

TRUSTEAM FINANCE TO VOTE AGAINST AIR LIQUIDE'S AUDITORS

Companies, investors and auditors all have a role to play in contributing to the climate transition and moving towards Net Zero

Paris, April 20th, 2022

The latest IPCC report reminds us that the need to act is more urgent than ever. Achieving carbon neutrality by 2050, "Net Zero", is essential to meet the objectives of the Paris Agreement. Companies, investors and also auditors all have a role to play in meeting this challenge.

Clients and investors demand more evidence on Net Zero

At the corporate level, customers are not fooled: according to the Obsoco/Trusteam barometer on corporate engagement, 86% of customers do not believe in the environmental commitments made by companies¹. And the same is true at the investor level in the latest results of the *Net Zero Climate Action 100+ Benchmark*²: "*the companies targeted by the Climate Action 100+ must act urgently to support global efforts to limit temperature rise to 1.5°C*". What companies are currently doing is not enough: customers and investors are demanding more evidence.

How can that be achieved more concretely? An emblematic subject of this ambiguity is the translation in the accounts of the commitments made by companies on Net Zero. Despite several years of commitment, companies are still finding it very difficult to integrate this climate risk into their accounting and auditing practices. The new indicator on climate accounting and auditing assessed by the CTI and CAP highlights that no company has demonstrated that its financial statements were prepared using assumptions consistent with a Net Zero 2050 trajectory³.

Voting as a material signal of our engagement policy

As an investor, we believe that this evidence should ultimately be found in the accounts of the companies in which we invest. This information is essential to judge whether the risk/return trade-off of a stock is appropriate for our own clients.

In this context, auditors have a full role to play as their function is to provide independent assurance on the accounts, processes and internal control of companies. They challenge the assumptions and estimates of management. Therefore their ability to provide evidence and credibility is crucial, as this is precisely what is currently lacking in the perception of investors and customers. Appointed at the general meeting, they serve the shareholders. As an investor, our positive impact comes through our engagement practices, which include voting at general meetings. So it makes sense for us to include this analysis in our voting decisions on the appointment of auditors and the approval of accounts at general meetings.

As a signatory of the Net Zero Financial Service Providers Alliance (NZFSPA), the major auditing firms (KPMG, EY, PwC or Deloitte) have committed to "align all their services to achieve Net Zero by 2050" as well as to "work to ensure that their services take into account the latest scientific advances, including credible alignment trajectories

¹ <http://www.trusteam.fr/news/actualites/resultats-du-barometre-de-lengagement-entreprise-obsoco-et-trusteam-finance.html>

² https://www.climateaction100.org/news/climate-action-100-net-zero-company-benchmark-shows-an-increase-in-company-net-zero-commitments-but-much-more-urgent-action-is-needed-to-align-with-a-1-5c-future/#_ftn1

³ Same as

towards Net Zero⁴. It therefore seems legitimate to integrate the respect of these commitments, also formulated in *the Investor Expectation for Paris Aligned Accounts*⁵, in our voting decisions.

A concrete application: at Air Liquide's 2022 General Meeting, Trusteam will vote against resolutions 8 and 9

As a shareholder, we are convinced that Air Liquide has defined a relevant strategy to meet the challenges of the climate transition: it could be aligned with a 1.5°C trajectory and, through its strong Customer Strategy, provide solutions to its customers in their decarbonization journey.

However, as the latest report from Carbon Tracker and CAAA shows, the information currently available in the accounts does not allow us to fully understand how Air Liquide determined whether climate change issues were material or not. For example estimates and assumptions allowing the company to reach these conclusions are not disclosed. For this reason, we have decided that in the absence of further public information, we will abstain on the approval of the accounts (resolutions 1 and 2).

Furthermore, we believe that it is the role of the auditors to specify this information in the Key Audit Matters (KAMs). As we have not received sufficient commitment on a change of practice for the current financial year from these previously appointed firms or from those requesting their appointment at the General Meeting the 4th of May, and this despite a commitment led alongside other investors for more than two years, we have decided to vote against the renewal of the appointment of PwC. We will also vote against the appointment of KPMG, which has failed to meet our expectations in its mandates with other companies where we are invested.

Trusteam Finance will therefore vote against resolutions 8 and 9 on behalf of the UCITS it manages and reserves the right to abstain on resolutions 1 and 2 concerning the approval of the accounts.

About Trusteam Finance

Trusteam Finance is a pioneer in the use of customer satisfaction as an investment criterion and currently manages over €830 million*, invested in companies that place customer satisfaction at the heart of their strategy. For more than 10 years, the investment process of Trusteam has been based on the prism of customer satisfaction. This approach rely on a strong conviction: customer satisfaction is a key factor in financial performance and sustainable development (customers' environmental expectations, employee engagement, aligned governance...). Thanks to a rigorous extra-financial selection process, Trusteam Finance has built a unique investment process in Europe since 2011, the Return On Customer (ROC) Process, relying on proprietary data, such as the Ipsos/Trusteam European customer satisfaction barometer or the Obsoco/Trusteam corporate engagement barometer.

www.trusteam.fr

(*) at 31/12/2021

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⁴ <https://www.netzeroserviceproviders.com/our-commitment/>

⁵ <https://www.iigcc.org/resource/investor-expectations-for-paris-aligned-accounts/>