sustainable Development Management System (SDMS). She leads global external engagement on sustainable development issues and coordinates the development of external sustainable development reporting and responses to external requests such as CDP and DJSI. She reports at least annually on environmental and sustainable development targets to the Technology, Safety and Sustainability Committee; and on Community Engagement to the Governance & Nominating Committee.

- The Director, Sustainable Development and Community Engagement reports to the VP and CSO.

- Business Unit Sustainable Development Councils are established in each business, comprised of all the functional leads and coordinated by a business-level Sustainable Development Coordinator. Business Councils meet quarterly and coordinate the implementation of the sustainable development action plans and the SDMS.

- Business Sustainable Development Coordinators are appointed in each business and in some cases in each country. They meet monthly by phone, joined by the corporate and certain business unit communications staff. To aid in cross-business learning and coordination, each month a different business reports in on a planned schedule and presents its activity against its SDMS targets and action plan results.

- The SDMS is a proprietary management system Praxair uses to manage performance against its 2009-2015 sustainable development targets. Monthly business-level reports from the businesses are consolidated and provided to the vice presidents of sustainable development and productivity. Environmental and productivity performance is reported quarterly to the Office of the Chairman (OOC); an annual presentation of all sustainability results is made to the Board committee.

Sustainable Development Recognition

Praxair has been recognized for its sustainability leadership by a range of external ratings and rankings, as shown below.

KEY IMPACTS, RISKS AND OPPORTUNITIES

Praxair's Sustainable Development Materiality Assessment (SDMA) follows a structured process. Praxair defines a matter as a priority factor (i.e., material) if it is important to long-term sustainable success, reflects the company's economic, environmental and social risks and opportunities, and could substantively affect the company's ability to create value in the short, medium or long term. This definition of "materiality," or Praxair's sustainable development priority factors, is based or references the definitions in several keystone documents, and is consistent with GRI G3.1 as well as GRI G4, and with <IR>:

1. GRI G3.1 and GRI G4

2. Integrated Reporting <IR> Framework, particularly 4.40

3. Dow Jones Sustainability Index (DJSI)

4. DJSI & GRI, 2015: Defining Materiality: What Matters to Reporters and Investors

5. The Sustainability Accounting Standards Board (SASB, 2014) *Exposure Draft for the Resource Transformation Sector: Chemicals.*
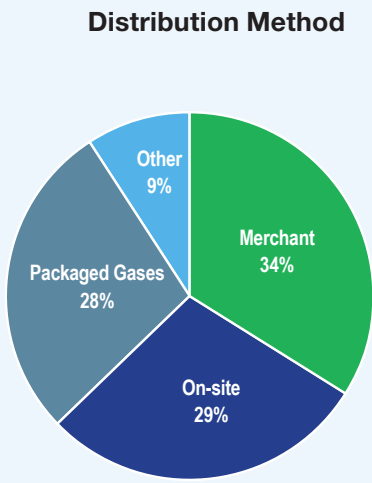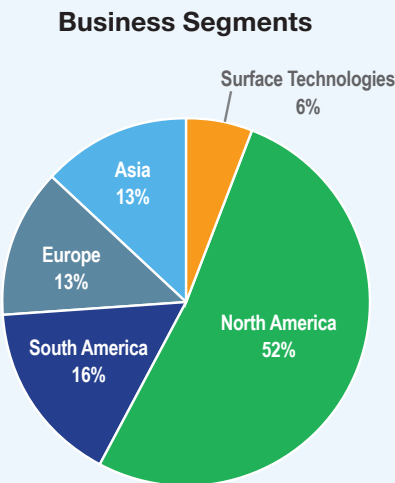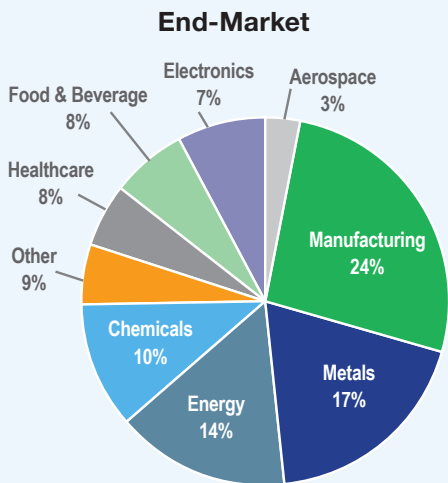
Internal Review:

The process starts with a review of Praxair's business model, its Vision, Mission, company Values and Strategy, corporate policies, and material risks. This is followed by an external review of key stakeholder views.

Business Model

Praxair is the largest industrial gas supplier in North and South America, is rapidly growing in Asia and has strong, well-established businesses in Europe. Sales in 2014 were $12,273 million. Primary industrial gas products are atmospheric gases (oxygen, nitrogen, argon, rare gases) and process gases (carbon dioxide, helium, hydrogen, electronic gases, specialty gases, acetylene). Its surface technologies segment supplies wear-resistant, corrosion-resistant metallic and ceramic coatings and powders. End-markets, business segments and distribution modes are provided in the pie charts below.

Praxair's 27,780 employees serve more than one million customers in approximately 25 industries as diverse as healthcare, petroleum refining, computer-chip manufacturing, beverage carbonation, fiber-optics, steelmaking, aerospace, chemicals and water treatment. Praxair provides a competitive advantage to its customers by continuously developing new products and applications, which allow them to improve their resource productivity, energy efficiency and environmental performance.

Praxair's business model is described in the table on the facing page. Principal Praxair product applications are provided in the columns. The rows show the outputs of those applications; the raw material inputs or feedstock and environmental and safety processes that Praxair adds; and the sustainable development value outcomes of the use of the products. Praxair's principal raw material is the air, which is considered a renewable natural resource. Energy – electricity, natural gas, gasoline and diesel – is the single largest cost item in the production and distribution of industrial gases. For process and specialty gases, raw materials are largely purchased from outside sources and Praxair seeks to re-use, recycle or make other beneficial use of industrial byproducts. By revenue, 29 percent of product is distributed from onsite facilities, usually by pipeline; 34 percent by merchant or bulk trucks; 28 percent as packaged gases or in cylinders; and 9 percent by other means such as rail. Praxair manages the potential environmental and safety aspects of operations with a series of inputs across the life cycle of the applications, from sourcing to customer use.

End-Market

- Food & Beverage 8%
- Electronics 7%
- Aerospace 3%
- Healthcare 8%
- Other 9%
- Chemicals 10%
- Energy 14%
- Metals 17%
- Manufacturing 24%

Business Segments

- Surface Technologies 6%
- Asia 13%
- Europe 13%
- South America 16%
- North America 52%

Distribution Method

- Other 9%
- Packaged Gases 28%
- Merchant 34%
- On-site 29%

Business Model

PRODUCTS	O_2	N_2	Ar	H_2	CO_2	He	Specialty & Materials
END MARKET (% revenue 2014)	OUTPUTS: EXAMPLES OF SIGNIFICANT PRODUCT APPLICATIONS						
Manufacturing & Metals (41%)	Steel making, glass, non-ferrous metal processing	Inerting, metals processing	Welding, stainless steel production, window insulation			Welding	
Energy (14%)	Refinery processing			Diesel & gasoline reformulation	Replaces acids in industrial processes	Leak detection	Coatings
Chemicals (10%)	Water treatment	Inerting, blanketing, purging		Manufacture of ammonia, methanol	Synthesis & separation	Leak detection	Calibration gases
Electronics (7%)	Inerting				Cleaning & inerting	Interting	Electronics processing
Aerospace (3%)	Fuel savings		Welding	Fuel			Coatings
Healthcare (8%)	Respiration					Medical gas, MRIs	Medical gases
Food & Beverage (8%)		Freezing, chilling, preservation			Cryogenic freezing, beverage carbonation		
Other (9%)	Water treatment				Water treatment	Laboratories	Coatings
INPUTS:	ENVIRONMENTAL ASPECTS, PRINCIPAL RAW MATERIALS/ FEEDSTOCKS						
	Air and electricity			Natural gas or industry byproducts, water (steam)	Industry byproduct, natural wells	Byproduct from natural gas processing	N/A
INPUTS:	MANAGING POTENTIAL ENVIRONMENTAL AND SAFETY ASPECTS						
Raw Materials Use	Reduce through energy and resource efficiency, asset management & byproduct synergy						
Distribution	Continuous improvement in distribution efficiency, training, oversight & control of product, process and distribution safety						
Productivity	Reduce emissions and waste through energy and resource efficiency in design, operations and distribution						
Product Stewardship	Continuous improvement in training, oversight & control in product and process safety						
Suppliers	Engage in supplier partnerships to improve safety and productivity, innovate, manage costs and reduce risk,						
Customers	Customer use of products for environmental and productivity benefit, and product stewardship						
OUTCOMES:	SUSTAINABLE DEVELOPMENT VALUE CREATED						
Environmental	Emissions reduction in end market application described above (e.g., NOx, SO₂, VOCs)				Replaces acids in industrial processes		
	Energy efficient industrial production of steel, glass, cement / Safe drinking water		GHG emissions reduction in welding / Energy efficiency in window insulation	Meet regulatory standards to improve air quality; reduce Black Carbon and GHG	Potable water	Helps prevent environmental releases	Extending product life
Economic	Productivity						
	Product quality						
Social	Human health	Human health & safety	Human health			Human health & safety	

Mission, Values, Strategy

Praxair's Mission is Making Our Planet More Productive. This mission is delivered through our Core Values of safety, integrity, results, customer satisfaction, attracting and developing the right people, and environmental and social responsibility. Praxair's industry-leading results are also derived from its business strategy of focusing on the core sale of gas business model, operating in target geographies, increasing density and providing an integrated supply; and growth drivers of energy, environment and emerging economies. Praxair's values, strategy and growth drivers have been mapped to the Six Capitals presented in the Integrated Reporting <IR> Framework, see facing page.

The company's mission and related values drive the Praxair culture, which has been institutionalized over decades and has been identified by leadership as the foundation on which Praxair employees build high-quality results. The Board identified seven areas of non-financial performance that merit inclusion in executive variable compensation, including six that are material to Praxair's sustainable development strategy: People Development; Safety, Environmental Performance and Sustainability; Compliance; Strategy; and Productivity. More detail on these non-financial incentives is provided in the *Alignment with Compensation* table on page 10. Praxair's Mission, Making Our Planet More Productive, is also the company's definition of sustainable development; and the elements of its values, strategy and growth drivers are the bedrock of Praxair's sustainable development strategy and foundation elements in establishing sustainable development priorities.

Praxair Policies

Praxair policies guide behavior in key areas. Policy architecture is provided in its policies and position statements on its website: *www.praxair.com*.

The Praxair Board adopted a "Business Integrity and Ethics Policy" and a "Compliance with Laws Policy" on July 21, 1992 at its first meeting after Praxair became a public company. These policies have served the corporation to establish the "tone at the top" as to what is expected of Praxair employees at all levels in the company. In addition to this policy, the Board directs all covered persons to management policies on specific subjects (for example, insider trading and harassment) and to the Praxair Standards of Business Integrity (SBI) booklet, all of which serve to implement the broad principles set forth in this policy. These are continually updated as appropriate. The SBI makes it clear that Praxair is committed to consistent, global, high standards of ethical and responsible conduct in compliance with applicable laws in all the countries where it does business. In addition, a range of corporate policies cover issues from Product Stewardship to Human Rights. These are maintained and updated as needed.

Praxair supports the Precautionary Principle as defined in Principle 15 of the Rio Declaration: "In order to protect the environment, the precautionary approach shall be widely applied by States according to their capabilities. Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation." Praxair uses a well-defined, science-based process for assessing and managing risks in the face of uncertainty. Decision-making requires a systematic evaluation of risk and benefits. Praxair's product safety program is supported by its commitment to Responsible Care. Risk assessment includes hazard identification, characterization, exposure assessment, and risk assessment. Risk management encompasses the identification, selection and implementation of alternative actions for addressing risk through the control of identified hazard(s) and/or exposure. More information is available on the Product Safety section of Praxair's website: *www. praxair.com*.

Risk Identification

Praxair's annual Sustainable Development Materiality Assessment (SDMA) complements the risk items identified in the Annual Report. Whereas the Annual Report considers the financial aspects of Praxair's business, the SDMA considers the non-financial aspects.

Praxair's *2014 Annual Report* Item 1A: Risk identifies a range of risks that the company feels could materially affect the company's future operations and financial performance. Several of these are directly relevant to Praxair's non-financial and sustainable development priorities, including:

- Cost and availability of raw materials and energy
- Government regulations in areas such as environmental protection (including greenhouse gas regulations), safety, anti-trust matters and global anti-bribery laws, etc.)
- Catastrophic events, including extreme weather
- Retaining qualified personnel
- Technological advances
- Operational risks, including safety and environmental risks

OUR CORE VALUES

■ Safety First

A passionate commitment to safety underpins all of our activities. The safety of our products and services, safety at work, safety on the road and safety at home are the highest priorities for our employees, contractors, families and customers.

■ High Integrity

We continually reinforce the high global standards upon which our reputation has been built, including honesty, ethical conduct and full compliance with the law.

■ Results Driven

With personal accountability, collaboration and innovation, we focus on consistently delivering value to our shareholders and other stakeholders through flawless execution, operational discipline and continuous improvement.

■ Customer Satisfaction

We provide products, applications technology and services that represent the highest standards of quality and reliability. We work closely with our customers to overcome their challenges and achieve their goals.

■ The Right People

We place a high value on attracting and developing talented people from diverse backgrounds who use their talent to make an impact in the world and make our company successful.

■ Environmental and Social Responsibility

We help customers worldwide improve their environmental performance and carbon footprint, while minimizing our own environmental resource intensity and maximizing our social and community contributions.

OUR STRATEGY

■ Core Business

Our core business is industrial gases and a sale of gas business model.

■ Increase Density

We concentrate our assets to optimize our presence, maximize cost efficiencies and drive economies of scale.

■ Target Geographies

We invest in areas of the world where we have secured or will establish significant market presence.

■ Integrated Supply

We build out integrated supply systems to serve the full array of customers.

OUR GROWTH DRIVERS

■ Energy

We are the go-to provider of reliable, cost-effective supply to the energy sector.

■ Emerging Economics

We play a leading role in modernizing industrial infrastructures in high-growth countries.

■ Environment

We help customers reduce their environmental footprint while improving energy efficiency and product quality.

Sustainable Value Creation: The Six Capitals

Praxair's business model and brand promote sustainable value creation in the short, medium and long term. Praxair's values, strategy and growth drivers were mapped to the six capitals presented in the Integrated Reporting <IR> Framework. They were also mapped to each of the 12 priority themes identified in Praxair's Sustainable Development Materiality Assessment, see below. Feature stories are presented from page 29 that show how Praxair creates sustainable value in all the capitals.

⑤ FINANCIAL

- ■ **Results Driven**
  Eco efficiency

- ■ **High Integrity**
  Compliance

⑩ SOCIAL & RELATIONSHIP

- ■ **Integrated Supply**
  Supplier sustainability management

- ■ **Target Geographies**
  Community Engagement

- ■ **Social Responsibility**
  Stakeholder engagement

🌿 NATURAL

- ■ **Customer Satisfaction**
  Product stewardship

- ■ **Environment**
  Employee Engagement

⚒ MANUFACTURED

- ■ **Core Business**
  Energy & GHG emissions

- ■ **Increase Density**
  Sustainable transportation

👤 HUMAN

- ■ **Safety First**
  Occupational health and safety

- ■ **The Right People**
  Employee engagement

- ■ **Emerging Economies**
  Diversity

💡 INTELLECTUAL

- ■ **Energy**
  Environmental innovation

A group of Praxair employees at the company's headquarters in Danbury, CT: (Left to right) Jeremy Harris, Senior Legal Counsel; Melissa Mejia,Training and Development Specialist; Brian Morgan, Director, Corporate Strategy & Real Estate; Emily Turpin, Talent Acquisition Specialist

External Review: Engaging Stakeholders

Each year, as part of its Sustainable Development Management System and related report design process, Praxair evaluates external stakeholder views. Praxair consolidates recommendations from key sustainability research organizations, as well as evaluations of inbound questionnaires from customers and other sustainability focus groups. This includes areas of focus expressed in questionnaires from the current reporting year from CDP, DJSI and other key sustainability rating groups; and the latest guidance and reference documents from organizations like GRI, e.g. "Sustainability Topics for Sectors: What do Stakeholders want to Know?" and its reference document; and SASB's sector reporting guidance for the Chemical Sector. For the 2014 reporting year, Praxair reconfirmed the relevance of its priority factors by mapping them against topics outlined in these reference documents. Praxair's view is that its current set of priority factors, and its related 2010-2015 targets, are aligned with relevant emerging issues.

The principal activity undertaken in 2014-2015 to continue to integrate stakeholder concerns into Praxair's sustainable development strategy has been the development of Praxair's third generation of 5-year sustainable development targets. The current targets run 2010-2015 and correspond to priority issues that were identified at the start of that target period. Praxair's 2020 Sustainable Development Targets are expected to have a broader scope than the targets set for 2015 and include people development targets. They will build on and extend the environmental targets. The development of the 2016-2020 targets was once again based on a priority assessment that included internal and external priorities and perspectives. Internally, draft targets were developed with and communicated to all business presidents and the SD Coordinators. The targets will be presented to Praxair's Executive Leadership Team and Board of Directors Committee on Technology, Safety and Sustainability for their feedback and approval in the second half of 2015.

Stakeholder engagement is reflected in Praxair's Vision Statement "To be the best performing industrial gases company in the world as determined by our customers, employees, shareholders, suppliers and the communities in which we operate." Praxair's business strategy reflects continuous engagement with these groups. This chapter describes engagement with those stakeholders, as well as governmental agencies and industry associations.

Customers

As a business-to-business company, customer retention is crucial to Praxair's competitiveness, and we are in contact with our customers every day. A significant portion of Praxair revenue is earned from recurring customers or retained accounts. Praxair works tirelessly to integrate our business with that of our customers, and continue to offer them relevant technologies to drive down costs and improve their resource efficiency – particularly in energy use. See *Eco Portfolio* page 33. Praxair applications bring social benefits as well. In 2014, Praxair received an "Innovation Award" from GE Healthcare China at its 17th annual Supplier Forum in recognition of the company's development of a new method for supplying and recovering liquid helium for GE's MRI machines. The new system improves productivity resulting in cost savings and improved environmental benefits for GE Healthcare China.

Each year, several global customers ask Praxair to respond to the CDP Supply Chain questionnaire. We have responded in all cases. In 2014 Praxair's score on this index was 100% for disclosure and an A- for performance. Also, several customers each year ask for Praxair to sign various external codes to assure that Praxair's and/or its supply chain is not at risk of sourcing "conflict minerals" or at risk of human rights abuses, or that it promotes diversity and inclusion. These are discussed in *Responding to Emerging Issues and Additional Stakeholder Concerns*, below.

Employees

Praxair is committed to the safety, well-being and professional development of all its employees worldwide. The company is committed to providing a safe and inclusive workplace culture with an emphasis on the highest standards of integrity and professional performance. Praxair communicates with its employees regularly. 18,883 employees from 35 countries (73 percent of our global population) responded to our 2014 Employee Engagement Survey, and Praxair's employee engagement index was 83 percent – higher than our sector norm. Safety and social responsibility had the highest level of employee engagement. This report illustrates the engagement of Praxair worldwide employees in all aspects of Praxair's sustainable development programs and their contribution to the achievement of our sustainability targets. See Our People on our website: www.praxair.com. In recognition of our work in this area, Praxair was named to the Forbes' America's Best Employees List of 2015.

Shareholders

Praxair is an industrial gases company and is classified by investors as part of the Basic Materials sector (by CDP) and the Chemical sub-sector (by DJSI). In these sectors, there are specific external expectations and norms for sustainability reporting that Praxair considers as key inputs to its priority evaluation and important indicators of relevant emerging issues, and these change from year to year. Some of these groups represent substantial shareholders. For example, the Global Sustainable Investment Alliance 2014 Global Sustainable Investment Review reports that the global sustainable investment market has continued to grow both in absolute and relative terms, rising from $13.3 trillion at the outset of 2012 to $21.4 trillion at the start of 2014, and from 21.5 percent to 30.2 percent of the professionally managed assets in the global regions covered. In the United States, where Praxair is headquartered and listed on the New York Stock Exchange (NYSE), at the beginning of 2014, total U.S. SRI assets were $6.57 trillion. Nearly 18 percent of all investment assets under professional management in the United States at the start

of 2014 were held by individuals, institutions or money managers that consider ESG issues in selecting investments across a range of asset classes, or file shareholder resolutions on ESG issues at publicly traded companies. See Investor Relations on our website: www.praxair.com.

Annually, Praxair's Sustainable Development function performs a systematic review of questions from the various stakeholders that request sustainability information. In addition, we engage with key groups that we believe best represent key investor questions for our sector and our company. Two examples are CDP and the RobecoSAM DJSI Index (DJSI), which topped the polls as the corporate sustainability ratings that are most recognized by the experts, and were two of the top three that were considered most credible in a major survey called _Rate the Raters_, by the London think-tank SustainAbility, in 2012.

CDP: As energy use and GHG emissions are concerns for Praxair, we have identified CDP as a key external group. _CDP works with 822 institutional investors_ holding US$95 trillion in assets to help reveal the risk in their investment portfolios and to stay current with their emerging issues and concerns. The output of this effort is the CDP Investor Request for Climate Change information, which Praxair considers to be the best consolidated source of key priorities from this group of investors. This conclusion was confirmed in 2013 when the DJSI, another investor group that Praxair considers key, aligned its Climate Change questions with CDP, and in 2014 in numerous conversations with ESG investors. To stay current with CDP, Praxair actively engages in its requests for information, and engages also with related organizations, such as the Climate Disclosure Standards Board (CDSB), which has developed the Climate Change Reporting Framework (CCRF). Praxair's VP and Chief Sustainability Officer has shared Praxair's experience at CDP Spring Workshops in New York in 2011 (on integrating climate change into corporate strategy), in 2013 (on Scope 3 GHG reporting) and 2015 (on integrating climate change into financial filings as per the CCRF).

DJSI is a leading index of corporate sustainability. Praxair uses the DJSI questionnaire and its updates as a proxy for emerging relevant sustainability issues, and considers DJSI questions in our sustainable development materiality assessment.

Not all investor requests relate to environmental issues. In 2014, Praxair received a request from an investor to sign the UN Women's Empowerment Principles - see Responding to _Emerging Issues and Additional Stakeholder Concerns_, below.

As a measure of how closely we monitor and participate in current and emerging issues in sustainability reporting, Praxair has been named to the DJSI World Index for 12 consecutive years and to the CDP Carbon Disclosure Leadership Index for seven consecutive years. Praxair's Board named these achievements among the non-financial measures of performance that were rewarded in 2014 (see _Governance_ section].

Suppliers

Praxair is a basic materials company with a relatively simple supply chain. As Praxair is a large user of electrical energy to power its air separation units, one important group of suppliers is our utility suppliers. Praxair works with some of these suppliers to help them meet their state energy efficiency requirements, and we work with them on energy efficiency. See Energy & Climate Change, page 32. Another important group of suppliers is our contract and carrier driver population; see Supplier Sustainability Management page 30. Generally, Praxair seeks to engage with its suppliers as sources of value and innovation. In South America, Praxair hosted its third annual Suppliers' Forum to engage suppliers in sustainability and innovation initiatives. Their first Sustainability Innovation Supplier Award was granted to a supplier providing forwarding and logistics services, for monitoring its GHG footprint and using that information to develop strategies to reduce GHG emissions from trucking. Globally, Praxair has a target for supplier sustainability management, a subset of Sustainable Productivity, see _Performance 2014_, page 3. See Suppliers, on our website: www.praxair.com.

Communities

Praxair has a target under *People Development* to "source and retain top talent, particularly in emerging economies." In 2014, 92 percent of our emerging economy leaders were local or regional nationals. See *Performance 2014* on page 3, and *Performance Dashboard* item 24, page 24 and related Note. Praxair is at root a "local" company, as its products are expensive to transport over long distances. This means that Praxair makes long-term investments in communities where it builds a facility and sources talent, leadership and suppliers locally. Praxair has a target under *People Development* to "source and retain top talent, particularly in emerging economies."

Community engagement is a part of Praxair's culture and encouraged by Praxair leadership. Praxair engages with its communities by building close relationships with local providers of emergency services, with employee volunteer projects that help to build community resilience, and through the Praxair Global Giving Program. Detail on these is provided in the *SVR Annex* at SO1. One example of community social and environmental engagement is provided at *People Development: Employee Engagement*, page 33. Also see Community Engagement on our website: *www.praxair.com*.

Governmental Agencies

Praxair engages in the development and implementation of public policy to ensure that our interests as a leading industrial company and as a large employer are appropriately represented. Through industry groups and trade associations, we interact with government officials and stakeholders to educate policy makers on issues that are important to us as a company. We maintain a detailed oversight process to make sure that our activities are conducted in a legal, ethical and transparent manner. We also train our employees annually on issues related to doing business with the government, complying with anti-trust and competition laws, and the U.S. Foreign Corrupt Practices Act (FCPA). See Government Affairs on our website: *www.praxair.com*.

Industry Associations

Praxair is a member of a range of trade associations, business associations, and alliances. The more active relationships are listed below. In many cases, these are organizations where a Praxair executive holds a board seat and/or serves on a relevant committee; where Praxair participates in projects; and/or where it views membership as a strategic partnership. In addition, Praxair participates in additional organizations, including many at the local and regional level. Some of these organizations include:

- Asia Industrial Gas Association
- American Chemistry Council
- American Institute of Chemical Engineers (AICHE)
- Brazilian Chemical Industry Association (ABIQUIM)
- Committee for Encouraging Corporate Philanthropy (CECP)
- HR Policy Institute
- Compressed Gas Association (CGA) (U.S.)
- European Industrial Gas Association
- National Enhanced Oil Recovery Initiative (NEORI)
- U.S. - Brazil CEO Forum
- U.S. - China Business Council
- U.S. Chamber of Commerce
- The Center for Mexican Philanthropy (CEMEFI)
- World Energy Council, Mexico Chapter

Responding to Emerging Issues and Additional Stakeholder Concerns

External groups sometimes request that Praxair show its commitment to externally developed economic, environmental and social charters and principles. In most cases, Praxair has processes in place to remain aware of relevant current and emerging external issues, integrate relevant issues into voluntary Praxair policies, maintain policies and related systems to ensure corporate responsibility policy and practice remains current and relevant, and report these in its public reporting. As part of its work process to maintain its policies and keep them relevant with emerging issues and internal and external stakeholders, Praxair made the following updates and changes in 2014:

Policies and Position Statements:

- Human Rights Policy: The policy was updated to clarify Praxair's policy in this area.

- Product Stewardship Policy: Revised and issued to clarify Praxair's policy in this area. A performance target was established in this area, see Performance Dashboard Target 7, page 22 and related Note.

- Position Statement on Sustainable Development and Climate Change: Issued to clarify Praxair's position in this area.

- Responsible Care® Global Charter: Responsible Care is a voluntary commitment by the global chemical industry to drive continuous improvement and achieve excellence in environmental, health and safety and security performance. A performance target was established in this area, see Performance Dashboard Target 7, page 22 and related Note.

Correspondence Documents:

These show how Praxair policies correspond to select voluntary external codes of conduct and in response to stakeholder requests for Praxair to clarify policy in this area. New or updated in 2014 were:

- EICC Code of Conduct: Updated to report correspondence to EICC Code of Conduct v5. Note that Praxair's Conflict-Free Materials Supply Policy is "Guided by the Organization for Economic Cooperation and Development (OECD) *Model Supply Chain Policy for a Responsible Global Supply Chain of Minerals from Conflict-Affected and High-Risk Areas*.

- UN Global Compact: Updated to reflect changes in Praxair policies, particularly the updated Human Rights policy.

- UN Women's Empowerment Principles: Newly issued in response to an SRI request.

White Papers:

Praxair publishes a range of white papers that address policy and technology challenges.

- Energy Efficiency & Renewable Energy Investments: This was updated to take into account lower prices for renewable energy. The conclusion is unchanged: energy efficiency is the best action that Praxair can take to reduce its energy intensity and GHG emissions.

DETERMINING PRIORITY FACTORS

A consolidated list of current year internal and external and emerging issues created in the process described above was compared to the priority list of the past year, and a gap analysis was performed. For Praxair, the factors remained similar, but in order to confirm their relative priority we tested their ranking in an internal survey. This was sent to Praxair managers from each of our major countries and all corporate functions, who were asked to rank the top dozen elements for 2014. There was a very high degree of consensus in the internal ranking of the top six priority factors.

Praxair's top sustainable development priority factors are:

- Safety
- Governance, Ethics, & Compliance
- Energy & Climate Change
- Eco Portfolio
- Sustainable Productivity
- People Development

These six priority factors were broken down into 12 Key Performance Indicator (KPI) areas, see *Priority Matrix* below. These were converted into 24 performance targets – see *Performance 2014* on page 3. Praxair's final determination of sustainable development priorities is presented and discussed at least annually to the Board Technology, Safety and Sustainability committee, along with a report on emerging issues in sustainable development.

Additions 2014:
We added additional reduction targets to strengthen focus in two key areas:

Product Stewardship:

- In 2014: Introduce at least one major application that offers customers an alternative to Substances of Very High Concern (SVHCs) ahead of the EU Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) regulation

- By 2020, conform to the Responsible Care® Global Charter and its Six Elements

Energy and Climate Change – Sustainable Transportation:

- Bulk trucking (U.S.): By 2015, achieve a net 3% reduction in GHG emissions from the introduction of On-Board Computer (OBC) technology

Exclusions 2014:
We removed Air Emissions from our list of priorities. The SASB guidance for the chemical sector notes that "production of key chemicals ...generates significant volumes of sulfur dioxide (SO2) and nitrogen oxides (NOx). Relative to other industries, the Chemicals industry provides a substantial source of some of these pollutants." However, as an industrial gas company, Praxair operations do not have this impact and overall volumes of NOx, SOx and VOCs emitted are modest relative to the chemical industry. For distribution, Praxair has a 2015 target to reduce NOx in driving. However, this is not a management target (it is calculated from driving based on Praxair miles per gallon), and on that basis we have removed it from the list of material items and do not expect to carry it into the

Gen III targets. For the sake of consistency and closing out the 2015 targets, it will be reported through the end of 2015.
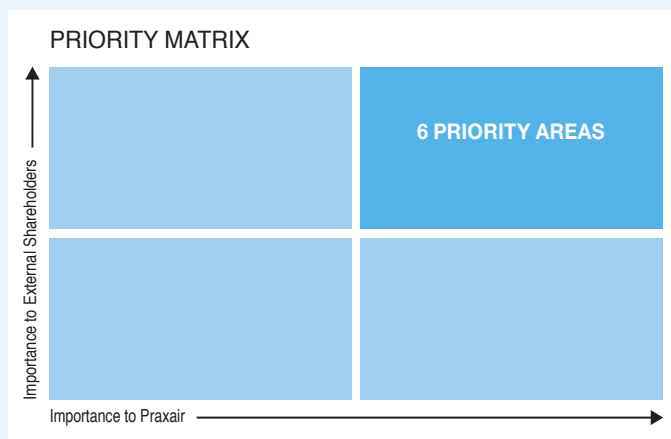
Context of Next Generation SD 2020 Targets
This survey was also used to begin the development of Praxair's Generation III SD 2020 Targets, and the closing out of the current Gen II SD Targets. We, therefore, had the opportunity to consider new emerging issues, or emerging issues with newly considered priorities, as part of the new 2020 target period. The materiality assessment did identify emerging issues. Water, for example, has not been identified as a material risk in Praxair's internal risk assessment, but it ranked high for external stakeholders and the internal survey showed it ranking higher than previously among Praxair managers. A work process was established to establish a target for water reporting among the new Sustainable Development targets 2016-2020.

Mapping Sustainable Development Priorities
As a final step in Praxair's SDMA process, it is crucial to confirm alignment with the business. The table following, *Integration of Sustainable Development,* shows that Praxair's sustainable development priority factors are consistent with the business priorities. Priorities and targets are aligned with and can be clearly mapped to Praxair's Vision and Values, its key risks and key non-financial elements considered by the Praxair Board to be most important to long-term financial success.

Priority Factors and Related KPI Areas

PRIORITY MATRIX

Importance to External Shareholders (vertical axis)
Importance to Praxair (horizontal axis)

6 PRIORITY AREAS

- SAFETY
  - Occupational Health & Safety
- GOVERNANCE, ETHICS & COMPLIANCE
  - Governance & Ethics
  ENERGY & CLIMATE CHANGE
  - Energy & GHG Emissions
  - Sustainable Transportation
- ECO PORTFOLIO
  - Environmental Innovation
  - Product Stewardship

- SUSTAINABLE PRODUCTIVITY
  - Eco Efficiency
  - Supplier Sustainability Management

- PEOPLE DEVELOPMENT
  - Diversity
  - Employee Engagement
  - Community Engagement
  - Stakeholder Engagement

Integration of Sustainable Development

| Vision, Values	2014 Annual Report: Item 1A Risks	Priority Factors	Targets 2009-2015	Proxy 2015: Non-financial Incentives
Safety First	Operational risks, incl. to people & environment	**Safety**	Outperform the ACC published large member average for Recordable Injury Rate (per 200,000 hours)	Safety - Zero fatalities - Best-in-class safety rates
			Outperform the ACC published large member average for Lost Time Injury Frequency Rate (LTIFR), also called Lost Workday Case Rate (LWCR) (per 200,000 hours)	
High Integrity	Regulations	**Governance, Ethics & Compliance**	Maintain global standards of corporate governance, ethics, integrity, accountability & human rights	Compliance Culture
Environment and Social Responsibility	Energy costs Regulations Catastrophic events Climate change Sustainable Transportation	**Energy & Climate Change**	Achieve cumulative energy savings in excess of $600 million and 6 million MT CO2e, 2009-2020	Superior performance in SD Environmental stewardship
			ASU Design: 8.5% energy intensity improvement per product produced from new ASU facilities	
			ASUs: 6% GHG improvement per product produced	
			Hydrogen: 2.4% GHG improvement per product produced	
			Packaged Gas Trucking: 9% improvement in GHGs per product delivered	
			Bulk Trucking: 9% improvement in GHGs per product delivered	
			U.S. Bulk Trucking: 3% net reduction in fuel use and GHGs from the introduction of OBC technology, 2012-2015	
			Reduce vehicle NOx emissions 50%	
Customer Satisfaction	Technological Advances: R&D	**Eco Portfolio**	Earn 30% revenue from eco portfolio	Productivity: More output from fewer resources with less environmental impact Continuous environmental innovation
			Annually enable at least 2X the GHG to be avoided than was emitted in all Praxair operations	
			Enable delivery of safe drinking water to millions of consumers, particularly in China	
			By 2014, introduce at least one major application that offers customers an alternative to the use of substances of very high concern ahead of REACH requirements.	
			Comply with the Responsible Care® Global Charter by 2020	
Results Driven	Raw materials and energy costs	**Sustainable Productivity**	Achieve $500 million in cumulative environmental savings from productivity	Productivity: More output from fewer resources with less environmental impact
			Achieve a cumulative $10 million in greening the supply chain	
The Right People	Retaining qualified personnel	**People Development**	Source and retain top talent, particularly in emerging economies	People development - Attraction - Retention - Engagement
			Continuously improve employee engagement results in corporate engagement survey	
			Achieve and maintain 150 sites achieving zero waste	
			Achieve a cumulative 1.5 million beneficiaries	
			Achieve and maintain a positive net benefit ratio of 10 beneficiaries per employee	
			Plant or preserve one million trees with major conservation organizations (2012 - 2016)	

PERFORMANCE DASHBOARD

Eco Portfolio

Governance, Ethics & Compliance

Environmental Innovation (1)
Revenue from eco portfolio

$3.9B
revenue from
ECO PORTFOLIO

Environmental Innovation (2)
% revenue from eco portfolio

2011	2012	2013	2014	2015 Target
26	27	27	32	30

Product Stewardship (6)
Lowering Product Toxicity

Introduced a major application that offers that offers customers an alternative to

SVHCs

AHEAD of REACH REQUIREMENTS (2014)

*SVHC: substances of very high concern as defined by the EU

Governance & Ethics (8)
% improvement

100%
EMPLOYEES
certified they read and understood Praxair's **STANDARDS OF BUSINESS INTEGRITY**

Growth from Environmental Innovation (3)

Customer collaboration in Mexico reduces time-to-market and development costs

Environmental Innovation (4)
Customer GHG Benefits

ENABLED at LEAST

2x
MORE GHG
TO BE AVOIDED
per year than is emitted in all Praxair operations

Product Stewardship (7)
Responsible Care

Comply with the chemical industry's Responsible Care®

GLOBAL CHARTER

by 2020

Compliance (9)

Praxair updated its

Human Rights Policy,
affirming consistency with the Universal Declaration of Human Rights

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LEGEND

All targets are 2010-2015 with a 2009 baseline unless otherwise stated.
Notes after headings are provided on pages. 25-28.

⭐ New Target

✔ *Externally audited information. For audited data reported here normalized vs. baseline, the audit was performed on the underlying net value. Auditor's report is provided on p. 36.*

Environmental Innovation (5)
Consumer Water Benefits

PRAXAIR GASES ENABLE

>70 million people

each day, mainly in China, to receive safe drinking water.

Energy & Climate Change

Sustainable Productivity

ASU Energy/GHG Intensity (10)
% improvement per unit of product

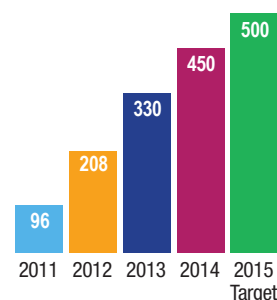| Year	Value
2011	2.3
2012	3.4
2013	4.0
2014	4.9
2015 Target	6.0
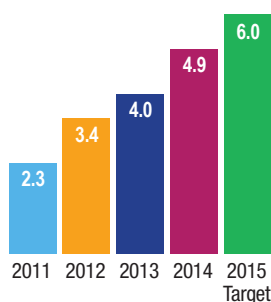
Cumulative Energy Savings (11)
2009–2014

$200 MILLION
1.6MM MT CO2e avoided

Eco Efficiency (18)
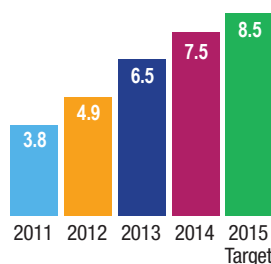**Cumulative savings from sustainable productivity ($MM)**

Year	Value
2011	96
2012	208
2013	330
2014	450
2015 Target	500

Hydrogen GHG Emissions Intensity (12)
% improvement per unit of product

Year	Value
2011	2.2
2012	1.9
2013	2.0
2014	5.1
2015 Target	2.4
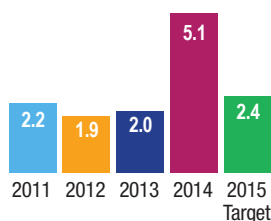
Design (13)
% improvement in product energy intensity for new ASUs

Year	Value
2011	3.8
2012	4.9
2013	6.5
2014	7.5
2015 Target	8.5

Supplier Sustainability Management (19)
Cumulative savings from greening the supply chain ($MM)

Year	Value
2012	4.3
2013	8.9
2014	12.4
2015 Target	10
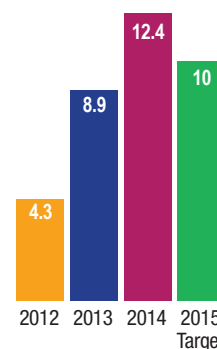
Bulk Trucking (14)
Transport GHG emissions intensity: % improvement per unit of product

Year	Value
2011	3.6
2012	6.6
2013	9.7
2014	11.1
2015 Target	9.0
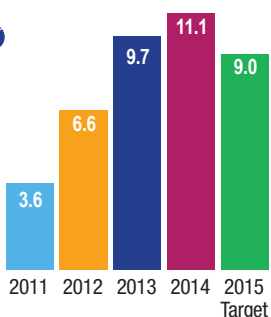
Packaged Gas Trucking (15)
Transport GHG emissions intensity: % improvement per unit of product

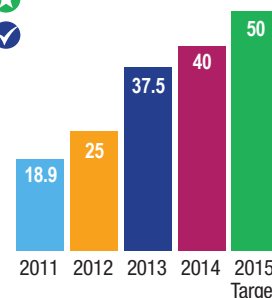| Year	Value
2011	3.2
2012	7.2
2013	11.6
2014	13.3
2015 Target	9.0
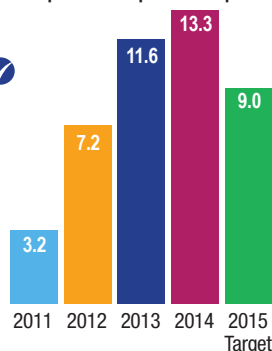
U.S. Bulk Trucking (16)

Reduced fuel use and GHG EMISSIONS
2.5%
2012-2015

Air Emissions (17)
2010–2015 Reduce vehicle NOX emissions %

Year	Value
2011	18.9
2012	25
2013	37.5
2014	40
2015 Target	50

Safety	People Development

Occupational Health & Safety (20)

Outperform the ACC published large member average for Recordable Injury Rate

☑ **0.52**

RECORDABLE INJURIES

per 200,000 hours worked

Employee Engagement (22)

83%

EMPLOYEE ENGAGEMENT RATE
In Global Survey

Diversity (24)

92%

leaders in emerging economies are local nationals

Stakeholder Engagement (25)
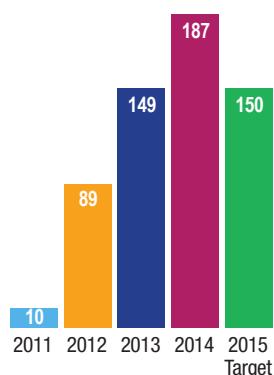
500,000 TREES

planted or preserved

Occupational Health & Safety (21)

Outperform the ACC published large member average for Lost Workday Cases

☑ **0.09**

LOST WORKDAY Cases (LWCs) per 200,000 HOURS WORKED

Employee Engagement (23)

Number of sites achieving Zero Waste to Landfill

2011	2012	2013	2014	2015 Target
10	89	149	187	150

Community Engagement (26)

☑ **$1.0 MILLION**
cash and in-kind contributions

FROM EMPLOYEES AND FACILITIES

(not including support from Praxair Global Giving)
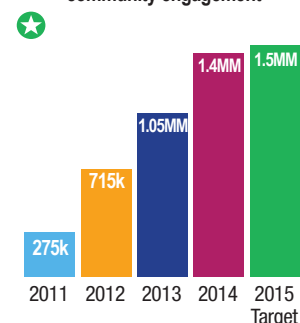
Community Engagement (27)

12:1

net benefit ratio of beneficiaries per employee

Volunteers from two of Praxair Russia's plants participate in the "Hands Across Europe 2014 - Bringing Smiles to Children" campaign.

Community Engagement (28)

Cumulative beneficiaries from community engagement

⭐

2011	2012	2013	2014	2015 Target
275k	715k	1.05MM	1.4MM	1.5MM

Performance Dashboard: Notes on Performance Results

Eco Portfolio

1. **Environmental Innovation – Revenue from Eco Portfolio:** Praxair reports annual revenue from its eco portfolio – applications that bring environmental advantage. Praxair R&D has developed a methodology to determine and update which applications are included. This entails evaluating products for benefits across Praxair's Environmental Key Performance Indicators (EKPIs): energy (electricity, natural gas, fuel) and direct and indirect GHG emissions from these sources; direct GHG emissions; waste (hazardous and non-hazardous), water and Ozone Depleting Substances (ODSs). Major applications determined to meet the threshold benefit conditions include: Oxygen in steel production and non-ferrous metals that improve energy efficiency and reduce air emissions; Argon in welding and solar production; all PST components that extend product life; Hydrogen for Ultra-Low Sulfur Diesel; and all water treatment. Some of the increase in the 2014 eco portfolio revenue is due to a change in methodology: In 2014 the eco portfolio includes additional applications that reduce rework and create productivity improvements, and which have waste reduction and general resource consumption (including power) benefits.

2. **Environmental Innovation – Percentage Revenue from Eco Portfolio:** Praxair reports percentage revenue value from eco portfolio as a percentage of total annual revenue. The 2015 target is 30% of revenue; Praxair achieved 32% in 2014.

3. **Environmental Innovation – Growth:** Praxair customer collaboration accelerates innovation time-to-market and business and environmental benefits. One example is a collaboration with our customer Grupo Pavisa, a Mexican glass manufacturer, to develop OPTIMELT, a new, high-impact glass melting method that utilizes industrial gases. *See Feature Story*, page 33.

4. **Environmental Innovation – Customer GHG Benefits:** Praxair has an annual target to enable twice the amount of our own Scope 1+2 GHG emissions to be avoided by customers. Results reflect conclusions of Praxair White Papers. Krypton used to insulate windows and Argon used in welding enabled some 1.5 MM MT CO2e to be avoided by Praxair customers in 2014. Oxygen used in steelmaking enables energy efficiency and reduces indirect GHG emissions. This application in 2014 enabled the avoidance of 11 MM MT CO2e.

   In 2014, Praxair Hydrogen for ultra-low sulfur diesel (ULSD) enabled the avoidance of 37.7 MM MT CO2e, and a savings equivalent to the average annual energy use of 4.3 million homes in the U.S. (see *http://www.epa.gov/cleanenergy/energy-resources/calculator.html*), and more than five times all Praxair's direct GHG emissions from Hydrogen (6.9MM MT CO2e). We express this target as 100% reduction of twice our 2014 emissions (20,245,000 MT CO2e * 2 = 40,490,000). We assume the share of Scope 3 emissions is equal to the market share of these applications. The result reflects conclusions of a Praxair White Paper showing that Hydrogen used for the manufacture of ULSD fuel, when the tailpipe is fitted with a diesel particulate filter, avoids the emission of black carbon, which has a global warming potential and can be converted to CO2e. See Eco Portfolio at *www.praxair.com*.

5. **Environmental Innovation – Consumer Water Benefits:** Covers all end-consumers served by Praxair. Measures people living in cities where Praxair Oxygen or CO2 disinfect water to help make it potable; calculates number of end-consumers based on market information about Praxair customers, e.g. city water utilities. Target of 50 million people served in China was exceeded largely because of the growth of water treatment in cities in China and additional sales in that region. In 2014 Praxair gases enabled clean, safe drinking water to be delivered to more than 70 million people in China.

6. **Product Stewardship – Lowering Product Toxicity:** Praxair set a target for 2014 to introduce at least one major application that offers customers an alternative to substances of very high concern (SVHCs) ahead of REACH requirements. Praxair introduced a new line of chromium (VI)-free ceramic aluminum coatings for the aerospace and power generation industries. The company's *SermeTel*™ CF and *SermaLoy*® J CF systems are chrome-free replacements of legacy *SermeTel*™ 5380, SermeTel™ 2F-1 and *SermeTel*™ 6F-1 coatings and are REACH-compliant.

7. **Product Stewardship – Responsible Care®:** Praxair set a new target in early 2015 to comply with the chemical industry's Responsible Care® Global Charter and its Six Elements by 2020. Praxair is a signatory to the Global Charter. This target is in progress.

Governance, Ethics & Compliance

8. **Governance & Ethics:** Reported for all Praxair employees. 100% of Praxair management and required employees annually certify that they have read and understood Praxair's Compliance with Laws and Business Integrity and Ethics policies. Certification is achieved annually for Praxair's SBI and biennially to additional related areas such as anti-corruption or FCPA.

9. **Compliance:** Praxair updated its Human Rights Policy, affirming the company complies with all applicable national laws and international treaties concerning human rights, social rights and labor rights, consistent with the principles of the Universal Declaration of Human Rights.

Energy & Climate Change

10. **Energy & GHG Emissions – ASU Energy & GHG Intensity:** Covers all Praxair worldwide Air Separation Units (ASUs). ASUs are our largest users of electricity, and therefore our largest source of Scope 2 emissions. Praxair has a target to improve energy and GHG intensity from ASUs by 6% by 2015, from a 2009 baseline. This

equates to an average of 1% per year. Praxair calculates energy intensity, then applies a constant emission factor to translate the results to GHGs. Praxair achieved 4.9% energy intensity over its base, a little short of the 5% target, but we remain moderately confident that we will achieve our 6% target by end 2015. The target is measured as energy and GHG intensity per molecule of gas produced vs. baseline, normalized to gaseous oxygen equivalent (GO2e). 2014 performance was positively affected by new more efficient plants starting up in Asia and by strong energy efficiency achievements in Europe. These were countered by strong market demand for Argon in the U.S. and Canada, which, when produced on its own and without co-products, is more energy intensive than other products produced by our ASUs.

11. **Energy & GHG Emissions – Cumulative Energy Savings (2009-2020):** Covers all Praxair operations. Measures performance against Praxair's long-term target: From 2009 to 2020, achieve a minimum annual energy savings (vs. base) of 1.8 million MWh of electricity and 2.5 million MMBtu of natural gas, delivering anticipated cumulative savings in excess of $600 million and 6 million MT CO_2e by the end of the target period. Reports cumulative $ and MT CO_2e savings. Cumulative savings of $200 million and 1.6 million MT CO_2e saved were realized for 2009-2014, on track for 2020. Note that these savings are measured in operations, and are separate from productivity savings (Note 18).

12. **Energy & GHG Emissions – Hydrogen GHG Emissions Intensity:** The hydrogen target was set in 2009 for 5 major Steam Methane Reformers (SMRs). It does not include plants that have since started operating. In 2009, the plants included in the target accounted for about 75% of scope 1 emissions from hydrogen. The target now covers 45% of Scope 1 emissions. Target measures GHG intensity per molecule of gas produced vs. baseline and targets a 2.4% GHG intensity

improvement by 2015. Hydrogen is Praxair's principal source of Scope 1 emissions and one of our most significant growth drivers. In 2014, the 5 SMRs achieved a 5.1% GHG intensity improvement over base, substantially exceeding the 2015 target. Strong results were achieved principally from energy efficiency initiatives and from byproduct sourcing of hydrogen at the largest of these SMRs, which replaces the need to produce on-purpose Hydrogen.

13. **Energy & GHG Emissions – ASU Design Energy Intensity:** Covers energy intensity improvements made in the design of new ASUs each year, by Praxair R&D and Engineering organizations. Measures projected energy cost per molecule of gas produced vs baseline year. The 2015 target is an 8.5% improvement, 2009-2015. 2014 results were 1% improvement and a cumulative 7.5% improvement over the baseline year, on track to achieve target.

14. **Sustainable Transportation – Bulk Trucking GHG Emissions Intensity:** Covers all Praxair driving operations where the driver is a Praxair employee. The target measures the GHG intensity per product delivered vs. baseline (2009) and measures annual updated fuel efficiency. This is calculated by multiplying the number of miles driven in each geography by local GHG emissions factors and product volume delivered. Drivers transport Praxair product around the world about 30Xs a day, and half of this is done by contract drivers. We track and manage GHG emissions in trucking for both Praxair drivers and contract drivers, to help us improve distribution efficiency around the world. The target for Praxair Bulk drivers is 1.5% annual GHG intensity improvement, 2009-2015, or 9% improvement by 2015. Bulk driving GHG emissions intensity improved 1.4% over 2013 and 11.1% since 2009, exceeding the 2015 target. Challenges to this group came from increased Argon deliveries in the U.S., which has the highest proportion of Praxair drivers

in all Praxair businesses. This was largely offset by a driver fuel efficiency project in China that increased logistics planning efficiency. Praxair South America has extended this target to their contract drivers. They achieved a 4.4 percent improvement in GHG intensity per product delivered in 2014.

15. **Sustainable Transportation – Packaged Gas Trucking GHG Emissions Intensity:** The target for Praxair packaged gas drivers is 1.5% annual GHG intensity improvement, 2009-2015, or 9% improvement by 2015. Packaged gas GHG emissions intensity improved 3.7% in 2014 and 13.3% since 2009, substantially exceeding its 2015 target of 9%. Opportunities in China with high-volume short-haul deliveries were compounded by strong fuel efficiency programs globally and the introduction of more fuel efficient trucks. Overall fuel consumption was flat despite an increase in cylinders delivered. Although Praxair exceeded the 2015 target, a new target has not yet been set as these results depend on a range of variables like business growth.

16. **Sustainable Transportation – U.S. Bulk Trucking Net GHG Reduction:** Praxair invests in technology such as route optimization and on-board-computers (OBCs), and in training in fuel-efficient driving techniques. The OBCs were intended mainly to improve driver safety, but they also improve fuel efficiency and corresponding GHG emissions. Praxair bulk trucks in the U.S. accounted for 1% of total Praxair 2014 Scope 1 GHG emissions. In 2012, Praxair set an internal target to install OBCs in our U.S. bulk delivery trucks, and improve the fuel efficiency of U.S. bulk trucking by 3% by 2015 (from a 2012 baseline). We have installed OBCs on the majority of these trucks, and so far we have seen a 2.5% improvement in fuel efficiency and corresponding GHG emissions, and a saving in 2014 of 2,430 MT CO_2e.

17. **Sustainable Transportation – Air Emissions:** Covers all NOx emissions from Praxair truck driving. The metric is

calculated from miles driven multiplied by the NOx level determined by regulations in the different geographies in which Praxair operates. This is not a management metric. Target is 50% reduction by 2014. In 2014, NOx reduction was 40% - on track to meet target. Praxair emissions have decreased as a result of regulations requiring the use of cleaner burning diesel fuels in the Praxair fleet. Praxair's 2014-2015 Sustainable Development Materiality Assessment determined that this metric is not a key priority going forward. Praxair's total global NOx emissions have been less than 2,000 MT since 2010, which we consider to have a relatively small environmental impact. For that reason, Praxair will report this to the end of the target period; a NOx target will not be included in the next generation of SD targets (2016-2020).

Sustainable Productivity

18. **Sustainable Productivity - $ Savings from Eco Efficiency:** Covers all Praxair operations. Measures productivity projects that bring financial and environmental savings in Praxair's EKPI areas, see Note 1. Sustainable productivity excludes product innovation and excludes operational environmental efficiencies after 12 months (energy savings in operations is captured in the cumulative energy savings target, see Note 11). It excludes ongoing savings from prior years' initiatives. Financial and environmental costs and benefits are pro-rated for partially completed projects. Praxair's target for sustainable productivity is a cumulative saving of $500 million, 2010-2015. In 2014, the program achieved savings of more than $130 million, for a cumulative saving of more than $450 MM since 2010 - well on track to achieve its target.

19. **Supplier Sustainability Management – Greening the Supply Chain:** This area is a subset of sustainable productivity and therefore a key priority issue. The target covers all Praxair Global Procurement Materials

Management (GPMM) and measures financial savings in sustainable productivity from procurement. The target is to achieve at least $10 million in cumulative sustainable productivity savings from greening our supply chain, 2012-2015. At end 2014, Praxair had achieved $12.4 million in cumulative savings, exceeding the 2015 target. The Asset Recovery program delivered savings and revenue: It identified idle assets that were resold (saving the cost of disposal or storage) or sold for re-use (saving the sourcing of virgin raw materials), resulting in more than $1.4 million in revenue savings, including $125,000 from cost avoidance (incremental revenue).

Safety

20. **Occupational Health & Safety – Recordable Injuries:** Covers all Praxair operations. Recordable injury rate is measured globally as per U.S. OSHA, per 200,000 hours. Praxair's target is to outperform the ACC large industry average for Recordable Injuries. Praxair's 2014 Recordable Injury Rate was 0.52, vs. 0.67 for the ACC large member average. Praxair's result was more than six times better than the OSHA industrial average Employee and contractor safety results details are provided in the SVR Annex at LA7.

21. **Occupational Health & Safety – Lost Workday Cases (LWCs, also called Lost Time Injury Frequency Rate (LTIFR)):** Covers all Praxair operations. Praxair's target is to outperform the ACC large member average for LWCs. Praxair's 2014 LWC Rate was 0.09 per 200,000 hours worked, vs. 0.14 for the ACC large member average. Praxair's result was more than 20 times better than the OSHA industrial average. Employee and contractor safety results details are provided in the SVR Annex at LA7.

People Development

22. **Employee Engagement:** Praxair's target is continuous improvement in employee engagement and covers all Praxair employees. Praxair conducts a global employee survey every two-three

years. The 2013 survey was distributed to all Praxair worldwide employees and hourly workers. It substantially expanded the number of questions and the number of employee invitees compared to the previous survey, and for this reason its results are not comparable to prior years. Praxair's target was to outperform its industry peers. Survey responses were received from 18,883 employees, 73% of respondent pool. Overall Engagement Index "score" was 83%, 8% higher than benchmark industry peers.

23. **Employee Engagement – Zero Waste to Landfill:** Covers all Praxair operations. Participating sites aim to achieve >90 percent process waste avoided from landfill, which can include incineration for energy. The 2015 target is to have 150 sites achieve Zero Waste. From a start in 2011 with 11 sites participating, Praxair had 253 sites participating in its Zero Waste program in 2014, representing over 12,500 employees or some ~48% employees who apply productivity tools to eliminate waste and reduce risks and costs and earn revenue. In 2014, Zero Waste avoided more than 100 million lbs. of waste from landfill. 187 sites achieved Praxair's Zero Waste to Landfill status, exceeding the 2015 target. Also see Note 25.

24. **Diversity – Emerging Economy Leadership:** Covers all Praxair operations in our emerging economy countries of operation, i.e., South and Central America and Asia. As an international business with a local footprint and with emerging markets as part of our growth strategy, Praxair needs diverse leadership as well as local leadership. This metric focuses on the "local" component and counts all country leaders or, if there is no country leader, the next level above. "Local" leader is defined as a citizen of the country or of that Praxair business region. In 2014, 92% of Praxair emerging economy leaders were local.

25. **Stakeholder Engagement – Strategic Partnerships:** Covers all Praxair

operations. Praxair's target is to plant one million trees (2012-2015). Praxair is collaborating with several environmental conservation organizations to plant or preserve one million trees by 2016, to multiply the environmental value created by its employee Zero Waste program (note 23). At end 2014, 500,000 trees had been planted or preserved. The concept here is similar to that described in SustainAbility's 2014 Report "*Model Behavior: 20 Business Model Innovations for Sustainability Buy One, Give One*", where an entity might sell a specific good/service and use a portion of the profits to donate a similar good/service to those in need. In this case, Praxair is using funds from its Global Giving Program to multiply or "match" the sustainability benefits provided to the company by its employees.

26. **Community Engagement – Employee $ Contributed:** Covers all reported employee volunteering in Praxair-organized community engagement events. It measures annual cash and in-kind contributions from employees and facilities (not including support from Praxair Global Giving). In 2014, employees and facilities contributed $1.3 million. Note that Praxair auditors audited a subset of this total: $1,091,302 of employee $ contributions; it did not audit in-kind contributions. There is no target for this measure.

27. **Community Engagement – Net Benefit Ratio:** The target is to achieve and maintain a positive net benefit of 10 beneficiaries per employee. Metric estimates the number of beneficiaries from all Praxair community engagement activity. See Note 28. In 2014 Praxair achieved a ratio of 12 beneficiaries per employee.

28. **Community Engagement – Cumulative Beneficiaries:** Covers all reported Praxair Community Engagement activity. Metric counts reported direct beneficiaries from these activities and reports a cumulative result from baseline. In 2013, this target was increased to a cumulative 1.5 million beneficiaries, up from 1 million. In 2014, Praxair Community Engagement brought benefits to 335,946 people, up from 326,300 in 2013. The cumulative total at the end of 2014 was 1,385,000 beneficiaries, well on track to meet the 2015 target.

KEY ISSUES MANAGEMENT

Creating Value in Priority Areas

Praxair's priority factors are all managed with qualitative and quantitative targets, and they all drive sustainable business value – i.e., they contribute to revenue saved or earned.

The <IR> Framework sets out reporting guidelines designed to help organizations communicate how they create value over time by interacting with the external environment and the capitals. The capitals are intangible assets, or stocks of value that are increased, decreased or transformed through the activities and outputs of the organization. This section provides *Feature Stories* for each of Praxair's priority factors, with icons showing which capitals pertain to each Feature Story.

Priority Factor	Feature Story
Safety	Safety & Environmental Responsibility in Distribution
Governance, Ethics & Compliance	Maintaining a Strong Global Compliance Program and Culture
Energy & Climate Change	Working to promote a clean energy future
Eco Portfolio	Fueling New Business, Accelerating Innovation
Sustainable Productivity	Eco Efficiency
People Development	Employee Engagement – Zero Waste

Safety[1]

Eco Efficiency

Business Strategy

Safety is a core value at Praxair and is identified by internal and external stakeholders as a top priority. Praxair's 2014 Annual Report identifies safety, including distribution safety, as a key operational risk, as our operations "may adversely affect the company's business or results of operations, including the risk of injury to people or the environment." Praxair's Board identified Praxair's ability to "provide our employees with a safe operating environment through investing in state of the art technology and by driving a culture in which safety is top priority" among the key non-financial elements that bring sustainable business success. During 2014, Praxair achieved strong safety performance: zero employee or contractor fatalities and a continuing and significant reduction in vehicle roll over and fatality potential events. Praxair maintains its world class safety record by actively seeking to mitigate risk and continuously improving performance worldwide in every key safety metric: in personnel, process, product and distribution safety, and protecting the environment.

Sixty-two percent of Praxair's revenue is earned from product delivered in trucks. Praxair drivers and contract drivers drive approximately 250 million miles a year (see Dashboard Notes 14, 15 and 16). Praxair's contract drivers cover approximately 125 million miles a year to deliver Praxair products and are a key part of its distribution value chain, as well as a major source of its Scope 3 GHG emissions. It is important in every sense that these drivers deliver Praxair products safely, reliably and efficiently.

Input

Each year, investments are made, and targets set, to improve financial, safety and environmental performance in logistics and distribution – for Praxair's own drivers and for contractors. In 2014, Praxair introduced a new target for a 3 percent net reduction in GHG from its U.S. liquid delivery ("bulk") trucks, due to the introduction of on-board computers (OBCs) in their trucks. OBCs installed on most Praxair liquid delivery trucks have helped Praxair drivers significantly improve vehicle safety, and, at the same time, save fuel and limit CO_2 emissions. Praxair also invested in a pilot program in Germany, where distribution is conducted exclusively by contract carriers. Praxair's Supplier Sustainability Management has a target to achieve a cumulative $10 million in savings from greening the supply chain, 2012-2015, and this OBC investment is one example of actions taken to achieve this target.
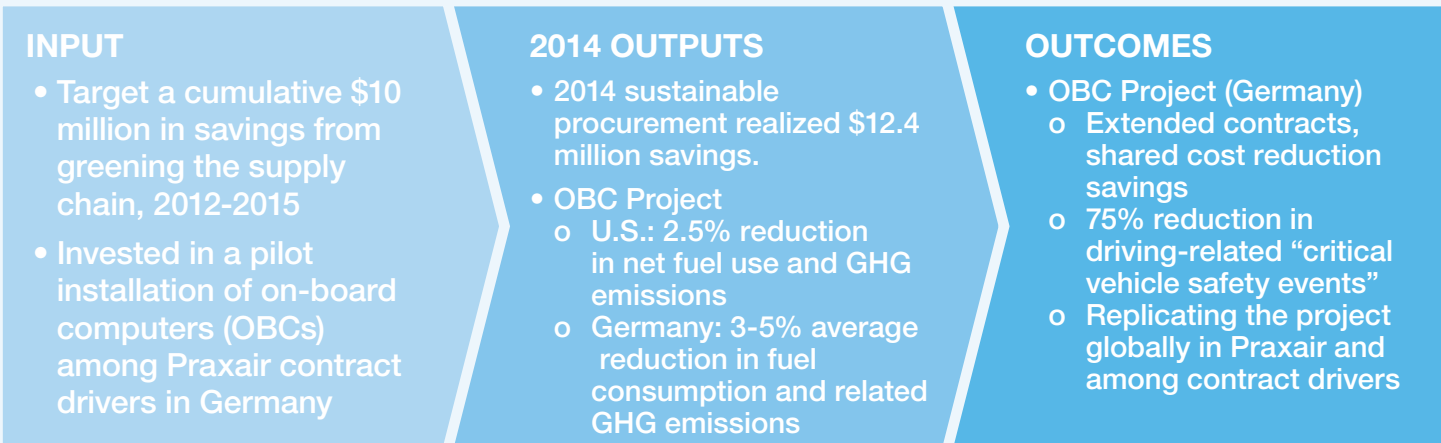
Output 2014

- 2014 sustainable procurement realized $12.4 million savings, of which the OBC project is one.

- OBC project
  - 2.5 percent average reduction in fuel consumption and related GHG emissions among U.S. liquid delivery trucks
  - 3-5 percent average reduction in fuel consumption and related GHG emissions among carrier drivers in Germany

Value Created

Since the program began in 2013, participating German contract carriers have reported a 75 percent reduction in driving-related "critical vehicle safety events," or factors that lead to accidents. In addition, thanks to the proven financial savings these improvements have generated, Praxair was also able to renegotiate the carrier contracts, sharing the savings between the carriers and Praxair. Based on the success of this program in Germany, OBCs are now being installed in Praxair contract carrier fleets across Europe.

Supplier Sustainability Management Drives Multiple Benefits

Challenge: Finding opportunities to simultaneously raise supplier standards and build supplier capacity; reduce safety and business risks; and share business benefits

INPUT	2014 OUTPUTS	OUTCOMES

• Target a cumulative $10 million in savings from greening the supply chain, 2012-2015
 	
• Invested in a pilot installation of on-board computers (OBCs) among Praxair contract drivers in Germany
	• 2014 sustainable procurement realized $12.4 million savings.
	
	• OBC Project
	  o U.S.: 2.5% reduction in net fuel use and GHG emissions
	  o Germany: 3-5% average reduction in fuel consumption and related GHG emissions
		• OBC Project (Germany)
		  o Extended contracts, shared cost reduction savings
		  o 75% reduction in driving-related "critical vehicle safety events"
		  o Replicating the project globally in Praxair and among contract drivers

1. Detail on this program is provided in the *Performance Dashboard: Sustainable Productivity*, and the related Note 16.

Governance, Ethics & Compliance[2]

Maintaining a Strong Global Compliance Program and Culture

Business Strategy

Praxair's Annual Report Item 1A Risk Items identifies ethics, compliance and governance as key risks in relation to *International Events and Circumstances and Governmental Regulations*. Praxair's values include "High Integrity - We continually reinforce the high global standards upon which our reputation has been built, including honesty, ethical conduct and full compliance with the law." This issue is identified by the Board as a key non-financial element responsible for ensuring sustainable success. *Praxair's Standards of Business Integrity (SBI)* make it clear that Praxair's actions and perceived actions in this area determine its reputation. The opening CEO letter emphasizes that "Praxair's reputation is one of its most valuable assets… Praxair has built its reputation as a world-class company over a century, and we must continually reinforce those values upon which our reputation has been built – honesty, ethical conduct and compliance with law." This issue was determined to be a Priority Factor in Praxair's 2014 SDMA, Externally, ethics, compliance and governance are key issues for sustainability indexes, including DJSI, SASB and GRI.

Input

Praxair's Board actively manages this area, see *Governance and Performance Dashboard*. The Board directs all covered persons to comply with management policies on specific subjects (for example, insider trading, harassment) and to the SBI. The Chief Compliance Officer oversees compliance with the SBI and related policies, oversees emerging issues and takes appropriate action. The annual SBI certification program targets that 100% employees confirm they have read and understood the SBI. This is supplemented with biennial customized training in specific compliance risks. Topics for supplementary training are selected from reviews of business intelligence and external country risk assessments from the OECD, Transparency International and the U.S. Department of State. Employees must pass the multiple choice test at the end of this training in order to complete it.

Output 2014

- 100% of required employees certified that they read and understood Praxair Standards of Business Integrity

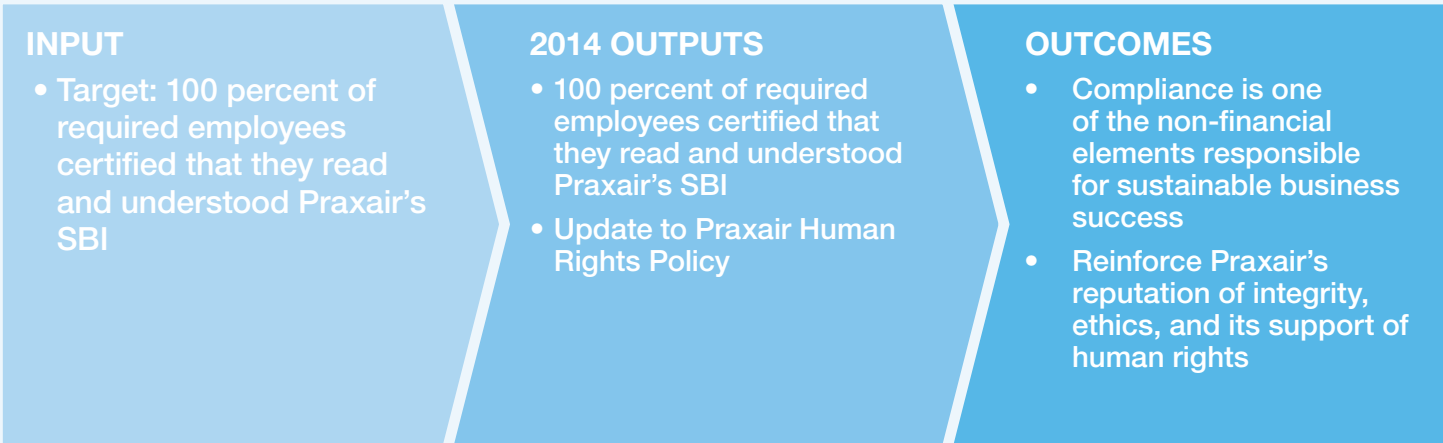- The Office of Compliance engaged in several Praxair policy updates

in 2014, including the update of its Human Rights Policy. See Responding to Emerging Issues and Additional Stakeholder Concerns, page 18.

Value Created

As an example of Praxair's due diligence processes, Praxair's Brazil business, SA White Martins (SAWM), identified a potential human rights risk that could affect its contract driver population and have an impact on Praxair's reputation. Almost all Praxair drivers in Brazil are contract drivers. Around the time of the soccer World Cup and subsequently, concerns escalated about child and adolescent sex trafficking along major truck routes. To mitigate this risk, SAWM joined *Na Mao Certa* (On the Right Hand), a public-private partnership established under the aegis of Childhood Brazil and the Ethos Institute, and signed its *Corporate Pact Against Sexual Exploitation of Children and Adolescents on Brazilian Roadways*. SAWM also established a target that 100% of its carrier driver companies would sign the Pact by end 2014, and created a program of education and awareness for Praxair carrier drivers. The target was accomplished. This action helps to reinforce Praxair's reputation of integrity, ethics, and its support of human rights.

A Reputation Built on Ethical Conduct and Compliance with Law

Challenge: Maintaining a program and culture of ethics and compliance in more than 50 countries.

INPUT	2014 OUTPUTS	OUTCOMES
• Target: 100 percent of required employees certified that they read and understood Praxair's SBI	• 100 percent of required employees certified that they read and understood Praxair's SBI • Update to Praxair Human Rights Policy	• Compliance is one of the non-financial elements responsible for sustainable business success • Reinforce Praxair's reputation of integrity, ethics, and its support of human rights

2. Detail on this program is provided in the *Performance Dashboard* and related Notes 8 and 9.

Energy & Climate Change[1]

Working to promote a clean energy future

Business Strategy

A major global challenge is how to drive growth and meet demands for increased energy use – and use fewer non-renewable resources. The cost and availability of raw materials and energy, and/or a disruption in the supply of these materials, could result in lost sales or reduced profitability and is identified among Praxair's Key Risks in Its 2014 Annual Report Risk Factors and is of interest to investors, regulators and other stakeholders. It was identified as a Priority Factor in Praxair's SDMA. Energy is the largest component of Praxair's variable costs. In a context of increasing concern about climate change, Praxair research has shown that improving the company's energy efficiency is the best action it can take to reduce energy use. Optimizing energy use allows Praxair to minimize risks from increases in energy prices and to increase margin and revenue. Praxair has several targets to optimize its operational energy use and GHG emissions, from design to operations and distribution. Its long-term energy target is to achieve a cumulative energy savings of $600 million and 6MM MT CO_2e avoided, 2009-2020. At the end of 2014, Praxair had achieved a cumulative $200 million savings in energy efficiency, and 1.6 million MT CO_2e avoided.

In addition, Praxair procures most of its energy from major utilities, and these relationships offer additional opportunities to address this challenge. For example in the U.S., the company engages with major utility companies where we have substantial contracts that collectively account for significant parts of Praxair's global power consumption and U.S. power spend. One example is the Northern Indiana Public Service Company's (NIPSCO), for which Praxair is a major customer. Praxair engaged in a range of energy conservation activities at its facilities in Burns Harbor, East Chicago and Gary,-Lakeside. These included replacing more than 3,800 lighting fixtures and making a variety of argon production-related upgrades Praxair – all of which reduced energy consumption by over 50 million kilowatt hours per year—equivalent to the amount of electricity used by more than 5,000 U.S. homes a year—and thereby reducing 35,000 MT of carbon dioxide equivalent (CO_2e) per year. This partnership evidenced Praxair's commitment to energy conservation, and is helping NIPSCO meet Indiana's energy efficiency requirements, which call for a two-percent reduction in electricity sales a year by 2019.

Input

- Target to achieve cumulative energy savings of $600MM and 6MM MT CO_2e, 2009-2020

- One example engagement project: Participated in Northern Indiana Public Service Company's (NIPSCO) energy-efficiency program.
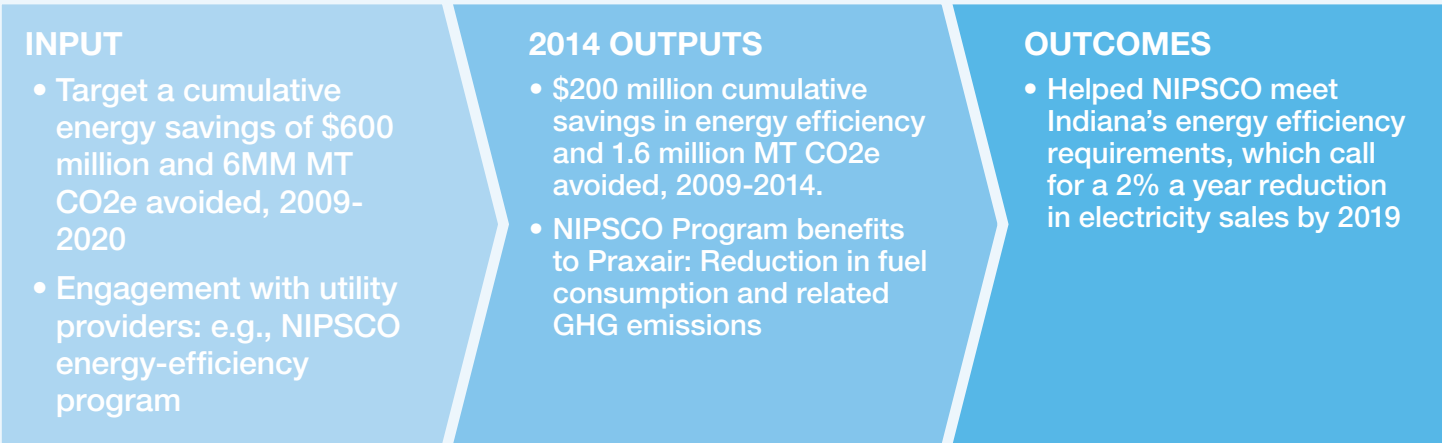
Output 2014

- $200 million savings in energy efficiency, and 1.6 million MT CO_2e avoided, 2009-2014

- NIPSCO project benefits to Praxair:
  - Annual savings of approximately 15,000 MT CO_2e and $1 million from energy efficiency, i.e., reduced energy demand.
  - Additional >$1 million in incremental revenue from customer rebates that were incentives for Praxair capital investments in energy efficiency improvement.

Value Created

Helped NIPSCO meet Indiana's energy efficiency targets, which call for a 2 percent a year reduction in electricity sales by 2019.

Energy Efficiency partnerships drive sustainable growth

Challenge: How do we drive growth and meet demands for increased energy use - while using fewer non-renewable resources?

INPUT
- Target a cumulative energy savings of $600 million and 6MM MT CO_2e avoided, 2009-2020
- Engagement with utility providers: e.g., NIPSCO energy-efficiency program

2014 OUTPUTS
- $200 million cumulative savings in energy efficiency and 1.6 million MT CO_2e avoided, 2009-2014.
- NIPSCO Program benefits to Praxair: Reduction in fuel consumption and related GHG emissions

OUTCOMES
- Helped NIPSCO meet Indiana's energy efficiency requirements, which call for a 2% a year reduction in electricity sales by 2019

1. Detail on this program is provided in the *Performance Dashboard: Energy and Climate Change*, and the related Note 11.

Eco Portfolio[3]

Accelerating Innovation through customer engagement

Business Strategy

Continual innovation, particularly in the areas of clean technology and environmental stewardship, is crucial to Praxair's growth. Technology innovation is one of the top six sustainability priorities identified in Praxair's SDMA and it is emphasized among the 2014 Annual Report Risk Factors. Praxair provides a competitive advantage to its customers by continuously developing new products and applications, which allow them to improve their productivity, energy efficiency and environmental performance. Environmental innovation is integral to Praxair's growth drivers of energy markets, environmental regulations and emerging economies. It was recognized by Praxair's Board as crucial to long-term sustainable success. It was identified as the second most important environmental sustainable development KPI in the internal priority review. Externally, environmental innovation is a key issue for Praxair customers and investors and the sustainability community, most notably by CDP and DJSI.

Input

Praxair set a target that 30 percent of revenue should be earned from its eco portfolio by 2015.

Output 2014

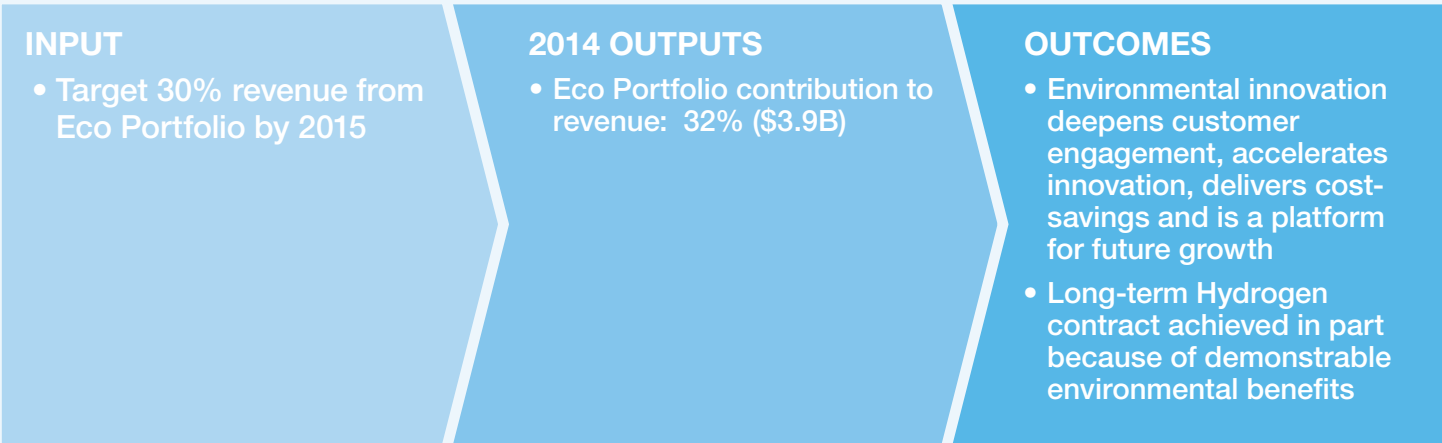- Achieved 32%, or $3.9 billion revenue from its eco portfolio

Value Created

Customer collaboration accelerates innovation time-to-market and business and environmental benefits: Praxair collaborated with our customer Grupo Pavisa, a Mexican glass manufacturer, as well as other external experts, to develop *OPTIMELT*, a new, high-impact glass melting method that utilizes industrial gases. Praxair's OPTIMELT Thermochemical Regenerator reduces energy consumption up to 30 percent, reduces CO_2 emissions, reduces air pollutants and reduces flue gas volume. This collaboration reduced time-to-market by 12 months and development costs by more than $1 million. Knowledge-sharing within the sector is a platform for propagating this technology, its environmental benefits, and long-term business growth.

Business Growth: Praxair won business and is building density in the U.S. Gulf Coast: It is investing in a $400 million expansion of our existing strong hydrogen and nitrogen pipeline systems, anchored by a *20-year agreement* to supply approximately 170 million standard cubic feet per day of hydrogen and 2,000 tons per day of nitrogen to a new 750,000 metric tons per year ammonia complex being built by a new entity formed by Yara and BASF. This project is just the latest example of Praxair's commitment to energy and environment. Praxair's ability to demonstrate it could capture and process by-product hydrogen and add this product to the hydrogen produced by our on-purpose steam methane reformer facilities to reliably deliver high-purity hydrogen was critical in winning this award – and to provide the innovation the customer needed to run a world-class ammonia plant with a low-carbon footprint.

Environmental Innovation as a Growth Driver

Challenge: Accelerating Praxair's Eco Portfolio is crucial to short- and long-term competitiveness and growth

INPUT
- Target 30% revenue from Eco Portfolio by 2015

2014 OUTPUTS
- Eco Portfolio contribution to revenue: 32% ($3.9B)

OUTCOMES
- Environmental innovation deepens customer engagement, accelerates innovation, delivers cost-savings and is a platform for future growth
- Long-term Hydrogen contract achieved in part because of demonstrable environmental benefits

3. Detail on this program is provided in the *Performance Dashboard: Eco Portfolio* and related Notes 1 -5.

Sustainable Productivity[1]

Eco Efficiency

Business Strategy

Praxair's 2014 Annual Report identified business risk from the cost and availability of raw materials and energy. This was also identified as a Priority Factor in Praxair's SDMA. Resource efficiency is the hallmark of Praxair's productivity culture. Praxair's Board identified Productivity, which it defined as getting more output from fewer resources with less environmental impact, as a key non-financial element of business success. Continuous efficiency improvement is a foundation of Praxair's industry-leading operating margin and return on capital (ROC). In this context, it is crucial to increase operating profit margin by continuous efficiency improvement. Praxair has a mature productivity organization integrated throughout the business, charged with reducing Praxair's gross cost stack by at least 5% a year. Its challenges are to continue to eliminate costs, find sources of incremental revenue and ensure that the culture of productivity is ingrained in Praxair's systems rather than individual champions.

Input

"Sustainable Productivity," initiated within the productivity organization, measures productivity savings that also conserve resources such as energy and water and reduces waste and GHG emissions.

Output 2014

In 2014, Praxair again exceeded the 5 percent savings off the cost stack target. This contributed to Praxair's industry-leading operating margin of 22.4 percent and 12.7 percent return on capital. Sustainable productivity tracking was launched in 2010. In 2014, this program realized >$130 million in savings, including 450,000 metric tons CO_2e, 600,000 MWh of electricity and 150 million gallons of water. Overall, Praxair implemented 1,989 projects to save energy and reduce GHG emissions. As energy is such a significant cost for Praxair, energy reduction projects can result in significant cost savings. Projects included process efficiencies, lighting retrofits, and route optimization for product delivery. For example, 924 projects provided permanent improvements to energy requirements for turbines, compressors, fans and other primary process equipment. These projects have an average payback period of 1-3 years and provide annual cost savings of >$75 million. More than 10 percent of sustainable productivity produced incremental revenue from additional production capacity that generated additional sales revenue.
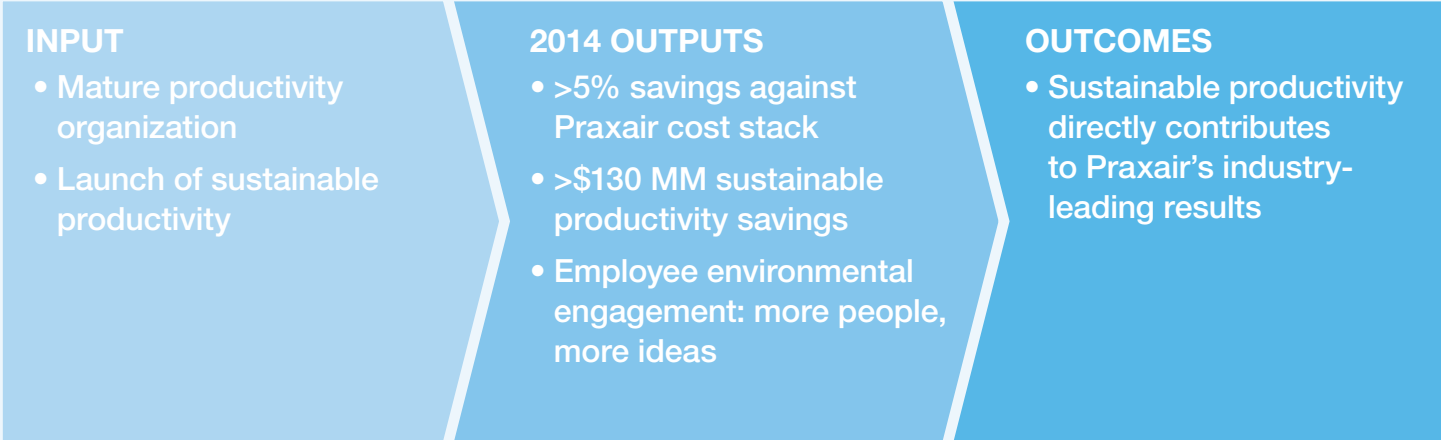
Outcomes

Sustainable productivity generates additional value, as sustainable productivity projects are achieving a more than 50 percent replication rate. A higher replication rate means that sustainable productivity projects are feeding in new ideas at lower cost, adding sustainable value to Praxair's productivity program and to the business.

Sustainable productivity is generating more ideas from more people. Greater levels of employee engagement mean that workers pay more attention, measurably lowering operational risk. A values-driven culture and employee engagement may also aid with retention. Sustainable productivity has become part of Praxair's culture and intellectual property. It is one of the reasons Praxair remains confident that it can maintain and improve its industry-leading operating margin and ROC results over the long term.

Ensuring Long-term Productivity

Challenge: Praxair's productivity organization has delivered more than 5 percent savings off its gross cost stack, year after year. These savings have been important contributors to its industry-leading return on capital. Praxair remains focused on utilizing daily business changes to drive continuous improvement in productivity savings.

INPUT
- Mature productivity organization
- Launch of sustainable productivity

2014 OUTPUTS
- >5% savings against Praxair cost stack
- >$130 MM sustainable productivity savings
- Employee environmental engagement: more people, more ideas

OUTCOMES
- Sustainable productivity directly contributes to Praxair's industry-leading results

1. Detail on this program is provided in the Performance Dashboard: Sustainable Productivity, and the related Note 18.

People Development[1]

Employee Engagement – Zero Waste

Business Strategy

Retaining qualified personnel – the ability to attract and retain qualified personnel – is identified as one of Praxair's risks in its 2014 Annual Report. Praxair's Board identified this issue among the key elements responsible for Praxair's sustainable success: "Attraction, retention and development of a diverse and engaged workforce through a robust succession planning process." This area was also identified in Praxair's SDMA as one of Praxair's priority factors. Good employee engagement nurtures the corporate culture, so that employees feel good about their work and do good work. It was this challenge that inspired the creation of Praxair's Zero Waste program, which is a KPI in the area of People Development.

Input

Praxair created its Zero Waste Program in 2010, as a volunteer employee environmental engagement program. A target was set for 150 sites to achieve Zero Waste by 2015. A site earns Zero Waste status if it diverts more than 90 percent of waste from landfill.

Output 2014

* 187 sites achieved Zero Waste

* 253 sites participating, representing over 12,500 employees or some ~48% total employees

Examples

* Guadalajara, Mexico, packaged gas facility: developed a project that realized $27,000 savings and 166,000 lbs of waste avoided from landfill

* Varennes, Quebec, Acetylene plant: productivity achieving $2,000 cost avoidance per year

Outcomes

Consistent with Praxair's productivity culture, employees apply productivity tools to eliminate waste and reduce risks and costs and earn revenue. Sites involved in the Zero Waste program reduce waste, bring cost savings from simple actions like reducing the number of waste pickups, and in many cases drive social and community benefits.
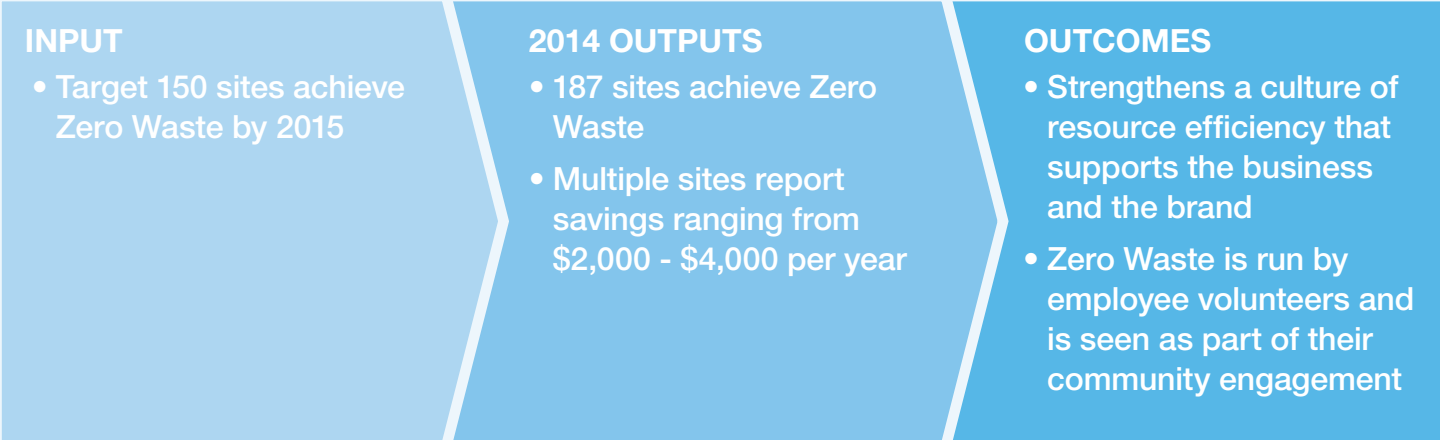
The total value created is exemplified in the Zero Waste program at Belo Horizonte,

Brazil, now at 100 percent Zero Waste and has avoided ~$5,000 per year. The site began a recycling program for reusable items such as paper, plastic, cardboard and glass. Employees participate by recycling these items while at work and also bringing in recyclable items from home. The site worked with members of the Recyclable Waste Collectors Association of Contagem, which creates an income opportunity for local residents to formalize waste collection and recycling activity. The site's items were collected by members of the Association, who sold them to generate income for their families. Over time, the number of waste pickers who sort and recycle waste from the facility has increased, and their average income has doubled.

This employee-led project has improved the living conditions of the collectors and has helped Praxair SAWM reduce its waste disposal costs. It has brought business benefits; it has strengthened Praxair's culture of resource efficiency and supported the Praxair brand, and it has engaged employees by offering a way for them to integrate their personal values of environmental and community responsibility, with their jobs.

Energizing employee environmental engagement in Praxair's Mission and brand

Challenge: Create an employee engagement program that engages employees around the company mission, vision and values – and delivers value for the company, its employees and the communities where they live and work.

INPUT
* Target 150 sites achieve Zero Waste by 2015

2014 OUTPUTS
* 187 sites achieve Zero Waste
* Multiple sites report savings ranging from $2,000 - $4,000 per year

OUTCOMES
* Strengthens a culture of resource efficiency that supports the business and the brand
* Zero Waste is run by employee volunteers and is seen as part of their community engagement

1. Details of this program are provided in the Performance Dashboard: People Development, and the related Note 23.

ASSURANCE

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June 26, 2015

To the Management of Praxair, Inc.

Carbon Verification Service, LLC was commissioned by Praxair, Inc. to perform verification of its global 2014 Key Performance Indicators (KPI) and other social metrics. 2014 was the fifth consecutive year that Carbon Verification Service was retained by Praxair to verify its KPIs. Immediately upon being retained, Carbon Verification Service conducted a conflict of interest review to insure that its review would be free of bias and would be done on an independent basis. Carbon Verification Service provides only verification and auditing services to its clients, including Praxair, to avoid conflict of interest concerns. Carbon Verification Service is not owned or operated by any other entity.

The objective of the verification was to provide limited assurance of the reported KPI values and to assess the accuracy, completeness, relevance, consistency and transparency of Praxair's information and assertions. Carbon Verification Service assessed conformance of Praxair's GHG emission inventory with The Greenhouse Gas Protocol. The verification protocol employed for verification of Praxair's 2014 GHG emissions was ISO 14064-3 (2006): Specification with guidance for the validation and verification of greenhouse gas assertions. Consensus protocols for the verification of the KPI metrics, other than GHG emissions, do not currently exist. Carbon Verification Service utilized the same verification principles prescribed by ISO 14064-3 to guide the verification of this data.

Carbon Verification Service, LLC reviewed selected quantitative KPIs. The verification was based on site visits to Gary, IN and Port Arthur, TX. Review of documentation from eight other locations was also performed. We did not review all information and supporting documentation associated with the KPIs for all of Praxair's global locations and facilities.

Praxair management is responsible for the reported KPIs and for the process of assembling the data upon which the reported KPI values are based.

Based upon the verification work performed from April through June 2015, there is no evidence that Praxair's KPI data assertions, which appear in the table below, are not materially correct and are not a fair representation of data and information and have not been prepared in accordance with accepted standards and practice.

Sincerely,
For Carbon Verification Service, LLC

James J. Groome
President

Metric	2014 Value	Units of Measure
GHG Emissions Scope 1	7,761,000	Metric Tons CO_2e
GHG Emissions Scope 2	12,484,000	Metric Tons CO_2e
Proportion of reported Scope 1 and 2 emissions verified	100	%
GHG Emissions Scope 3 - Contractor Driving	250,000	Metric Tons CO_2e
Electricity Consumption	23,035,000	MWh
Natural Gas Consumption	2,413,000	MWh
Diesel/Gas Oil	343,000	MWh
Steam	808,000	MWh
Distillate Fuel Oil #2	4,000	MWh
Water Use (not including once-through cooling water)	55,975,000	Cubic meters
NO_x Emissions	1,780	Metric Tons
SO_x Emissions	25	Metric Tons
VOCs	490	Metric tons
Zero Landfill	100,861,000	Lbs. of waste not landfilled
Chemical Oxygen Demand	788	Metric Tons
Lost Time Injury Frequency Rate	0.088	Lost time injuries per 200,000 hours worked
Lost Time Injury Frequency Rate	0.44	Lost time injuries per 1,000,000 hours worked
Occupational Illness Frequency Rate	0.009	Occupational Illness Cases per 200,000 hours worked
Occupational Illness Frequency Rate	0.046	Occupational Illness Cases per 1,000,000 hours worked
Community Engagement: cash raised or donated by employees and facilities	Approximately $1,091,000	USD
Year-over-Year Change - Scope 2 Emissions	5.1	%

OUTLOOK

Short– and Long–Term

Praxair will not rest on its success. The company continuously adapts to changes in macro-economic conditions, remains focused on productivity and will stay well-positioned to capture more than its fair share of growth in the geographies in which it operates. More than half of Praxair sales are generated in North America, and with the company's industry-leading presence, it will continue to take advantage of the underlying economic strengths in this region. While Praxair expects to see only modest growth in the rest of the world, its strong local teams and diverse end-markets will continue to support resilient operating results and strong cash flow generation.

Praxair's *productivity results* are sustainable over the coming years. The company anticipates continuing to find sources of productivity in areas like plant efficiency, distribution and customer service, packaged gases, reliability and business process and procurement. Praxair anticipates that about one-third of these productivity sources will come from sustainable productivity, and, with pricing, will help grow operating profit greater than sales growth. Praxair's strong cash flow and disciplined capital allocation will continue to yield strong shareholder returns.

Future

Praxair's leadership is confident that the company's sustainable development non-financial aspects will continue to drive value. Praxair's innovation pipeline has shown that it can deliver projects now that meet customer needs into the coming decades.

Praxair's competitive advantage has never been stronger. Praxair is the industrial gases leader in North America and South America. The company's strategy of building geographic density through integrated supply of on-site, merchant and packaged gas distribution and disciplined capital investment has produced high-quality growth and industry-leading return on capital. Continuous growth is driven by Praxair's strength in delivering customer innovation and resource-efficient solutions.

Operational excellence in every aspect of Praxair's business is something its more than 27,000 employees worldwide strive for every day. Praxair embraces a high-performance culture that has taken years to build and the company is proud of its strong track record of long-term shareholder value creation. Praxair is committed to high-quality growth and expects continued strong cash flow generation to fund future growth investments, increased dividends and ongoing share repurchases.

Praxair's five-year sustainable development targets will close out in 2015, and new targets will be issued for 2016-2020. The 2020 targets will be launched in the second half of 2015. They build on lessons learned at all levels, from data collection and work processes, to the integration of external issues and views.

Employee Value Creation

Praxair's business mission is Making our planet more productive, and this value is created each day by our human capital: our employees. In recognition of their contribution we measure and report this value on a per employee basis. In 2014, each Praxair employee enabled net environmental benefits to be created in terms of GHG avoided by Praxair applications and waste avoided from Praxair Zero Waste activity. They also enabled net social benefits in terms of the community beneficiaries from employee community engagement and net customer beneficiaries from Praxair water applications. These are captured in the image below.

Per Employee
Net Sustainable Development Value Created

On a per employee basis, in 2014 each employee enabled:*

1,000 MT
net CO2e to be avoided

12 PEOPLE
to benefit from Praxair
employee engagement

3,500 LBS
waste avoided through
zero waste programs

>2,500 PEOPLE
to have access to
safe drinking water

*Calculation method: Net CO2e avoided was calculated by taking Praxair's net benefits from GHG (50.2MM MT CO2e) and subtracting its total GHG emissions (21.3MM MT), divided by the number of employees. Net SO2 avoided took the total SO2 avoided by the use of Praxair hydrogen to make Ultra-Low Sulfur Diesel (1MM MT SO2) and divided by the number of employees (Praxair total SO2 emissions in 2014 were 25 MT). Waste avoided per employee was calculated by taking total waste avoided from Praxair Zero Waste to Landfill program (100MM lbs) and dividing by the number of employees. Praxair water applications bring safe drinking water to more than 70MM people, this was also divided by the number of Praxair employees.

PRAXAIR

Making our planet more productive