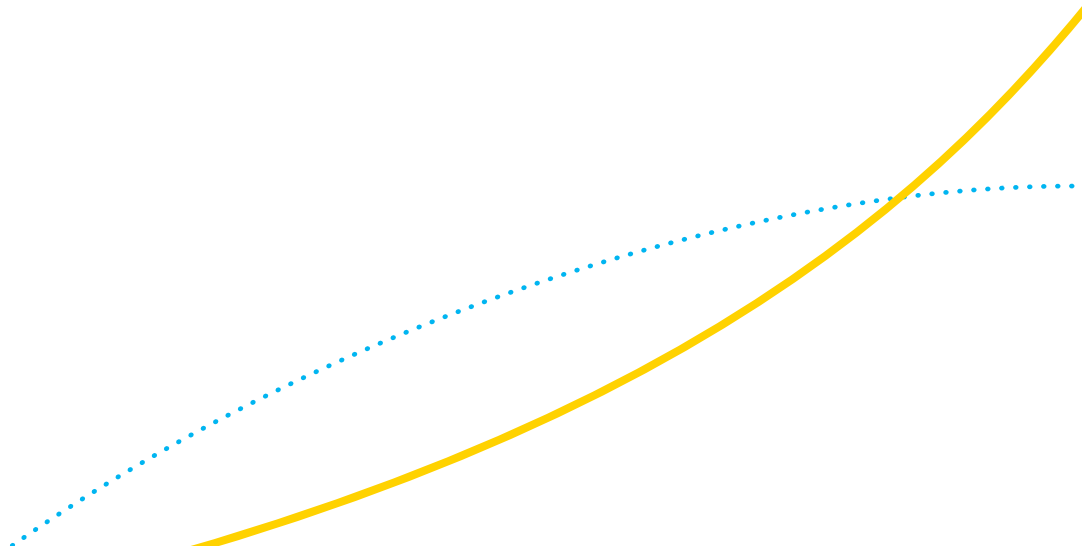




2012 SUSTAINABILITY REPORT



This report contains “forward-looking statements” within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on our current expectations, estimates and projections about our business and industry, management’s beliefs, and certain assumptions made by us, all of which are subject to change. Forward-looking statements can often be identified by words such as “anticipates,” “expects,” “may,” “will,” “should,” “would,” “could,” “potential,” “continue,” “ongoing,” similar expressions and variations or negatives of these words. Actual performance and financial results may differ materially from projections and estimates expressed in the forward-looking statements because of many factors not anticipated by management. Important risk factors that could contribute to such differences or otherwise affect our business, results of operations and financial condition include the risk factors discussed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2012. The forward-looking statements in this report speak only as of the date of this filing. We undertake no obligation to revise or update publicly any forward-looking statement, except as required by law.

On the cover



More than 450 people speaking eight different languages safely invested approximately one million man hours building Air Products’ world-scale hydrogen plant in Rotterdam, which uses the most advanced hydrogen production processes and technologies. Integrating the site refinery with Air Products’ hydrogen plant will lead to a 15% improvement in energy efficiency and reduce related CO₂ emissions by 200,000 tons per year.

Strategy and analysis

Selected sustainability metrics

Business Value	2011	2010
Economic Performance		
Sales (millions of dollars) ^(C)	\$9,674	\$8,616
Operating income ^{(A) (C)} (millions of dollars)	1,557	1,364
Net income attributable to Air Products (millions of dollars) ^(C)	1,166	1,002
Capital expenditures ^{(A) (C)} (millions of dollars)	1,539	1,256
Return on average shareholders' equity ^{(B) (C)} (millions of dollars)	20.0%	19.4%
Operating margin ^{(A) (C)} (millions of dollars)	16.1%	15.8%
Per Share Dollars		
Diluted earnings ^(A)	5.36	4.62
Dividends	2.23	1.92
Book value	27.57	25.94
Shareholders' equity (millions of dollars)	\$5,796	\$5,547
Shares outstanding (in millions)	210	214
Shareholders	7,900	8,300
R&D expense (millions of dollars) ^(C)	119	115
# of Life Cycle Analyses (LCAs) performed for key offerings	9	2
Environmental product and process innovations introduced	84	44

Environmental Stewardship	2011	2010
Energy Consumption (MWh)		
Total (MWh)	97,900,000	95,400,000
Natural Gas (and Refinery Off-gas)	77,100,000	76,400,000
Electricity	18,900,000	17,300,000
Other	1,780,000	1,740,000
Energy Intensity (2007 baseline = 1)		
Air Separation Units	0.969	0.986
Hydrogen/Carbon Monoxide Units	0.963	0.981
Greenhouse Gas Emissions		
Scope 1 (MT CO ₂ -e emitted)	14,400,000	14,400,000
Scope 2 (MT CO ₂ -e emitted)	9,880,000	9,320,000
Scope 3 (MT CO ₂ -e emitted)	132,000	97,200
GHG Intensity		
Indexed GHG performance	0.885	0.944
Nitrogen Oxides (NOx) (tons)	1508	1611
Sulfur Oxides (SOx) (tons)	165	177
TRI Releases (millions of pounds)	Not yet available	1.18*
U.S. Fleet Emissions (2009 baseline = 1)		
Carbon dioxide	0.89	0.98
Nitrogen oxides (NOx)	0.32	0.7
Particulate matter	0.22	0.64
Hazardous Waste Disposal (millions of pounds)	44.4	46.8
Gross Water Consumption (billions of gallons)	14.9	16.1
Water Intensity		
Indexed water consumption	0.88	0.90
Water Withdrawal (billions of gallons)	43.1	43.5

*Updated from 1.28, January 2013 data correction

Social Responsibility	2011	2010
Total employees at year-end ^{(C) (D)}	18,900	18,300
Female share of total workforce (%)	24%	NR
Global employee turnover rate	9.1%	13.3%
Cash, volunteer hours, and in-kind donations	\$5.8 million	\$6 million
United Way contributions	\$2 million	\$2 million
Volunteer rate (at corporate headquarters)	22%	20%
Safety Performance ^(C)		
Employee recordables	88	99
Employee recordable injury rate (per 200,000 hours worked)	0.44	0.46
Employee lost-time incidents	39	41
Employee lost-time incident rate (per 200,000 hours worked)	0.19	0.19
Employee fatalities	1	1
Contractor recordables	83	43
Contractor recordable injury rate (per 200,000 hours worked)	0.95	0.52
Contractor lost-time incidents	36	27
Contractor lost-time incident rate (per 200,000 hours worked)	0.41	0.33
Contractor fatalities	0	0
Vehicle Accident Frequency Rate (preventable accidents per one million kilometers)	1.18	1.32
Average formal training hours per employee per year	36	32

Governance	2011	2010
Board of Directors		
Executive directors	1	1
Independent directors	10	10
Total board size	11	11
Board diversity (percent women or minority)	36%	27%
Average Board meeting attendance	97%	98%
Allegations of Code of Conduct violations	265	225
Percent employees trained in Code of Conduct	95%	95%
Environmental Fines ^{(C) (E)}	\$1,640,000	\$15,000

^(A) Amounts are non-GAAP measures. See Annual Report for reconciliation.

^(B) Calculated using income and five-quarter average Air Products shareholders' equity from continuing operations.

^(C) Reported on fiscal year basis.

^(D) Includes full- and part-time employees from continuing and discontinued operations.

^(E) See EN 28 for more information.

1.1 CEO's message to stakeholders



Customers in more than 30 industries look to Air Products for **business value** . . . they depend on us to understand their toughest challenges and help put the most optimal and cost-effective solutions into action. For them, our gases, materials, technologies, and deep applications expertise enable improved productivity, efficiency and product quality, while lowering emissions and waste.

As global energy, environment and emerging market trends continue to accelerate the need for our products, we're building upon our leading positions: from hydrogen for cleaner transportation fuels . . . to oxygen for more efficient combustion and gasification . . . to LNG equipment for cleaner energy production...to specialty materials for electronics manufacturing . . . to performance materials for end products with less environmental impact. More than 60% of our R&D dollars are focused on sustainability-related areas (energy and environment), and during the year, our Sustainable Technologies Center conducted life cycle analyses on different offerings. We also introduced 84 new environmental product and process innovations to the global marketplace. I am very proud that our Air Products teams in more than 50 countries throughout the world are playing such a vital role in enabling our customers' sustainability.

Meanwhile, we made significant progress in our **environmental stewardship** efforts this year, meeting four of our six environmental goals ahead of schedule: greenhouse gases, water, waste, and fleet/distribution targets. We also tracked positively toward our 2015 energy goal by reducing intensity at our large ASUs and HyCO facilities and continuing to drive energy efficiency projects, including through our Operating Service Centers. While our toxic release inventory levels increased slightly, they remained low and within our goal range year-on-year. With our focus on continuous improvement, our Corporate Sustainability Council is evaluating new goals aimed at further reducing emissions and waste.

Social responsibility is at the core of who we are. Via our Basic Safety Process, our employee recordable injury performance for the fiscal year came in at a record low rate; however, our contractor injury rate unfortunately exceeded our target, so we have redoubled our efforts around contractor safety. We are seeing those focused efforts pay off.

In addition, we have clearly defined the work experience we offer at Air Products as well as our expectations as an employer, and we continue to share this value proposition with current and prospective employees through our Web site, various communications and events, and recruiting activities.

In serving our communities, we contributed nearly \$5.8 million in cash, volunteer hours and in-kind donations to community organizations, schools and municipalities in approximately 15 countries. Our plant personnel continued to engage local stakeholders to better understand how we can contribute to economic health and social infrastructure at a local level.

Also, as you read this report, you'll see that we have provided additional information about our work environment, our employees, and our community impact and engagement activities in our social disclosures.

Finally, from a **governance** perspective, we integrated sustainability into our work processes, including new product and process development, M&A and sourcing. This is providing visibility into potential sustainability impacts early in the process and helps us address them in the most cost effective manner. Our Sustainability Council, Greenhouse Gases Strategy Team, Environmental Measures Team and other sustainability action teams continued to provide guidance and help navigate the risks and opportunities in our sustainability management and programs. And our employees globally continued to put integrity front and center, as we deployed a refreshed Code of Conduct and training, further demonstrating our people's commitment to do the right thing.

I encourage you to explore this report and learn more about our company and our sustainability journey. I think you'll sense the pride we feel in our company's progress and in the recognition we've received from prestigious indices and ratings organizations for our sustainability performance. As always, thank you for your support of Air Products.

A handwritten signature in black ink, reading "John E. McGlade".

John E. McGlade
Chairman, President and Chief Executive Officer of Air Products

1.2 Risks and opportunities

Joining accountability, customer focus, innovation, integrity, and respect, sustainability is one of [six core values](#) at Air Products and is directly tied to our business strategy and our growth serving energy, environment and emerging markets. We [manage our sustainability impacts, risks and opportunities](#) across four key areas:



Business Value—Air Products’ core purpose is making the world more productive, energy efficient and sustainable through the offerings we provide. Sustainability impacts our top and bottom lines through these offerings and the cost savings associated with our environmental sustainability goals. Specifically, nearly two-thirds of our revenues are derived from products or applications that help customers and others down the value chain improve energy efficiency, reduce environmental impact and address social needs. Meanwhile, reaching our environmental sustainability targets—particularly our seven percent reduction in energy consumption—is expected to contribute more than \$100 million annually to our bottom line.

Offerings with Energy and Environmental Benefits

				
Hydrogen Leadership Leading supplier to refineries for cleaner burning transportation fuels Infrastructure and fueling technology, with more than 150 fueling stations in 20 countries	LNG Leadership Most of the world's remote liquefied natural gas is processed with our proprietary heat exchangers and technology, providing cleaner fuels in growing economies	Oxyfuel Leadership Burner combustion that lowers fuel consumption and reduces emissions in steel, cement and glass making; CO ₂ capture technology for sequestration and enhanced oil recovery	Electronic Materials Leadership Advanced and process materials critical to semiconductors, LCD displays and next generation consumer devices	Performance Materials Leadership Materials providing competitive performance and environmental advantages in paints and coatings, inks and adhesives, and personal care products

We use our materiality matrix to gauge risks and opportunities and prioritize our sustainability efforts and initiatives. From a Business Value perspective, our identified priorities are: innovation, clean energy solutions, growth in emerging markets, and reducing greenhouse gases (GHG).

- Greater than 60 percent of our research and development dollars is directed at environmental and energy offerings. Meanwhile, we continue to make strategic technology acquisitions, such as Xebec Adsorption, Inc., and form strategic [technology partnerships](#) in keeping with our corporate technology strategy. We use a New Offerings Business Value Scorecard to track new product performance.
- Having surveyed our customers, we estimate that at least 25 percent have established sustainability programs and proactively seek information about Air Products' sustainability commitments and capabilities.
- Energy is a critical market for Air Products, and we continue to develop clean energy solutions, including hydrogen for refining and petrochemical processes and as a fuel; LNG technology for natural gas as an alternative fuel; bioenergy processes; advanced gasification energy-from-waste; and gases and chemicals for solar and wind power, among others. See EN 6 for more information.
- We continue to use Life Cycle Assessments (LCAs) to enhance understanding of environmental impacts of our products and processes, having completing nine since our Sustainable Technologies Center was established in 2010, with another five LCAs in progress.

- We met our GHG reduction goal (seven percent reduction in emissions indexed to production) this year (see EN 16 and 17); we continue to monitor and drive our progress against our 2015 target. We are also on track with our 2015 energy reduction goal (see EN 3). Air Products' GHG Strategy Team manages the process to identify risks and opportunities associated with climate change, providing assessments of the potential financial and operating impacts and opportunities for growth. More detail is provided in our 2012 submission to the [Carbon Disclosure Project](#).

From a Business Value perspective, our most significant challenges and opportunities include:

- The need to continuously monitor and adapt to changes in the regulatory and permitting environment in different countries of operation.
- Ensuring the availability of key resources, including raw materials, utilities and water, particularly in emerging economies.
- Timing for deployment and market readiness for technologies that take clean energy to the next level.
- The industrial gas industry continues to have a very strong fundamental framework for growth, and global trends—including increased demand for energy, environmental focus, growth in emerging markets and the digital revolution—accelerate this historically strong growth. Our focus is on enabling customers and others down the value chain to benefit from improved productivity, product quality, environmental impact and energy efficiency when they use industrial gases.













Environmental Stewardship— We generate an environmental footprint and consume energy (approximately 35 percent of our total operational spend during the year) and water. In enabling customers to operate more effectively and sustainably through the use of our gases, materials and technology, we work to responsibly manage and improve our own environmental performance. We design our plants and manage our operations against environmental sustainability goals set to reduce greenhouse gases, waste, emissions, energy and water use. Progress against these goals, which have been integrated into our product and process development, engineering and operations standards and procedures, is represented in the table below.

From an Environmental Stewardship perspective, we have made significant progress against our 2015 goals. Our most significant challenges and opportunities going forward include:

- **Operations:** Continued reduction of the impact of our operations, particularly as production increases.

- **Greenhouse gases:** Our greenhouse gas absolute emissions increase as production increases, but we are continuing to drive improvements in intensity.
- **Energy use:** Because we are a large consumer of energy—electricity and natural gas—we treat energy like a raw material instead of a utility. Continuing to drive improvements in our operating energy efficiency is core to our business and profitability. Our goal to improve energy efficiency is worth about \$100 million per year in savings.
- **Water consumption:** With a 40% shortfall on water predicted by 2030, we continue to take steps to mitigate risk to our operations, which rely heavily on water for cooling processes. We are evaluating alternative methods like air cooling (which must be balanced with increased energy use) and continue to use more gray water in our operations (see EN9).

Environmental Sustainability Goals

Sustainability area	Air Products goal	Progress against goal
 Greenhouse Gases	Reduce by 7% indexed against production by 2015 from 2007 baseline	 Met goal in 2011, driven by emissions reductions from electronic specialty materials production and efficiency improvements in our large hydrogen plants. Given projected production increases in future years, we will continue to track performance with our combined Scope 1 and Scope 2 intensity metric.
 Energy	Reduce consumption 7% indexed against production by 2015 for ASUs and HyCO from 2007 baseline (represents approximately 80 percent of our total global energy requirements)	 Tracking against our 2015 goal. We reduced our energy intensity for our ASUs and HyCO facilities by increasing plant loadings; starting-up new, more efficient facilities; implementing continuous improvement and productivity projects globally; and optimizing plant performance through our Operating Service Centers.
 Water	Reduce consumption 10% on an intensity basis in the controllable portion of our usage off 2009 baseline	 Achieved goal in 2011 by focusing on eliminating waste, increasing recycling and reuse, and offsetting watering withdrawals with supply from reclaimed sources.
 Hazardous waste	Reduce U.S./Europe shipments 20% by end of 2011 from 2005	 Combined U.S. and European hazardous waste shipments were down 23 percent compared with prior year and 20 percent below our 2005 baseline levels, enabling us to achieve our hazardous waste reduction goal. We are developing the scope to set a new, global waste reduction goal during 2013.
 Toxic Release Inventory	Maintain at current low levels	 Our TRI releases increased slightly due to increased production but were in line with our goal. We are reviewing this goal to determine new scope for improvement.
 Distribution/fleet	Reduce NOx/particulate matter by 10% and CO ₂ by 2% by 2015 from 2009 baseline (EPA SmartWaySM)	 We met our goals to reduce emissions from our North American fleet, including a 7% reduction in CO ₂ and 13% reduction in NOx against goals of 2 and 10%, respectively. Progress was realized through efficiency programs, including the replacement of 150 pre-emission engines; improved miles per gallon; and driver training programs to further reduce idling.

Social Responsibility

Three areas of focus summarize our social responsibility commitment:

- Being an employer of choice, including providing training and development for all employees to grow their skills and develop their careers.
- Actively engaging and developing the communities where our employees live and work.
- Purchasing from suppliers who demonstrate our shared commitment to sustainable operations.

Employee Attraction and Retention:

In our sustainability management, good employment practices and a strong commitment to our communities and to sustainable operations remain important elements for attraction and retention of talent.

We pay our employees competitive wages, offer competitive benefits and provide training and developmental opportunities to improve their capabilities and advance their careers. In addition, our diversity and inclusion initiatives are designed to enable our people to reach their full potential in a culture of respect and inclusion. We also aggressively manage employee safety, health and well-being through our Total Safety process.

Over the last year we defined the employment experience we offer at Air Products. We sought to capture what attracts people to work for Air Products, what engages them, and what makes them want to stay and deliver their best performance. We also sought to clearly articulate our expectations as an employer.

We heard our global employee insights through a number of channels:

- A formal survey conducted by the Corporate Leadership Council (47% global employee participation rate)
- Interviews with company leaders
- A second, open-ended survey with 600 global participants
- Nineteen focus groups conducted in 12 countries
- Participation in online chats facilitated by a third party



What consistently emerged from this feedback was a distinct culture and working environment that notably, was consistent around the world.

Working at Air Products:

Reward—for your achievements and respect as a valued member of the team.

Work—Challenging and interesting work that makes a difference.

Organization—A collaborative environment where you are inspired to build lasting relationships.

Opportunity—Broad opportunities for growth and development in a global company.

People—Colleagues who are talented, caring and driven to win.

Accountable Performance—Your dedication to achieve your objectives and company goals and create value for our customers.

Discretionary Effort—Your passion and commitment to get it right.

Self-investment—Your unending desire to learn, improve, and contribute.

Connecting with our Communities:

Outreach is a critical element of our role as a neighbor in the communities where we operate and in our drive to be a responsible global corporate citizen.

Air Products routinely seeks feedback from non-profits, emergency responders and community leaders in those areas where we have major facilities. This ongoing interaction helps us identify, learn about and address needs.

Our philanthropic efforts support local human development, educational, community, economic development, cultural and environmental activities through financial, product and service contributions (see 4.16 and SO1). Decisions regarding community relations activities are made after being carefully reviewed and measured against two main criteria:

- **Addressing Community Needs**, which includes demonstrating leadership, innovation and vision through support of major projects as well as on-going community “quality of life” issues; supporting those activities and projects that share our commitment to diversity; providing support when employees and families and the communities they live in are impacted by major disasters
- **Celebrating Employees** through augmenting employees’ volunteer interests and efforts with charitable contributions and other resources; providing opportunities to build employee pride; and leveraging those activities that may also support the company’s recruitment and retention efforts.

Our Corporate Relations team, Global Operations leadership and our major field locations work together to develop community relations outreach plans, including philanthropic support, volunteering and other outreach activities, including Community Advisory Panels (CAP) where appropriate.



Vehicle Teams trained at our Butler, Indiana terminal using a scrap trailer to simulate an actual vehicle accident. The training focused on the safety of our drivers, minimizing impact to the surrounding community, and work with Emergency Response teams in the event of an accident involving an Air Products tanker.

Supplier Sustainability

We purchase more than \$6 billion in materials, equipment, power and services annually from suppliers and service providers worldwide. Air Products' Supplier Relationship Management (SRM) program enables us to identify and manage critical suppliers. Our procurement specialists use a Segmentation Model Tool to evaluate supplier annual spend, financial strength, potential for innovation, ease of finding substitutes and switching, and overall business impact on Air Products.

Our [Supplier Expectations for Sustainability](#) are aligned with our sustainability framework and include environmental considerations beyond compliance. Likewise we have taken steps to increase our supply chain due diligence measure and internal controls with respect to conflict minerals..

We are surveying tier 1 suppliers (representing 50% of our spend) to understand their sustainability efforts and identify ways to collaborate and improve sustainability across the value chain. We also trained our Energy and Materials personnel in Air Products' sustainability framework and goals.

From a Social Responsibility perspective, we view our most significant challenges and opportunities in three primary areas:

- **Talent attraction and retention:** In the competition for talent for our business, our commitment to and management of sustainability has become an increasingly important element of our employment value proposition.
- **Communities:** We want to ensure that our investments of time, contributions and resources in the communities where we live and operate drive the biggest value for our stakeholders. We are committed to additional measurement tools that will help us better qualify and quantify our impacts.
- **Suppliers:** We see a significant opportunity to work with our suppliers and optimize the value chain. Collaborating to improve the overall sustainability of our offerings is a challenge; we are incorporating sustainability considerations into our supplier scorecard for next year to help move the needle in this area.



Supplier Management at Air Products

- ✓ Supplier categorization and rating
- ✓ Safety requirements for all contractors
- ✓ Review of environmental risks
- ✓ Business continuity planning
- ✓ Conflict materials program
- ✓ Supplier audits and surveys
- ✓ Corrective action plans for suppliers
- ✓ Procurement staff training

Governance

Sustainability Management: Risks and Opportunities

The Environmental, Safety and Public Policy Committee of the Board of Directors is the most senior body with oversight of sustainability matters at Air Products. The Corporate Executive Committee, comprised of the Chairman, President and CEO and the six most senior executives at Air Products, conduct regular reviews of sustainability risks and opportunities.

Air Products' Corporate Sustainability Council oversees sustainability strategy, works with the businesses to develop and operationalize it, and directs the process for measuring Air Products' footprint and setting and achieving our reduction goals. Comprised of senior executives and functional experts and reporting to the CEO, the Sustainability Council meets monthly to define policies, programs and performance indicators. During the year, the Sustainability Council focused most of its discussions on sustainable offerings, life cycle assessments, progress against environmental targets, and increasing metrics reporting.

The Sustainability Director is accountable for developing and managing sustainability programs, practices and reporting, and provides continuity for the Sustainability Council working sub-teams, including the Greenhouse Gas (GHG) Strategy Team, which serves as our company-wide center of excellence on climate change, and the Environmental Measures Team, which focuses on data and analysis toward achieving our environmental targets and goals.

Code of Conduct

Board of Directors—The Board of Directors has adopted a [Director Code of Conduct](#) that is intended to affirm its commitment to the highest ethical standards, integrity, and accountability among directors and focuses on areas of potential ethical risk and conflicts of interest especially relevant to directors. The company also has a Code of Conduct for officers and employees.

Employees/ Other Stakeholders—All employees are required to abide by and certify their understanding via training of [Commit to Integrity: Code of Conduct for Air Products and Its Companies](#). An update to this Code reflects the most common business ethics challenges and risks that our employees may face. We maintain multiple venues for employees and other stakeholders to submit any concerns related to any aspect of our Code of Conduct (see 4.8-9 for more information). The changing regulatory and business environment means new risks and ethical challenges that require employee understanding, training and certification. We require every individual to certify their understanding and complete mandatory training as a condition of employment.

We have integrated sustainability into our work processes, including new product and process development, M&A and sourcing. This provides visibility into potential sustainability impacts early in the process and helps us address them in the most cost effective manner.

Sustainability Council Working Teams

- Greenhouse Gases Strategy
- Environmental Measures
- Water
- Employee Outreach
- Social Measures
- External Stakeholders
- Sustainability in Business
- Process Integration
- Sustainable Technologies Center
- Market Excellence Team
- Energy and Materials Sustainability Center of Excellence

2.1–2.6 Our profile, our performance

As an international supplier of industrial and specialty gases, performance materials, equipment, and technology, we enable customers in more than 30 industries to be more productive, energy efficient and sustainable.

Global Operations (2011)

Air Products' headquarters is in Trexlertown, Pennsylvania, U.S.A. and we operate in over 50 countries outside the United States. Approximately 62% of Air Products' consolidated sales are outside of the U.S. We have majority or wholly owned foreign subsidiaries that operate in Canada, 17 European countries (main offices in Hersham, U.K. and Hattingen, Germany), nine Asian countries (main offices in Singapore, Hong Kong, Taipei and Shanghai) and four Latin American countries. Air Products also has interests in entities operating in Europe, Asia, Africa, the Middle East and Latin America.

We have more than 600 production facilities worldwide, supplying merchant gases, tonnage gases, electronics and performance materials and equipment. We have leading supply positions serving energy, environment and emerging markets, including semiconductor materials, refinery hydrogen, coal gasification, natural gas liquefaction, and advanced coatings and adhesives.

We produce most of the products we sell; we typically do not use outsourcing as a production strategy.

Ownership

Founded in 1940 by Leonard Parker Pool who pioneered the "on-site" concept of producing and selling industrial gases, Air Products is a Delaware corporation and is traded publicly on the New York Stock Exchange (NYSE): APD. Over 85 percent of Air Products' common shares are held by institutional investors. At the close of business on December 31, 2011, there were 210,605,272 shares of Air Products common stock outstanding.

2.7–8 Business segments and markets and organizational scale

We report earnings under four business segments: Merchant Gases, Tonnage Gases, Electronics and Performance Materials, and Equipment and Energy. See our [Form 10-K](#) for details on our operating segments and end markets for our products.

Merchant Gases

Merchant Gases include atmospheric gases such as oxygen, nitrogen, and argon (primarily recovered by the cryogenic distillation of air); process gases such as hydrogen and helium (purchased or refined from crude helium); medical and specialty gases; and certain services and equipment, sold throughout the world to customers in metals, glass, chemical processing, food processing, healthcare,

steel, general manufacturing, petroleum and natural gas and other industries.

Merchant Gases includes the following types of products:

- **Liquid bulk**—Product is delivered in bulk (in liquid or gaseous form) by tanker or tube trailer and stored, usually in its liquid state, in equipment designed and installed by Air Products at the customer's site for vaporizing into a gaseous state as needed. Liquid bulk sales are typically governed by three- to five-year contracts.
- **Packaged gases**—Small quantities of product are delivered in either cylinders or dewars. Air Products operates packaged gas businesses in Europe, Asia, and Brazil. In the United States, our current packaged gas business sells products only for the electronics and magnetic resonance imaging (principally helium) industries.
- **Small on-site plants**—Customers receive product through small on-sites (cryogenic or noncryogenic generators), either by a sale of gas contract or the sale of the equipment to the customer.

Electric power is the largest cost component in the production of atmospheric gases—oxygen, nitrogen, and argon. Natural gas is also an energy source at a number of our Merchant Gases facilities.

The Merchant Gases segment also includes Air Products' share of the results of several joint ventures accounted for by the equity method, the largest of which operate in Mexico, Italy, South Africa, India, and Thailand.



Tonnage Gases

Tonnage Gases provides hydrogen, carbon monoxide, nitrogen, oxygen, and synthesis gas (a hydrogen-carbon monoxide mixture) principally to the energy production and refining, chemical, and metallurgical industries worldwide.

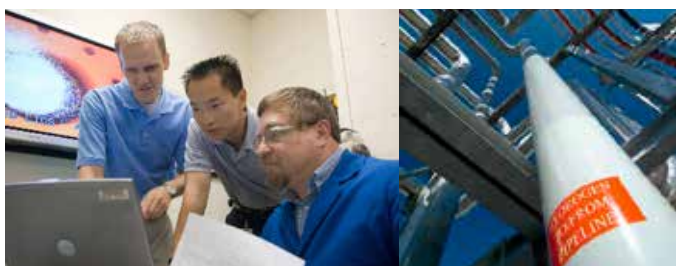
We produce these gases at large facilities located adjacent to our customers' facilities or by pipeline systems from centrally located production facilities. Contracts are generally 15- to 20-year terms. Air Products is the world's largest provider of hydrogen, which is used by oil refiners to facilitate the conversion of heavy crude feedstock and lower the sulfur content of gasoline and diesel fuels to reduce smog and ozone depletion. The energy production industry uses nitrogen injection for enhanced recovery of oil and natural gas and

oxygen for gasification. The metallurgical industry uses nitrogen for inerting and oxygen for the manufacture of steel and certain nonferrous metals. The chemical industry uses hydrogen, oxygen, nitrogen, carbon monoxide, and synthesis gas as feedstocks in the production of many basic chemicals.

Air Products delivers product through pipelines from centrally located facilities in or near the Texas Gulf Coast; Louisiana; Los Angeles, California; Alberta, Canada; Rotterdam, the Netherlands; United Kingdom; Western Belgium; Ulsan, Korea; Nanjing, China; Tangshan, China; Kuan Yin, Taiwan; Singapore; and Camaçari, Brazil. Air Products also owns less than controlling interests in pipelines located in Thailand and South Africa.

For fiscal 2011, Tonnage Gases also included a Polyurethane Intermediates (PUI) business.

Natural gas is the principal raw material for hydrogen, carbon monoxide, and synthesis gas production. Electric power is the largest cost component in the production of atmospheric gases. Toluene, ammonia, and hydrogen are the principal raw materials for the PUI business and are purchased from various suppliers under multiyear contracts.



Electronics and Performance Materials

Air Products supplies the electronics industry with specialty gases (such as nitrogen trifluoride, silane, arsine, phosphine, white ammonia, silicon tetrafluoride, carbon tetrafluoride, hexafluoromethane, critical etch gases, and tungsten hexafluoride) as well as tonnage gases (primarily nitrogen), specialty chemicals, services, and equipment for manufacturing silicon and compound semiconductors, thin film transistor liquid crystal displays, and photovoltaic devices. We deliver these products in a variety of ways, including bulk delivery systems or distribution by pipelines such as those located in California's Silicon Valley; Phoenix, Arizona; Tainan, Taiwan; Gumi and Giheung, Korea; and Tianjin and Shanghai, China.

We also supply performance materials for a wide range of products, including coatings, inks, adhesives, civil engineering, personal care, institutional and industrial cleaning, mining, oil refining, and polyurethanes. These include polyurethane catalysts and other additives for polyurethane foam, epoxy amine curing agents and auxiliary products for epoxy systems, specialty surfactants for formulated systems, and functional additives for industrial cleaning and mining industries.

The Electronics and Performance Materials segment uses a wide variety of raw materials, including silane, amines, alcohols, epoxides, organic acids, and ketones.



Equipment and Energy

We design and manufacture cryogenic equipment for air separation, hydrocarbon recovery and purification, natural gas liquefaction (LNG), and helium distribution (cryogenic transportation containers), and serve energy markets in a variety of ways.

We sell equipment globally to customers in the chemical and petrochemical manufacturing, oil and gas recovery and processing, and steel and primary metals processing industries. We also provide a broad range of plant design, engineering, procurement, and construction management services to customers.

We serve energy markets through our operation and partial ownership of cogeneration and flue gas desulfurization facilities. In addition, we are developing hydrogen as an energy carrier, waste-to-energy facilities to produce electricity, carbon capture technologies for a variety of industrial and power applications, and oxygen-based technologies to serve energy markets in the future.

Steel, aluminum, and capital equipment subcomponents (compressors, etc.) are the principal raw materials in the equipment portion of this segment. Coal and natural gas are the largest cost components in the production of energy.



Organizational Scale (fiscal 2011 year-end)

Millions of dollars, except per share	2011	2010	Change
For the year			
Sales ^(A)	\$9,674	\$8,616	12%
Operating income ^(A)	1,557	1,364	14%
Net income from continuing operations attributable to Air Products ^(A)	1,166	1,002	16%
Capital expenditures ^(A)	1,582	1,298	22%
Return on average Air Products shareholders' equity ^{(A) (B)}	20.0%	19.4%	
Operating margin ^(A)	16.1%	15.8%	
Per share dollars			
Diluted earnings ^(A)	5.36	4.62	16%
Dividends	2.23	1.92	16%
Book value	27.57	25.94	6%
At year end			
Air Products shareholders' equity	\$5,796	\$5,547	
Shares outstanding (in millions)	210	214	
Shareholders	7,900	8,300	

^(A) Amounts are non-GAAP measures. See [Annual Report & 10-Ks](#) for reconciliation to GAAP results.

^(B) Calculated using income from continuing operations attributable to Air Products and five-quarter average Air Products shareholders' equity.

2.9 Significant changes in 2011

In February 2011, Air Products withdrew its tender offer to purchase all of the outstanding shares of Airgas, terminated the associated credit facility, and sold previously purchased Airgas stock. Refer to our [2011 Annual Report](#) for more information.

2.10 Awards and recognitions



Dow Jones Sustainability World and North America Indexes for 2011/12

CARBON DISCLOSURE PROJECT

Global and S&P 500 Disclosure and Performance Leadership Indexes for 2011



MapleCrest Climate Innovation Indexes Leader for climate-related innovation, carbon management programs



100 Best Corporate Citizens List for CR Magazine for 2012



Constituent, in the FTSE4Good Index



Member of MSCI World ESG Index, World Socially Responsible Index and KLD 400 Social Index



China Best Employer Award 2011 top 100 nomination



Air Products in Spain honoured by Ejecutivos magazine



e-learning Program Excellence Among Companies with U.S. Operations

NBIM

Norges Bank Investment Management

Top Scores on Norges Bank Investment Management's Climate Change Reporting Banking for 2011



Included in the Ethibel PIONEER and the Ethibel EXCELLENCE Investment Registers

3.1 Report period

January 1, 2011 to December 31, 2011
(except for fiscal year financials, as noted).

3.2 Most recent previous report

2011 (2010 data).

3.3 Reporting cycle

Annually

3.4 Contact

Julie O'Brien, Corporate Sustainability Director
obrienjk@airproducts.com



3.5–3.8 About this sustainability report

We have reported our sustainability performance for the past eight years, building on a previous decade of environmental, health and safety disclosures and reporting. Much of the data in this 2012 report reflect sustainability results and activities during 2011. As with our two prior reports (published in 2011 and 2010, respectively), we have followed formal Global Reporting Initiative guidelines to provide stakeholders with the data and perspective to understand and evaluate our performance, impacts and opportunities. Our 2012 report is against G3.1 guidelines; we will evaluate the G4 guidelines when issued in 2013 for future reporting.

The scope of this 2012 report is global, including assets over which financial control is exercised – per the consolidated audited financial statements. We exclude less-than-controlling interests in joint ventures or equity affiliates. We measure and report certain environmental measures on a calendar year basis, including greenhouse gases (GHGs), Toxic Release Inventory (U.S.) on- and off-site releases, nitrogen oxides (NOx) and sulfur oxides (SOx) emissions, hazardous waste shipments, and water and energy consumption.

As much as possible, we have guided readers to additional information, including our Sustainability site on airproducts.com, as well as other reports such as our annual financial reports on [Form 10-Ks](#). Our next sustainability report will be published following our analysis of the G4 GRI Guidelines.

We are committed to transparency in our reporting and continuous improvement in our sustainability management and performance. The Corporate Sustainability Director was accountable for overseeing the preparation of this report, with significant data contributions provided by our Greenhouse Gases Strategy, Environmental Measures and Social Measures teams, as well as other business and functional groups throughout the company. No GRI sector standard exists for our industry (industrial gases / materials); however, we have attempted to provide best possible disclosures based on the nature of our global business and the related risks and opportunities. We have taken into consideration the information needs of:

- Current and prospective investors (as well as socially responsible investment and other sustainability organizations)
- Customers, seeking sustainable product and technology solutions and information about our sustainability policies and practices
- Current and prospective employees, looking to work for a sustainability-minded company
- Communities, wanting to understand our sustainability management and engagement efforts as a responsible corporate citizen
- Suppliers, whom we expect to abide by our Code of Conduct and who are critical to our operations
- Other stakeholders, who have an interest in our industry and operations

The information needs of these stakeholders inform our sustainability materiality matrix and enable us to prioritize reporting topics within this report. Developed in 2010, this matrix shows the relationship of stakeholder interests relative to our company's sustainability risks and opportunities. It encompasses all four pillars of Air Products' sustainability framework – business value, environmental stewardship, social responsibility, and governance – with the first two pillars representing the higher levels of stakeholder focus and risk/opportunity. The company's Sustainability Council reviews the materiality matrix at least once each year, and all elements identified in the matrix, such as sustainability innovation, our environmental performance goals, and employee value, to name a few, are covered in this report.

3.9 Data measurement

We use our single-instance SAP system for environmental and social data management and to drive performance improvements.

We report key financial indicators in accordance with U.S. generally accepted accounting principles, disclosed in our [financial filings](#).

We report, classify, investigate and communicate safety (employee and contractor injuries and near misses) and environmental incidents via our Global Environmental, Health and Safety (EH&S) Incident Tracking system. We also use a Compliance Management SAP-compatible tool for environmental compliance management. We track and report estimated calendar-year GHG emissions on an aggregated, global basis in accordance with the WRI/WBCSD GHG Protocol using Financial Control reporting boundaries.

Human resource (workforce) data are managed within SAP.

3.10 Restatements

In January 2012, the Board of Directors authorized the sale of our Homecare business, which had been reported as part of the Merchant Gases operating segment. On 8 January 2012, we reached an agreement for The Linde Group to purchase our Homecare business in Belgium, Germany, France, Portugal, and Spain. This business represented approximately 80% of our total Homecare business revenues. The transaction with Linde closed on 30 April 2012. We are actively marketing the remaining portion of the Homecare business, which is primarily in the United Kingdom and Ireland.

The Homecare business is being accounted for as a discontinued operation. The results of operations and cash flows of this business have been removed from the results of continuing operations for all periods presented. The assets and liabilities of discontinued operations have been reclassified and are segregated in the consolidated balance sheets.

3.11 Changes from prior reporting

Our 2012 Sustainability report follows GRI G3.1 guidelines, following two consecutive years of G3 reporting.

3.12 GRI Index

GRI G3.1	Contents	Page	Reported
Strategy			Fully
1.1	CEO's message to stakeholders	5	Fully
1.2	Impacts, risks and opportunities	6	Fully
Profile and Performance			Fully
2.1	About Air Products	12	Fully
2.2	Brands, products, services	12	Fully
2.3	Operating structure	12	Fully
2.4	Corporate and regional headquarters locations	12	Fully
2.5	Countries of operation	12	Fully
2.6	Ownership	12	Fully
2.7	Business segments and markets	12	Fully
2.8	Organizational scale	12	Fully
2.9	Significant changes	14	Fully
2.10	Awards and recognition	14	Fully
Reporting			Fully
3.1	Reporting period	15	Fully
3.2	Date of most recent previous report	15	Fully
3.3	Reporting cycle	15	Fully
3.4	Contacts for questions regarding the report	15	Fully
3.5	Process for defining report content	15	Fully
3.6	Boundary of the report	15	Fully
3.7	Limitations on report scope	15	Fully
3.8	Basis for reporting that can significantly affect comparability	15	Fully
3.9	Data measurement	16	Fully
3.10	Restatements	16	Fully
3.11	Changes from prior reporting	16	Fully
3.12	GRI Index	16	Fully
3.13	Assurance	19	Fully

Governance, Standards and Engagement		20	Fully
4.1	Governance structure	20	Fully
4.2	Chair of the Board of Directors	21	Fully
4.3	Independent Directors, including Presiding Director	21	Fully
4.4	Contacting the Board of Directors	21	Fully
4.5	Compensation and performance alignment	21	Fully
4.6	Avoiding conflicts of interest	22	Fully
4.7	Determining qualifications and expertise of Directors	22	Fully
4.8	Vision and values, codes of conduct and principles	22	Fully
4.9	Procedures for overseeing sustainability performance	23	Fully
4.10	Processes for evaluating the Board of Directors' own performance	23	Fully
4.11	Precautionary Principle	23	Fully
4.12	External standards	24	Fully
4.13	Associations and memberships	24	Fully
Stakeholder Engagement		25	Fully
4.14	Key stakeholders	25	Fully
4.15	Stakeholder identification/selection	25	Fully
4.16	Stakeholder engagement and feedback	25	Fully
4.17	Learnings from stakeholder engagement	25	Fully
Economic Disclosure on Management Approach		29	Fully
EC1	Economic value generated and distributed	29	Fully
EC2	Financial implications due to climate change	29	Fully
EC3	Coverage of defined benefit plan obligations	29	Fully
EC4	Significant financial assistance from government	30	Fully
EC5	Range of wage ratios	30	Partially
EC6	Spending on locally-based suppliers	30	Partially
EC7	Procedures for local hiring	30	Partially
EC8	Commercial, in-kind, pro bono engagement	30	Fully
EC9	Indirect economic impacts	30	Partially

Environmental Disclosure on Management Approach		31	Fully
EN1	Materials used	32	Fully
EN2	Recycled input materials	32	Fully
EN3	Energy use by source	33	Fully
EN4	Indirect energy use by source	33	Fully
EN5	Energy conservation and efficiency improvements	34	Fully
EN6	Initiatives related to renewable energy	35	Fully
EN7	Initiatives to reduce indirect energy consumption	34	Fully
EN8	Total water withdrawal by source	35	Fully
EN9	Water sources significantly affected	36	Fully
EN10	Water recycled and reused	36	Fully
EN11	Land in / adjacent to protected areas	36	Fully
EN12	Biodiversity impacts	36	Fully
EN13	Habitats protected or restored	36	Fully
EN14	Strategies/plans related to biodiversity	36	Fully
EN15	IUCN Red List species in areas affected	36	Fully
EN16	Direct and indirect greenhouse gas emissions	37	Fully
EN17	Scope 3 greenhouse gas emissions	37	Fully
EN18	Initiatives to reduce greenhouse gas emissions	39	Fully
EN19	Ozone depleting substances	39	Fully
EN20	NOx, SOx and other air emissions	40	Fully
EN21	Water discharge	40	Fully
EN22	Weight of waste	40	Partially
EN23	Significant spills	40	Fully
EN24	Hazardous waste	41	Fully
EN25	Biodiversity value of water bodies and related habitats	41	Fully
EN26	Initiatives to mitigate environmental impacts	41	Fully
EN27	Products and packaging materials reclaimed	42	Fully
EN28	Significant fines and sanctions	42	Fully
EN29	Transportation impacts	42	Fully
EN30	Environmental protection expenditures	42	Fully

Labor Practice Disclosure on Management Approach		43	Fully
LA1	Workforce by employment type	44	Partially
LA2	Employee hiring / turnover	44	Partially
LA3	Benefits to full-time employees	44	Fully
LA15	Parental leave by gender	44	Partially
LA4	Collective bargaining	45	Fully
LA5	Minimum notice periods for operational changes	45	Partially
LA6	Joint management/worker health and safety committees		Not reported
LA7	Rates of injury and work-related fatalities	45	Fully
LA8	Global health and wellness programs	45	Fully
LA9	Health and safety topics for trade unions		Not reported
LA10	Employee training	46	Fully
LA11	Skills and lifelong learning for retirees	46	Fully
LA12	Performance and career development reviews	46	Fully
LA13	Diversity and inclusion	47	Partially
LA14	Equal remuneration	47	Partially
Human Rights Disclosure on Management Approach		48	Fully
HR1	Investments/contract screening	48	Fully
HR2	Screening of suppliers and contractors	48	Partially
HR3	Employee training	48	Fully
HR4	Incidents of discrimination and actions taken	48	Fully
HR5	Right to exercise freedom of association	48	Fully
HR6	Incidents of child labor	48	Fully
HR7	Risk for incidents of forced labor	48	Fully
HR8	Security training	49	Fully
HR9	Violations involving rights of indigenous people	48	Fully
HR 10	Operations subject to human rights assessments	49	Partially
HR11	Grievances and resolution	49	Fully

Society Disclosure on Management Approach		50	Fully
SO1	Community engagement and development	50	Fully
SO9	Negative impacts on local communities	51	Fully
SO10	Prevention and mitigation measures for community impacts	51	Fully
SO2	Risk assessment for corruption	51	Fully
SO3	Anti-corruption training	51	Fully
SO4	Anti-corruption governance and actions	51	Fully
SO5	Public policy positions	51	Fully
SO6	Value of contributions to political parties	51	Partially
SO7	Anti-competitive behavior	52	Fully
SO8	Fines and sanctions for non-compliance	52	Fully
Product Responsibility Disclosure on Management Approach		53	Fully
PR1	Life cycle assessment of health and safety	53	Fully
PR2	Noncompliance with regulations and codes during life cycle	53	Fully
PR3	Product and service information per procedures	53	Fully
PR4	Incidents of labeling noncompliance	54	Fully
PR5	Practices related to customer satisfaction	54	Fully
PR6	Marketing and adherence to laws and standards	54	Fully
PR7	Incidents of noncompliance with marketing-related regulations	54	Fully
PR8	Customer privacy	54	Fully
PR9	Noncompliance with regulations for use of products	54	Fully

3.13 Assurance

This Sustainability Report was GRI-checked and affirmed as Application Level A+, with select financial and environmental data submitted for external assurance.



Statement GRI Application Level Check

GRI hereby states that **Air Products** has presented its report "Air Products 2012 Sustainability Report" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 11 December 2012


Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The "+" has been added to this Application Level because **Air Products** has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 3 December 2012. GRI explicitly excludes the statement being applied to any later changes to such material.

4.1 Governance structure

The Board of Directors—consisting of 10 independent Directors (including an independent Presiding Director) and Chairman, President and Chief Executive Officer John McGlade—holds the highest level of authority for corporate governance at Air Products. The Board has adopted Corporate [Governance Guidelines](#) to assure that it has the necessary practices in place to govern the Company in accordance with the interests of shareholders. The Guidelines include Board governance practices with respect to: director independence and qualifications, director responsibilities, Board leadership, access to management and independent advisors, director compensation, director orientation and education, chief executive officer performance assessment, management succession, and assessment of Board and committee performance.

Five standing committees operate under written charters approved by the full Board. During fiscal 2011, the Board met 13 times, with committee attendance averaging 97% for the Board as a whole, and no director attended less than 75% of the combined total of meetings of the Board and the committees on which s/he served.



Board of Directors Code of Conduct

The Board has adopted a Director [Code of Conduct](#) that is intended to affirm its commitment to the highest ethical standards, integrity, and accountability.

Board Committee	Summary of Responsibilities
<p>Audit Committee*</p> <p>All members are financially literate as defined by SEC regulations and NYSE listing standards.</p> <p>(Seven meetings in fiscal 2011)</p>	<p>Oversees the Company's independent registered public accountant, accounting policies, financial statement integrity, significant internal audit and control activities, risk assessment and management policies and processes, and compliance with legal and regulatory requirements. Reviews compliance with the Code of Conduct for employees and officers and administers procedures for confidential reporting of questionable accounting practices and handling complaints regarding audit matters.</p> <p>Full Charter</p>
<p>Corporate Governance and Nominating Committee*</p> <p>(Three meetings in fiscal 2011)</p>	<p>Monitors and makes recommendations to the Board about corporate governance matters and has primary responsibility for identifying, recommending, and recruiting nominees for election to the Board and recommending candidates for election as Presiding Director.</p> <p>Full Charter</p>
<p>Environmental, Safety and Public Policy Committee*</p> <p>(Three meetings in fiscal 2011)</p>	<p>Monitors and reports to the Board on issues and developments in areas such as environmental compliance, climate change and sustainability, safety, corporate security and crisis management, diversity, community relations, and corporate and foundation philanthropic programs and charitable contributions.</p> <p>Full Charter</p>

Executive Committee (No meetings in fiscal 2011)	The Executive Committee has the authority of the Board to act on most matters during intervals between Board meetings. It is usually convened only to approve capital expenditures associated with a project in excess of the CEO's authority where a customer requires a commitment prior to the next Board meeting.
Finance Committee* (Three meetings in fiscal 2011)	Reviews the Company's financial policies; keeps informed of its financial operations and condition, including requirements for funds and access to liquidity; advises the Board about sources and uses of Company funds; reviews the Company's financial arrangements and methods of external financing; and oversees the Company's employee pension and savings plans worldwide. Full Charter
Management Development and Compensation Committee* (Five meetings in fiscal 2011)	Leads the Board in evaluating the CEO's and Executive Officers' performance, succession planning and compensation. Oversees the management compensation program and plans, and design of the Company's retirement and welfare benefit plans. Full Charter

*Operates under a written charter

The Environmental, Safety and Public Policy Committee (ESPP) monitors and reports to the Board on developments in sustainability, and areas such as environmental performance and compliance, climate change, safety, corporate security and crisis management, diversity and inclusion, community relations, and corporate and foundation philanthropic programs and charitable contributions.

CEO Accountability and Sustainability Management Structure

Under the CEO's direction, we manage sustainability through an interdisciplinary approach. Air Products' Sustainability Council was chartered by and reports to the CEO, with membership comprised of senior executives and subject matter experts across the company's businesses and functions. The Council steers the company's sustainability strategy—working with the businesses to develop and operationalize it—and oversees the process for measuring Air Products' footprint and setting and achieving reduction targets. The Council provides updates to the ESPP Committee of the Board and Air Products' [Corporate Executive Committee \(CEC\)](#), the company's seven most senior executives, semiannually.

Ten additional sustainability teams – including the Greenhouse Gases Strategy Team, Water Team, Sustainable Technologies Center, and Market Excellence Teams – work under the oversight of the Sustainability Council and are focused on specific programs aligned to our sustainability framework.

4.2 Chair of the Board of Directors

Mr. John E. McGlade is Chairman, President and Chief Executive Officer. The Board does not have a policy on whether the roles of Chairman of the Board and Chief Executive Officer should be separate or whether the Chairman of the Board should be independent; the Board determines which structure is in the best interests of the Company at any given time. For more information, see "Board Leadership Structure" in Air Products' [Proxy Statement](#).

4.3 Independent Directors, including Presiding Director

All of the company's 10 directors, including the Presiding Director, qualify as independent under the NYSE corporate governance listing standards. In addition, the Board has adopted [guidelines](#) to assist in determining each director's independence which meet or exceed the NYSE independence requirements. For more information, see "Director Independence" in Air Products' [Proxy Statement](#).

4.4 Contacting the Board of Directors

Available through the Corporate Secretary's Office, the Board has a written procedure for collecting, organizing, and forwarding direct communications from shareholders and other interested parties to the independent directors.

4.5 Compensation and performance alignment

The substantial majority of our Named Executive Officers' direct compensation in 2011 was variable based on company and stock performance. Executive incentive compensation (annual and long-

term incentive awards) is structured to reward performance that will increase the value of our shareholders' long-term investment through disciplined capital investment, sustainable growth and superior returns. The compensation program balances financial results with other company values such as sustainability, continuous improvement, safety, diversity, and ethical conduct. Accordingly, some components of the program provide flexibility to recognize nonfinancial achievements or to reduce or recoup compensation where insufficient attention is paid to nonfinancial company objectives.

Detailed information about director and Executive Officer compensation is available in our most recent Proxy Statement.

4.6 Avoiding conflicts of interest

The Board has a formal process for reviewing related party transactions, which is articulated in the [Proxy Statement](#) (beginning on page 29). In addition, the Board has adopted its own [Code of Conduct](#), which specifically focuses on areas of potential ethical risk and conflicts of interest especially relevant to directors.

The company also has a [Code of Conduct for officers and employees](#) accompanied by certification and mandatory training requirements. We enforce a strict non-retaliation policy and make a variety of options available, where permitted by local regulations, to anonymously report suspected violations, including our toll-free [IntegrityLine](#) and online reporting in local language. The reporting lines and Web pages also address European [Data Privacy](#) concerns.

4.7 Determining qualifications and expertise of Directors

The [Proxy Statement](#) (see page 33) details the process for determining qualifications and expertise of Board Directors. The Corporate Governance and Nominating Committee has primary responsibility for identifying, recommending, and recruiting nominees for election and recommending candidates for election as Presiding Director. In addition, the Board's [Corporate Governance Guidelines](#) set forth governance practices the Board follows, including with respect to director qualifications and expertise.

4.8 Vision and values, codes of conduct and principles

Air Products' core purpose is to make the world more productive, energy efficient and sustainable.

Joining accountability, customer focus, innovation, integrity, and respect, sustainability is one of six core values at Air Products and is directly tied to our business strategy and our growth serving energy, environment and emerging markets.

We manage our sustainability risks and opportunities across four quadrants: Business Value, Environmental Stewardship, Social Responsibility and Governance. See 1.2 for details.

The Board of Directors has adopted a [Director Code of Conduct](#) that is intended to affirm its commitment to the highest ethical standards, integrity, and accountability among directors and focuses on areas of potential ethical risk and conflicts of interest especially relevant to directors. The Company also has a Code of Conduct for officers and employees.

All employees are required to abide by and certify their understanding via training of [Commit to Integrity: Code of Conduct for Air Products and Its Companies](#). An update to this Code reflects the most common business ethics challenges and risks that our employees may face. We maintain multiple venues for employees and other stakeholders to submit any concerns related to any aspect of our Code of Conduct.

Air Products Values

Accountability

It's each of us being responsible for our actions and delivering results for the enterprise.

Customer Focus

It's creating value for our customers.

Innovation

It's cultivating ideas to deliver improvement and growth.

Integrity

It's behaving ethically and being true to our words.

Respect

It's treating all people with dignity and valuing the collective power of team work.

Sustainability

It's safely and responsibly caring for each other, our communities, and the global environment.



Our commitment to integrity by the numbers

During 2011, 265 allegations of Code of Conduct violations were reported globally; 62 of them were reported through Air Products' global, third party-managed IntegrityLine/IntegrityOnline tools. This increase in allegations over the prior year reflects programs to increase employees' awareness of their rights and obligations around reporting violations of our Code of Conduct.

When reports are received, internally or through the vendor services, they are routed for appropriate follow-up by subject matter experts. We do not tolerate retaliation or retribution of any kind.

Ninety-five percent of the total global workforce has completed mandatory Code of Conduct training, which has been updated with additional areas for 2012. Code certifications for 100% of all employees are part of the new training.

In addition, we have continued to expand our comprehensive Commit to Integrity ethics curriculum, through which employees are required to take specific, detailed training based on their roles and responsibilities. Of required employees, 98 percent completed Foreign Corrupt Practices Act (FCPA) training, 90 percent completed Global Competition Law training, and 86 percent completed the most recently added course, Global Export Controls. In addition, more than 9,200 employees have taken Information Security training.

We are introducing several new learning opportunities, including Combating Bribery and Insider Trading topics. Likewise, new and updated policies, standards and guidelines for Governance have been revised or published, including those related to Information Risk Management, Allowable Goodwill/Promotional Gifts & Gifts in Kind, Improper Payments, Anti-trust and others. We continue to enhance our compliance and risk management supporting tools and technology as well.

4.9 Procedures for overseeing sustainability performance

Sustainability-related topics are frequently discussed at meetings of the Board, with a review of the complete sustainability program by the ESPP Committee taking place annually.

4.10 Processes for evaluating the Board of Directors' own performance

Led by the Corporate Governance and Nominating Committee, the full Board assesses its performance annually, affording an opportunity to identify process improvements and increase directors' engagement. In addition, a Board member's attendance, diligence and contributions are considered each time s/he is recommended for reelection by the shareholders.

The Governance Committee also establishes and oversees processes by which Board committees evaluate their performance vis-à-vis their [charter](#) responsibilities.

4.11 Precautionary Principle

Risk management is an integral part of our operations—from design and construction, through start-up and production, to distribution and delivery of our products. We support the intent of the Precautionary Principle with respect to risk management and use a formal program to identify potential impacts and develop action plans to mitigate those impacts.

Across our operational planning, corporate risk management, and new product and process development activities, for example, subject matter experts conduct risk reviews to identify and address potential business, safety, health and environmental impacts. R&D projects must pass through risk assessment gates before the projects may continue. Via our Sustainable Technologies Center (STC), we have expanded our capability to conduct life cycle assessments to quantify the environmental "footprint" of select products and technologies for comparison to new and competitive offerings.

Our risk assessment programs were successfully audited and validated in the U.S. by a third party under the American Chemistry Council's Responsible Care Management System® certification program. We have continued to implement these codes in our product development and operations. During 2011, our work continued on the International Council of Chemical Association's (ICCA) Global Product Strategy, which is aligned with the United Nations Strategic Approach to International Chemicals Management as well as ACC's Responsible Care. We provide extensive information on the safe use and handling of our products through targeted customer training and broad access to Safety Data Sheets (SDSs), product stewardship summaries and other materials on our Web site.



4.12 External standards

- Air Products has incorporated the Responsible Care requirements of the American Chemistry Council (ACC) into the company's global Environmental, Health and Safety (EH&S) Management System. This has enabled us to meet ACC's mandatory third-party certification requirements and certify 17 facilities in the U.S. and nine in Taiwan.
- With RCMS requirements built into our EH&S Management System, we believe our system is consistent with the requirements of ISO 14001. However, based on customers' needs, we also have obtained ISO 14001 certification at nine facilities.
- Because improving product quality, service, and overall value to customers is at the heart of our strategy, we have adopted ISO 9000 as our model for quality assurance and obtained multiple ISO 9001 certifications.



4.13 Associations and memberships

Air Products is active in a number of sustainability-related industry and advocacy associations.

Examples of Air Products' sustainability and industry association/advocacy memberships

- AIChE® Center for Sustainable Technology Practices
- Alternative Fuels Renewable Energies Council
- American Chemistry Council's Responsible Care initiative
- Association of International Chemical Manufacturers (China)
- C2ES (Center for Climate and Energy Solutions) (formerly the Pew Center on Global Climate Change)
- Carbon Capture and Storage Association (U.K.)
- Carbon Disclosure Project
- Chemical Industries Association (U.K.)
- The Chlorine Institute, Inc. (U.S.)
- Compressed Gas Association
- Conference Board
- Corporate EcoForum
- Environmental Protection Agency (EPA) Climate Leadership Program (U.S.)
- EPA and Department of Energy ENERGY STAR program
- European Industrial Gases Association
- Initiative for Global Environmental Leadership
- Integrated CO2 Network (Canada)
- Lehigh Valley Bird Town Coalition
- Lehigh Valley Economic Development Corporation Sustainability Committee
- Lehigh Valley Sustainability Network
- MATGAS 2000 A.I.E.
- MAPI Sustainability Council
- National Hydrogen Association
- National Petrochemical and Refiners Association
- Red Española de Análisis de Ciclo de Vida
- SEMI®
- Sustainability 50

4.14–4.17 Key stakeholders and engagement

Each of these stakeholders plays a key role in driving our performance and continuous improvement. We maintain an open dialogue with these constituents, whose input informs, and whom we impact by, our decisions and actions. We evaluate potential interest and engagement levels, priority issues and potential relationships using our materiality matrix, which enables us to prioritize our sustainability efforts.



Customers

Our Global Business Support Services (GBSS) organization includes centralized Customer Service Centers in our major operating locations: Cornell, Spain; Allentown, Pennsylvania (USA); Kuala Lumpur, Malaysia; and Shanghai, China. Our Customer Service Teams work directly with our customers, our supply chain and our commercial teams to ensure a superior customer experience.

We manage customer relationships primarily at the divisional level, and each division measures customer satisfaction independently. Measurement tools range from quarterly customer scorecards, to Voice of the Customer programs, to surveys, to percent of rolled contracts and the volume of new contracts as a percentage of all new awards:

Electronics: uses customer report cards, measures customer complaints with a goal of reducing complaints by 10% year on year while having all complaints resolved in 30 days or less.

Year	Electronics Customer Complaints	Days to resolution
2009	575	31 days
2010	505	30 days
2011	488	28 days

Performance Materials: tracks and reports customer complaints as a percent of sales orders by region (Africa, Asia, Europe, Latin America, North America) and by business unit monthly. In 2010 the target for this metric was <6%, which the division met. The target was reduced to <4% in 2011 and the division continues to meet this goal.

Merchant Gases:

- Packaged Gases business: quarterly survey of a random sample of 400 customers in Europe and 200 customers in Asia; ongoing trial with a random sample of customers based on customers with which we've had a "contact" during the previous week
- Liquid Bulk business: random sample of customers every week based on customers with which we've had a "contact" during the previous week
- Tracking of customer complaints in SAP
- Other techniques such as focus groups, conjoint analysis and other advanced techniques to provide in-depth Voice of the Customer to our product development initiatives

Results are analyzed and shared at various levels of the business as well as fed into transformation activities and Six Sigma based initiatives designed at improving our operations and for StageGate development of new offerings.

Tonnage Gases: because this business builds a large gas plant with a long-term contract to supply the customer's gas needs for the life of the asset, satisfaction is measured by the percent of rolled contracts and the volume of new contracts as a percentage of all new awards. The new awards are often with existing customers in new regions. One hundred percent of contracts that were due in 2011 were rolled, and the percent volume awarded to Air Products exceeded goal. The more immediate measure of customer satisfaction is Bonus Attainment. Our contracts include bonuses and penalties for the attributes that are important to the customer, including on-stream, efficiency, and other measures that might impact our customer's operability and profitability.

Companywide: we have a Global Customer Feedback Process (underpinned by a global complaint process) that was implemented along with our deployment of a single instance of SAP ERP.

Customers continue to request information about our sustainability management and programs. We saw a 62% increase in sustainability-related customer inquiries from 2010. The appropriate specialists, such as members of our GHG Strategy Team, engage with our businesses to respond to these inquiries. Corporate Sustainability also tracks the customer questions for trends that can be used to strengthen our sustainability efforts.

Shareholders and potential investors

Our shareholder/investor engagement is led by our Investor Relations group. The team and our senior executives meet with shareholders and potential shareholders in a variety of locations throughout the world. We participate in sell-side conferences with presentations and small group or one-on-one meetings, and hold quarterly conference calls and follow-up calls to discuss performance and strategy.

During the year, Air Products leadership hosted an investor conference to discuss the company's strategy and the most significant growth opportunities serving energy, environment and emerging markets, as well as set new financial targets for the corporation.

We continued to respond to requests for information from socially responsible investment firms, completing more than one dozen requests and remaining in good standing on key indices.



Current and potential employees and retirees

Our goal is to provide a work environment of inclusion and respect where employees can openly contribute their ideas and suggestions, ask questions, and voice their concerns. Communication and engagement channels include:

- Our Global Diversity & Inclusion Council (GDIC), which leads Air Products' D&I strategy as implemented by three Local Diversity & Inclusion Councils (LDICs) for the Americas, Asia and Europe; 18 Diversity & Inclusion Leadership Teams, spanning our global businesses and functions; and eight Employee Resource Groups.
- Surveys, including Employee Value Proposition surveys and focus groups to better understand our people's perceptions of and experiences working at Air Products.
- At least quarterly Leadership Communications sessions between managers and their teams to build understanding and mobilize around strategic initiatives.

- More than 15 "Ask Management" Web sites, providing an anonymous, online forum for any employee to pose questions to the CEO and other senior executives.
- Approximately 40 executive town meetings and webcasts annually, including the ability to submit questions in advance and during presentations, including via our anonymous Webcast tool.
- Global Employee Mentoring Program: enables employees to simultaneously use multiple types of learning connections to create mentoring networks. The variety of engagement styles allow advisors (mentors) and learners (mentees) to connect with each other to discover new knowledge and understanding.
- CorpNEWS, our online employee newsletter published three times per week, providing business stories and general interest information; enables employees to submit content, rate stories and provide feedback.
- Our corporate intranet, including a dedicated portal on Sustainability to share knowledge and collaborate.



Employee Resource Groups

Colleagues who share an innate characteristic such as race, gender, background, or life experience and come together to support each other, the company and their community:

- 4AP (All Asian Americans at Air Products)
- ABCD (AnyBody Concerned about Disabilities)
- EDEN (Ethnically Diverse Employee Network)
- EDGE (Ethnically Diverse Gulf Employees)
- GLEE (Gay and Lesbian Empowered Employees)
- HOLA (Hispanic Organization of Latinos and Amigos)
- Parents Association
- Women In Business

Recruiting

- Our Career Center enables prospective employees to search open positions that match their interests, submit resumes and manage their profiles.
- We recruit students into our Career Development Program (CDP) from a variety of strong academic institutions around the world. The CDP develops participants' skills and interests through a rotation of three different assignments (lasting 10 to 12 months each) during the first two to three years of employment. Founded in 1959, Air Products' CDP has seen more than 2,500 graduates and is believed to be among the longest running programs of its kind. To further expand the program, we began a recruitment campaign at 12 leading universities in eight major cities across China to recruit top talent for our Career Development Program (CDP). Themed "Find Your Dream Career with Air Products" and focused on graduates from Bachelors, Masters, PhD and MBA programs mainly in the fields of engineering, technology, IT, finance and business, recruits will complete three different assignments to develop their skills and interests.
- Our China University Relations Action Team was formed by the Growth Center late in 2011 to develop strong relationships with institutions of higher-education where we can connect with China's thought leaders; recruit future scientific, engineering and business staff; and build potential customer relationships.
- Sustainability and community outreach are integral components of our new-hire orientation program.

Retirees

Air Products has more than 1,500 retirees across the U.S. The Air Products Retirees association (AirPRO) is open to retirees and former employees with more than 20 years of service. Engagement programs include quarterly general meetings, social activities, recreational and travel opportunities, and a Web site and newsletter. Also affiliated with AirPRO is Air Products (Retiree) Volunteers (APV), an organization that actively matches our retiree volunteers with needs in their local communities.

Communities where we live and operate

We actively engage the communities where we operate and our employees live and work in a number of ways, including:

- Building relationships with and providing educational training about our facilities and products to local authorities and emergency response personnel.
- Providing outreach training for key operations managers at major facilities to engage their host communities.
- Meeting with legislators and officials on permitting, regulatory and other issues.
- Participating in community activities and responding to local grant and sponsorship requests.
- Organizing and participating in Community Advisory Panels and similar community groups around our plants.
- Contributing nearly \$5.8 million in cash (\$5.4 million), volunteer hours (\$167,000) and in-kind donations (\$200,000) to community organizations, schools and municipalities in approximately 15 countries in 2011. Our support priorities are in education, health and human services, community and economic development, arts and culture, and environment and safety. Educational agencies received 45% of the Foundation funding while environment and safety organizations benefited from 8% of the Foundation funding. The balance of funding went to purposes related to health and human service, diversity, community and economic development, and culture.
- Meeting with legislators and officials on permitting, regulatory and other issues.
- Having a corporate policy that allows employees to volunteer during work hours with the support of their managers. Thousands of Air Products employees volunteer hundreds of thousands of hours annually, both as individuals and as groups through dedicated "Days of Caring" events. Volunteering is a personal choice, so we do not have a formal process to capture all of our employees' volunteer efforts on a global basis.
- Supporting the United Way Campaign for the Common Good as one of 125 Global Corporate Leaders.

Philanthropy

Our companywide citizenship and philanthropy strategy is based on three primary tenants: 1) The recipient organization must be meeting a true and unduplicated need in the community; 2) We seek to understand the business case for every philanthropic activity so that our business goals are aligned; and 3) We value employee engagement in our local communities and align our philanthropic contributions to agencies, programs and places where Air Products employees are involved and engaged as volunteers and champions.

We have become particularly engaged with a number of organizations that will seek to assist our industry as we begin to see a shortage of solid working skills in the coming years. Most successful thus far has been the global partnerships we have with [SkillsUSA](#) and [WorldSkills](#), as well as the U.S. Council on Competitiveness and the U.S. Chamber of Commerce Business Civic Leadership Center.

Suppliers

We purchase more than \$6 billion in materials, equipment, power and services annually from over 30,000 suppliers and service providers worldwide. We want to work with vendors who share in our commitment to ethical business practices and who can help us deliver value to our customers. Suppliers are expected to comply with our Code of Conduct in business dealings with us, and our [Expectations of Suppliers](#) model our four areas of sustainability management and outline clear requirements.

Detailed information about our procurement and supplier engagement, feedback and rating mechanisms is available on our [Web site](#).

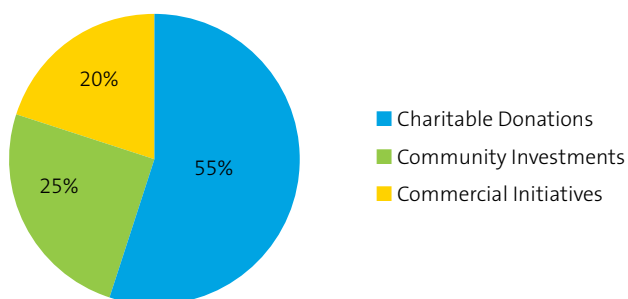
Governments and regulators

We strive for open dialogue and strong relationships with the local, regional and global government entities where we operate, and in many cases, we are called upon to provide expertise and input. Many of our employees are involved in reviewing existing and proposed legislation that is relevant to our company and are working to ensure that it takes the needs of Air Products and our customers and other stakeholders into account.

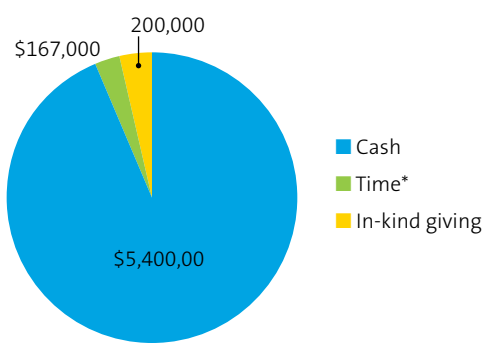
Financial and sustainability analysts, NGOs, media and industry and sustainability organizations

Other stakeholders are engaged through various channels, including meetings, conferences, [our Sustainability Web site](#) and public reporting, our response to Socially Responsible Investing inquiries, reporting activities, and other means.

Philanthropic Activities



Contributions (USD)



*The time estimate above is based on the conservative assumption that ~22% of our employee based at our corporate headquarters volunteer an average of four hours per month at an hourly rate of \$50, equating to \$167,000. We believe this estimate would double if volunteer hours at our more than 75 U.S. locations were to be calculated and included.



Air Products operates and serves customers in more than 50 countries, providing gases, materials and technology solutions that drive energy efficiency, increase throughput, enhance end product quality, and improve the environmental performance. We have grown our businesses at levels greater than most underlying industrial production measures, and global macro trends—driven by societal demands, legislative changes and demographic shifts—are providing even more opportunities to apply our solutions to energy, environmental and emerging market needs.

We aim to:

- Maintain our strong operating and financial position and enable our investors to share directly in the performance of the company
- Deliver unique solutions to processing and environmental challenges
- Improve customers' sustainability performance through internal applications expertise and external collaboration and partnerships
- Provide competitive employee compensation and benefits and other indirect contributions through taxes and investments in plants and projects
- Contribute to the quality of our communities through donations of time, resources and funds

In fiscal 2011, we had strong increases in sales and earnings in the first half of the year with a slowing in the second half due to product supply and cost issues and declining global economic growth.

EC1 Economic Value Generated and Distributed

Restated fiscal 2011 revenues totaled \$9,674. Additional information is available in our 2012 [Form 10-K](#).

In 2011, Air Products donated \$5.4 million to non-profit agencies in need in communities we serve. Employees designated \$1.1 million of the Foundation giving to agencies of their choice.

Educational agencies received 45% of the Foundation funding, while environment and safety organizations benefitted from 8% of the Foundation funding. The balance of funding went to purposes related to health and human service, diversity, community and economic development, and culture.

EC2 Financial Implications Due to Climate Change

See our [Form 10-K](#) and most recent [Carbon Disclosure Project submission](#) for comprehensive disclosures on the risks and opportunities related to climate change.

EC3 Coverage of Defined Benefit Plan Obligations

We sponsor defined benefit pension plans and defined contribution plans that cover a substantial portion of our global employees, with the largest plans being in the U.S. and the U.K. The U.S. Salaried Pension Plan and the U.K. Pension Plans are closed to new entrants. The largest plans are funded through a pension trusts separate from the company's assets; some of the other plans are insured through insurance contracts. We also maintain a nonqualified pension plan in the U.S. where benefits are paid from the company's general assets. Pension liabilities related to the defined benefit plans are determined using actuarial models.

In 2011, we used a measurement date of 30 September for all defined benefit plans. For 2011, the fair market value of pension plan assets for our defined benefit plans as of the measurement date increased to \$2,823.7 million from \$2,711.6 million in 2010. The projected benefit obligation for these plans as of the measurement date was \$3,765.8 and \$3,753.6 in 2011 and 2010, respectively. Note 15, Retirement Benefits, in the consolidated financial statements provides detailed disclosures for postretirement benefits.

Pension Funding

Pension funding includes both contributions to funded plans and benefit payments under unfunded plans. With respect to funded plans, our funding policy is that contributions, combined with appreciation and earnings, will be sufficient to pay benefits without creating unnecessary surpluses.

In addition, we make contributions to satisfy all legal funding requirements while managing our ability to benefit from tax deductions attributable to plan contributions. We analyze the liabilities and demographics of each plan, which help guide the level of contributions. During 2011 and 2010, our cash contributions to funded plans and benefit payments for unfunded plans were \$241.0 and \$406.6, respectively. The majority of the cash contributions were voluntary.

EC4 Significant financial assistance from government

We disclose this information in accordance with U.S. generally accepted accounting principles. See our [Form 10-K](#), which includes significant detail about our income tax liability.

EC5 Range of wage ratios

Air Products does not use minimum wage rules to define its compensation strategy, but does comply with applicable wage requirements.

To attract, retain and develop our world-class workforce, Air Products maintains competitive pay practices and programs. We benchmark pay practices in the markets where we compete for talent to ensure we offer a competitive compensation package. Total pay (cash compensation) includes two main components:

- Base pay (salary): paid on a monthly, weekly, or biweekly basis; primarily determined by job responsibility level, market competitiveness, individual competencies and performance
- Variable pay (incentive pay for the majority of employees): cash award based on end-of-year company results and individual performance

Our human resources processes are designed to provide external competitiveness with a pay for performance approach that is aligned with our vision, values and business strategies. Air Products has established competitive pay levels that are based on job descriptions and independent of gender, age or ethnicity, so there is consistency in the pay range for employees performing the same job function. Specific pay information is confidential.

Employee compensation

We use compensation programs to ensure employee and manager alignment around our strategic objectives, including sustainability objectives.

Our compensation programs include base pay and variable pay to more directly reward and recognize eligible employees for achieving business and individual results.

Global Variable Pay sets operating margin and earnings per share growth as the primary Company Performance measures. In addition, the CEO has the discretion to take nonfinancial factors, such as diversity, environment, safety and continuous improvement, into account and adjust final payout factors by up to +/- 20 points based on employees' performance in these sustainability-related areas.

EC6 Spending on locally based suppliers

Our Supplier Diversity Program in the U.S. is tied to our commercial activities that support U.S. Federal Government purchase requirements.

Annually, we develop a Commercial Subcontracting Plan with specific performance targets and other actions—including attendance at trade fairs and involvement in local business groups and councils—which our procurement organization undertakes to encourage small and small disadvantaged businesses.

More information about our procurement policies and practices is available on our [Web site](#). Also see Supplier Sustainability section under 1.2.

EC7 Procedures for local hiring

Our talent management process is aligned with our business strategy to ensure that the right people are in the right place at the right time to achieve our corporate vision and goals. When hiring is required, we typically recruit and hire from the local labor markets. Selections are based on evaluations of individuals' skills, knowledge and experience as they relate to the needs of each vacancy. Once hired, we provide talent development support and opportunities including employee skill development, career development, learning, mentoring, cross-organization movement, and leadership development. These development approaches support our commitment to develop local leadership and align individuals' performance and development with business strategy.

EC8 Commercial, in-kind, or pro bono engagement

Our commitment to corporate citizenship is about working to improve the quality of life in our operating communities in partnership with local organizations. Our support priorities are in education, health and human services, community and economic development, arts and culture, and environment and safety.

2011 highlights:

- Contributing nearly \$5.4 million in cash and product donations to community organizations, schools and municipalities in approximately 15 countries in 2011.
- Having a corporate policy that allows employees to volunteer during work hours with the support of their managers. Thousands of Air Products employees volunteer hundreds of thousands of hours annually, both as individuals and as groups through dedicated "Days of Caring" events. Volunteering is a personal choice, so we do not have a formal process to capture all of our employees' volunteer efforts on a global basis.
- Supporting the United Way Campaign for the Common Good as one of 125 Global Corporate Leaders.

See 4.16-7, SO1 and our [Corporate Citizenship Web site](#) for more information.

EC9 Indirect economic impacts

While we have indirect economic impacts on local markets through wages, taxes, hiring, procurement, community involvement and financial contributions and the like, we do not attempt to aggregate indirect economic impacts for our more than 600 production locations throughout the world.



Our global EH&S policy

Every employee is required to understand and adhere to our [global EH&S policy](#) as both a responsibility and a condition of employment. The highest level of accountability for environmental, health, safety and sustainability rests with the Environmental, Safety and Public Policy Committee of our Board of Directors.

EH&S management system

Applying to 100% of our locations worldwide, our [EH&S Management System](#) includes controls driven by our own corporate policies and government regulations and supports the principles promoted by Responsible Care, Ceres and international standards such as ISO 14001 and OHSAS 18001.

Environmental product and process innovations

As a solutions provider, we are continually developing new offerings that help customers use less energy and reduce their impact on the environment. During 2011, we launched 84 new products and applications with direct environmental and/or energy benefits, nearly doubling the number of offerings introduced the prior year.

Compliance and audit

Our Compliance Management (CM) system includes processes and programs to identify internal and regulatory EH&S requirements, develop and implement compliance programs, and audit facility performance to identify and correct gaps. It provides a global platform to manage EH&S permitting and task compliance.

Our audit process is conducted by a full-time staff of auditors, each with more than 20 years of EH&S functional and operational experience in chemical and industrial gas production plants. Auditing more than 30 plants annually, this group is independent from the facility being audited and reports directly to the Vice President, EHS&Q and Chief Corporate Engineer.

Environmental sustainability goals

With our commitment to design and operate our facilities in a manner that reduces our impact on the environment, we set a series of environmental sustainability targets to assure our continued focus and progress in reducing greenhouse gas emissions, energy use, water consumption, waste, other emissions and transportation impacts. As our sustainability program has evolved, we have established baseline years for key metrics and given the nature of our business, set intensity goals in a number of areas. In 2011, we met four of our six goals ahead of schedule:

Environmental Target Area	Air Products' Goal
Greenhouse Gases	Reduce by 7% indexed against production by 2015 from 2007 baseline Goal met in 2011
Energy	Reduce consumption on an intensity basis by 7% by 2015 for air separation units (ASUs) and hydrogen/carbon monoxide/synthesis gas (HyCO) plants from 2007 baseline Tracking against goal
Water	Reduce consumption 10% globally by 2015 from 2009 baseline Goal met in 2011
Hazardous Waste	Reduce U.S. / Europe shipments 20% by end of 2011 from 2005 baseline Goal met in 2011
Toxic Release Inventory (U.S.)	Maintain on- and off-site releases to air, water and land at current low levels Tracking against goal
Distribution/ Fleet (U.S.)	Reduce NOx/particulate matter by 10% and CO ₂ by 2% by 2015 from 2009 baseline (EPA SmartWaySM) Goals met in 2011

Environmental, Health and Safety (EH&S) training

Our employees around the world are enrolled in our online Training Management and Delivery Tool, LSO. LSO enables us to manage EH&S training by assigning courses that are custom-tailored to the employee's job assignment. We have more than 550 EH&S course offerings, more than 350 of which are available as web-based training. During 2011, we expanded our global course offerings to over 100 courses in non-English, with 85 of those in our 13 core languages. Compliance is monitored within the system.

The most senior position with responsibility for environmental aspects is the Vice President, EHS&Q and Chief Corporate Engineer, who is also a member of the Corporate Sustainability Council.

EN1 Materials use

The primary raw material in manufacturing industrial gases such as oxygen, nitrogen and argon is air. Natural gas is used to produce energy at a number of our Merchant Gases facilities and is a principal raw material for hydrogen production in our Tonnage Gases business. Electric power is the largest cost component in the production of atmospheric gases. Air Products purchased 18,900,000MWh of electricity during 2011.

Toluene, ammonia, and hydrogen are the principal raw materials for the Polyurethane Intermediates business. In our Electronics and Performance Materials businesses, we use a variety of raw materials, including alcohols, ethylene amines, cyclohexylamine, acrylonitriles, and glycols. For our Equipment and Energy segment, steel, aluminum and capital equipment subcomponents are the primary materials. Coal, petroleum coke and natural gas are the largest cost components in the production of energy.

EN2 Recycled input materials

The vast majority of our products are based on air, which is considered by many to be a renewable resource. For our operations that use material resources, the amount of recycled input is very small.

EN3 and EN4 Direct and indirect energy use by Source

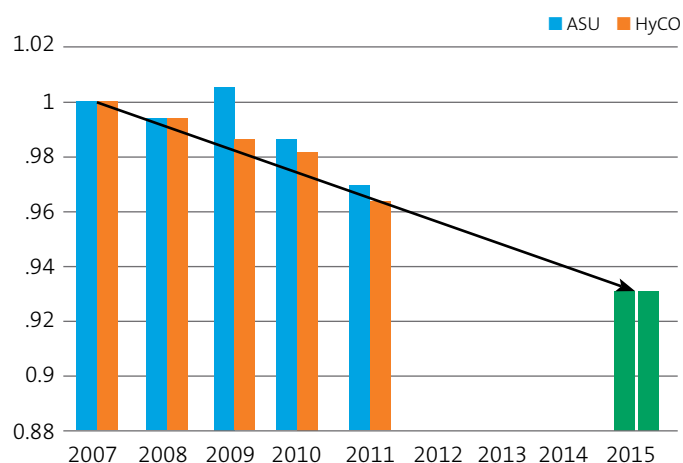
Our direct and indirect energy consumption for the year was as follows:

Fuel	2011 MWh	2010 MWh	2009 MWh	2011 GJ	2010 GJ	2009 GJ
Natural Gas (and Refinery Off-gas)	77,100,000	76,400,000	68,900,000	275,400,000	275,040,000	248,040,000
Electricity	18,900,000	17,300,000	16,000,000	67,600,000	62,280,000	57,600,000
Coal	830,000	800,000	60,000	2,950,000	2,880,000	216,000
Petcoke	240,000	270,000	3,000	867,000	972,000	10,800
Diesel Fuel	350,000	410,000	460,000	1,230,000	1,476,000	1,656,000
Gasoline	75,000	13,000	2,400	269,000	46,800	8,640
Tire Derived Fuel	49,000	79,000	300	177,000	284,400	1080
Jet Fuel	17,200	5,700	13,000	61,700	20,520	46,800
Biomass	220,000	160,000	5,600	787,000	576,000	20,160
Steam	380,000	102,000	0	1,350,000	360,000	0

Energy efficiency goal

Against a calendar 2007 baseline, our 2015 intensity-based energy efficiency goals represent approximately 80 percent of our total global energy requirements. They include a seven percent reduction in energy consumption at our large air separation units (ASUs) per quantity of gas produced, and a seven percent reduction in fuel and feedstock consumption per quantity of hydrogen produced at our hydrogen, carbon monoxide and synthesis gas (HyCO) plants.

In 2011, we reduced our energy intensity for our ASUs and HyCO facilities by increasing plant loadings; starting-up new, more efficient facilities; implementing continuous improvement and productivity projects globally; and optimizing plant performance through our Operating Service Centers.



EN5 and 7 Energy conservation and efficiency improvements (direct and indirect)

Consistent with our seven percent intensity-based energy reduction goals, we continue to invest in efficiency improvements in existing facilities and new, high-efficiency production facilities. Over the course of our goal period (2007-2015), we expect to achieve an energy reduction of 12 million MM Btu of natural gas and 875 million kWh/year of electricity (at 2007 operating rates).

In 2011 we completed dozens of projects aimed at improving energy efficiency and reducing emissions as summarized below:



Activity type	Description of activity	Estimated annual CO ₂ -e savings in tonnes	Annual monetary savings
Energy efficiency of building services	HVAC, lighting and ventilation upgrades	1,800	\$200,000
Energy efficiency of manufacturing processes	Redesign/replacement/upgrade of equipment, changes to manufacturing processes, and facility improvements based on energy audit findings	15,000	\$2,000,000
Low carbon energy installation	Installation of a 2 MW solar farm at company headquarters and the use of biomass at our Stockton, CA cogeneration facility.	84,000	\$260,000
Process emissions reductions	Redesign/replacement upgrade of equipment and changes to manufacturing processes.	210,000	\$1,600,000
Transportation fleet improvements	Improvements to logistics management, tractor upgrades, and conversion to lower emissions vehicles.	1,000	\$2,100,000
Total benefit		311,800	\$6,160,000

Headquarters (Trexlerstown, Pennsylvania) Activity	Description of activity
Natural gas consumption	3% reduction per degree day
Electricity consumption	1.5% reduction per degree day
Energy-efficient lighting	2.9 MM kilowatt hours annually
Low NOx emission boilers	2,500 lbs of NOx per boiler per year
Burning natural gas instead of oil	18,000 pounds of NOx annually
Recycling various materials	231 tons of scrap metal 11 tons of scrap wood 161 tons of office paper 91 tons of cardboard 30 tons of wood pallets 6.4 tons of fluorescent lamps
Total recycling rate	63%, up substantially from prior year
Composting of food waste	4 tons
Power saving techniques at IT datacenters	1.1 MM kilowatt hours annually

EN6 Initiatives related to renewable energy

Air Products is focused on delivering productivity, energy efficiency, and making our customers more sustainable. We use our core technology and product strengths to bring cost effective solutions to our customers that help reduce their energy consumption and environmental impact. For example, application of our oxyfuel combustion technologies in the manufacture of cement, glass, aluminum and steel enables customers to improve fuel efficiencies up to 65% while reducing emissions of NOx and particulate matter. We are using another oxygen-enriched technology for an advanced gasification facility in Tees Valley, UK that will convert waste to power for up to 50,000 homes. We also supply products that support renewable energy, such as high purity process gases and cleaning agents and services that support the production of solar cells and high efficiency lighting, and curing agents for epoxy resins used in high strength-to-weight composites for wind turbines.

Likewise, hydrogen has many energy benefits, from removing sulfur from sour crude oil that enables refiners to meet fuel emissions standards, to increasing the amount of fuel that can be produced from a barrel of crude, to hydrogen's use as an emission-free transportation fuel. It can also be used to produce biodiesel from renewable feedstocks. Due to these benefits and our focus on the environment, Air Products continues to look for methods to produce hydrogen from renewable and low carbon sources, such as biomass and municipal wastewater.



Renewable hydrogen

In 2011 we collaborated with the Orange County Sanitation District in California and other partners to build a hydrogen fueling station that generates hydrogen from the municipal wastewater treatment plant. The project also creates electricity and heat from this renewable source. This technology application was the first of its kind in the world and opens significant opportunities for other biogas feedstock streams.



Here comes the sun

In July 2011 Air Products commissioned a 2MW solar farm at its headquarters in Allentown, Pennsylvania. The 15-acre solar farm contains 11,239 thin-film photovoltaic panels and is the second largest of its kind in the U.S. The renewable power it generates is used on the headquarters campus and frees up power on the local electricity grid – enough to power 175 homes every year. From an environmental perspective, the solar farm avoids the emissions of carbon dioxide by over 2,000 tons per year, or the emissions equivalent of 400 cars.

EN8 Total water withdrawal

For 2011, our global water withdrawal was 43 billion gallons.

Over the same period, water consumption—including water pumped, piped or otherwise brought on-site for use in manufacturing and related activities but not including the netting-out of water discharge, returning to its source—was 14.9 billion gallons*. Water consumption decreased in 2011 for several reasons, including improved energy efficiency, (since much of our water consumption is for cooling), process changes made as a result of plant water assessments, and better reporting.

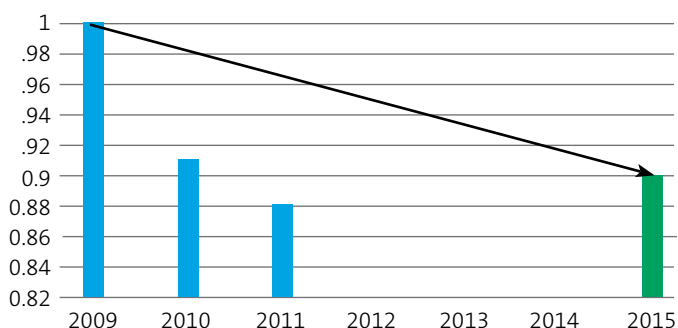
*This is slightly lower than reported in our 2012 Carbon Disclosure Project Water submission due to continued improvements in data quality.

Water Withdrawal by Source (CY 2011)	Millions of Gallons	1,000m3
Surface	24,800	93,900
Groundwater	1,800	6,800
Municipal Supply	16,600	62,800

Gross Water Consumption (billions of gallons)	CY2011	CY2010	CY2009
U.S. only	10.1	10.2	10.4
Balance of the Americas (Canada, South America)	1.1	1.9	2.0
Europe	2.0	2.4	1.8
Asia	1.7	1.6	1.4
Global	14.9	16.1	15.6

Due to the progress made in 2011, we have achieved our 2015 goal to reduce water consumption 10% on an intensity basis in the controllable portion of our usage off our 2009 baseline. This effort was led by our Water Team, which continues to focus on eliminating waste, increasing recycling and reuse, and offset watering withdrawals with supply from reclaimed sources.

Water Goal Met



Conserving water

In 2011, Air Products, in conjunction with GE Water, began conducting water assessments at operating facilities around the world to evaluate water usage and identify ways to reduce consumption. These assessments, which involve plant, engineering, and GE Water personnel, include reviews of operating parameters, controls and equipment that identify and quantify potential projects to save water and reduce costs. Lessons learned are being shared across plants globally to help reduce water consumption at all facilities.

EN9 Water sources significantly affected

Water we use at our operating sites does not significantly affect any ecosystems, habitats or water sources. We continue to evaluate our water sources using the World Business Council on Sustainable Development's water tool and as part of our participation in the Climate Disclosure Project's annual water survey.

EN10 Recycled/reclaimed water

During calendar 2011, Air Products used 5.5 billion gallons of recycled/reclaimed water, primarily in the Americas at several HyCO facilities. Our Santa Clara, California plant continued to use recycled

water, conserving approximately 60 million gallons of drinking water. We are in the process of implementing another water recycle project in California.

EN11–15 Biodiversity

Early in the planning stages of any new capital investment, from new plants or expansions to pipelines, we assess safety, human health, socio-economic, cultural and environmental impacts with an aim toward balancing benefits with avoiding and minimizing impacts. Assessments include consideration for bio-ecology, land use and ecosystem impacts, including impacts on wildlife, vegetation and environmentally important habitats such as wetlands. These assessments can influence decisions to modify the project or develop mitigation strategies to ensure the ecological health of the region is maintained or enhanced. Likewise, our construction practices focus on preserving the local environment by reducing the likelihood of spills or negative effects from runoff. Recent examples include:

- **Gulf Coast Connection Project:** Air Products performed extensive ecological and archeological surveys along the 183-mile route for this pipeline project in the U.S. Gulf Coast to assess possible impacts. Based upon survey data and consultation with various resource agencies, including the U.S. Fish and Wildlife Service, the route was selected to avoid and minimize impacts to wetlands and threatened and endangered species such as the Louisiana Black Bear and the Red Cockaded Woodpecker.



- **Tees Valley Renewable Energy Facility:** To ensure minimal impact to water and migratory bird populations within European Special Areas of Conservation, Special Protection Areas and Ramsar sites (wetlands of international Importance) near the site of Air Products' Tees Valley Renewable Energy Facility in northeast England, special mitigation measures were employed. For example, a four-meter high screening bund was constructed to mitigate sound and visual disturbances to bird pool habitats. Air Products developed further mitigation measures in cooperation with Natural England, the Royal Society for the Protection of Birds, and the Teesmouth Bird Club. These included employing a low-noise continuous flight auguring pile installation technique that does not involve pounding, as well as a construction ornithological monitoring program to ensure bird habitats are properly monitored during construction.

Examples of Air Products' sponsorships of local ecosystems include:

- The Pool Wildlands Conservancy in Emmaus, Pennsylvania, a 72-acre wildlife sanctuary bequeathed by our founder, Leonard Parker Pool, to the Wildlands Conservancy, which today serves as the Lehigh Valley's only not-for-profit environmental organization.
- Establishment and ongoing support of a Wildlife Sanctuary at our Hometown, Pennsylvania electronic specialty gases facility that includes nearly 50 acres of field, woodlands and wetlands.
- Ongoing support for the 1,400-acre C. W. Milmore Wildlife Sanctuary adjacent to our Pace, Florida distribution terminal.
- Support for the Coalition to Restore Coastal Louisiana to protect and restore the rapidly disappearing Louisiana coastal marsh.
- Sponsorship of Surrey-based Wildlife Aid in the United Kingdom.
- Support for forestry projects in Catalonia, Spain.
- Sponsorship of Lehigh Valley Bird Town Coalition in Allentown, Pennsylvania.

Local efforts are also supported through Air Products Matching Gifts Program, which gives our employees the opportunity to help direct our philanthropic dollars. It includes a category for U.S. Environmental and Conservation organizations 501(c)(3) charities that promote environmental conservation and manage environmental education. The company, working with the Wildlands Conservancy, has also initiated new biodiversity projects at its corporate headquarters to improve both wildlife habitat and the aesthetics of the grounds.

EN16 and 17 Direct and indirect greenhouse gas emissions

Our Greenhouse Gas strategy is focused on managing the potential commercial risks of climate change and leveraging business growth opportunities. To that end, we are identifying opportunities to use our core technology and product strengths to bring cost-effective solutions to our customers to reduce their environmental impact while improving our efficiencies to reduce emissions and other potential costs. This approach is reflected in our [Greenhouse Gases Policy Statement](#).

Governance and Oversight for Climate Change

Board of Directors/ Environmental, Safety and Public Policy Committee	Formal oversight for environmental performance goals, including climate change
Sustainability Council Executive Champion and Senior Vice President, Supply Chain	Direct responsibility for climate change programs within the company
Vice President, Environmental, Health, Safety and Quality and Chief Corporate Engineer	Direct operating responsibility for climate change policy and GHG inventory programs
Corporate Executive Committee	Regular reviews of climate change risks and opportunities
Sustainability Council	Defines policies, programs and performance indicators for sustainability initiatives, including climate change
Sustainability Director	Develops and manages sustainability programs, practices and reporting
Environmental Manager- Climate Change Programs	Oversees climate change programs for the company
Greenhouse Gases Strategy Team	Focal point for the corporation on climate change and GHG matters

2015 greenhouse gas emissions goal met

In 2011 we met our 2015 goal to reduce greenhouse gas emissions by 7% indexed to production off a 2007 baseline. The goal was realized through significant reductions in emissions from our Electronic Specialty Materials facilities and plant efficiency improvements, particularly in our HyCO facilities which are ahead of schedule on improving energy efficiency. Given projected production increases in future years, we will continue to track performance with our combined Scope 1 and Scope 2 intensity metric.

Update on management activities—process integration and planning

In 2011, our Sustainability Process Integration team integrated environmental sustainability considerations into product and process development, mergers and acquisitions, and sourcing. We continue to work on integrating these key factors into engineering and large-scale projects in our Tonnage Gases and Equipment and Energy businesses.



WSP Environment & Energy (WSP) conducted a limited assurance review of Air Products' 2011 Scope 1, Scope 2 and Scope 3 greenhouse gas inventory in accordance with ISO 14064-3. WSP issued an Assurance Statement, attesting to Air Products' adherence to the Greenhouse Gas Protocol and the absence of any material inaccuracy in the representation of the inventory data.

GHG emissions methodology

We use the WRI/WBCSD Greenhouse Gas Protocol standard to define organizational boundaries, operational boundaries, emission calculation methodologies (general and specific), sector-specific calculation protocols (e.g. nitric acid production), and inventory quality aspects to ensure an accurate and representative inventory. An Inventory Management Plan, developed under the U.S. EPA Climate Leaders program, defines the work processes employed in managing our data, documents refinements to the emission estimation methodology, and guides any restatements of historical values based on objective criteria. The Inventory Management Plan and supporting work process reference documents cover our Scope 1, Scope 2 and Scope 3 reporting activities.

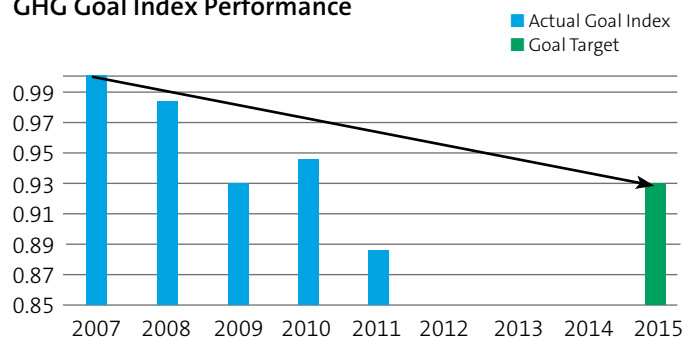
The calculations and data are subjected to several levels of quality assurance to ensure completeness and accuracy of the resulting emissions inventory. The entire inventory process is documented and subsequently summarized in the "Annual GHG Inventory Summary and Goal Tracking Form," originally developed by the U.S. EPA Climate Leaders program. The Inventory Management Plan, the Annual GHG Inventory Summary and Goal Tracking Form emissions report, and all the underlying calculations and data compilations are then reviewed by an independent, third-party assurance firm, providing a further level of quality assurance.

Understanding our GHG footprint

For calendar 2011:

- Direct emissions (Scope 1) of 14.44 million MTCO₂-e (metric tonnes CO₂ equivalent) for CY2011 were 0.5% higher than the previous year, as our emissions reductions activities, including lower electronic specialty materials production emissions and higher hydrogen and air separation unit plant efficiencies, were more than offset by increased production across our major businesses. Process efficiency improvements accounted for an emission reduction from the "business as usual" case from prior year of 335,000 tonnes CO₂-e.

GHG Goal Index Performance



	2007	2008	2009	2010	2011	2012	2013	2014	2015
Actual Index	1.0	0.983	0.930	0.944	0.885				
Index Goal	1.0								0.93

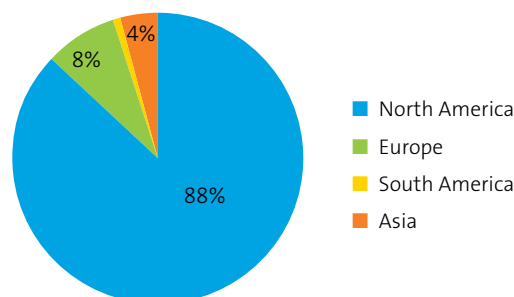
Our GHG Emissions Reduction Goal

In 2010, Air Products successfully completed work with the U.S. EPA Climate Leaders program to establish a comprehensive, carbon-intensity metric and seven percent GHG emissions reduction goal (by 2015) that covers 100% of our Scope 1 and Scope 2 emissions. Upon the discontinuation of the Climate Leaders program in 2011, our goal was transferred to the successor Climate Leadership Program, jointly sponsored by the U.S. EPA, the Climate Registry, the Center for Climate and Energy Solutions, and the Association of Climate Change Officers.

This goal is based on an index related to the two main business activities that generate Scope 1 and Scope 2 emissions: hydrogen production (HyCO) and atmospheric gases separation, respectively.

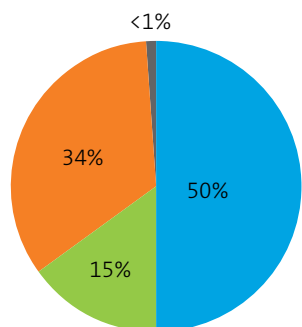
As an intensity-based metric, our index is influenced by our absolute emissions (numerator of the index) and production (denominator of the index). In 2011 we met our goal due to significant direct emission reductions from our electronic specialty gases production and HyCO energy savings relative to significant production growth.

2011 direct emissions 14.44 million MTCO₂-e



- Indirect emissions (Scope 2) of 9.88 million MTCO₂-e for CY2011 were higher than the previous year, due to increased production across our major businesses. Process efficiency improvements accounted for an emission reduction from the “business as usual” case from prior year of 45,000 tonnes CO₂-e.

2011 indirect emissions 9.88 million MTCO₂-e

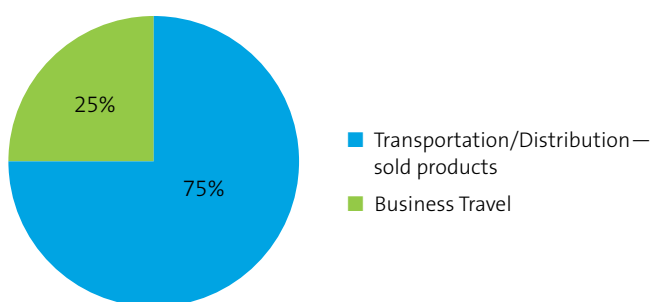


	CY2011	CY 2010	CY2009	CY2008
Scope 1 Direct Emissions (MTCO ₂ -e)	14.44 million	14.4 million	13.3 million*	13.5 million*
Scope 2 Indirect Emissions (MTCO ₂ -e)	9.82 million	9.32 million	8.21 million*	9.02 million*
Scope 3 GHG Emissions (MTCO ₂ -e)	0.13 million	0.10 million	0.10 million*	0.12 million*

*Restated in CY2010 consistent with Inventory Management Plan

Our Scope 3 emissions of 0.13 million MTCO₂-e for 2010, which represent less than 0.5% of our total emission footprint, include transportation/distribution of sold products and business travel in accordance with the U.S. EPA Climate Leaders, “Commuting, Business Travel and Product Transport” guidance methodology.

Scope 3 emissions by category



EN18 Initiatives to reduce GHG emissions

As described in EN5-7, we have implemented many projects that reduce greenhouse gas emissions directly, or indirectly, through energy efficiency improvements. Through these projects we’ve reduced GHG emissions by over 300,000 tonnes while saving over US \$6 million. At the same time many of our [product and technology solutions](#) enable more efficient production by our customers, resulting in energy savings and lower GHG emissions. Some of the more significant include:

- Oxygen for oxyfuel combustion that reduces fuel consumption and GHG emissions; for de-bottlenecking catalytic cracking units and sulfur recovery units; for facilitating CO₂ capture and sequestration; in Integrated Gasification Combined Cycle power facilities; for waste gasification; and in biomass combustion/gasification for renewable power and biofuels.
- Hydrogen for use as an emission-free transportation fuel; in the production of biofuels from renewable feedstocks; and to enable refiners to meet fuels emissions standards while increasing the amount of fuel that can be produced from oil.
- Nitrogen for unconventional natural gas production and increased demand for energy-integrated Liquefied Natural Gas (LNG).
- High purity process gases and cleaning agents and services that support the production of solar cells and the drive for renewable energy sources.
- Gases for high efficiency lighting and insulation of windows to reduce energy losses from buildings.
- Catalysts and surfactants for polyurethane foam that provides superior insulation.
- Curing agents for epoxy resins used in high strength-to-weight composites that enable weight reduction in transportation vehicles and wind turbines.

EN19 Ozone Depleting Substances

Air Products does not manufacture or sell pure chlorofluorocarbons (CFCs) or methyl bromide. We also do not manufacture hydrochlorofluorocarbons (HCFCs); we sell different gas mixtures that contain small quantities of HCFCs and CFCs in cylinders for calibration of detection instruments, as allowed under the Montreal Protocol. In Poland and Spain, we are a refrigerant distributor but also recover, recycle and reclaim for destruction. We are following the market trend as HCFCs are phased out. We phased out the use of CFCs in our own plant refrigeration systems while eliminating the use of HCFCs completely in Europe and at other plants when refrigerant systems are replaced.

EN20 NOx and SOx

Nitrogen Oxides (NOx) and Sulfur Oxides (SOx)

	2011	2010	2009	2008
Americas				
NOx (tons)	1,168	1,206	1,644	1,762
SOx (tons)	161	193	220	250
Europe				
NOx (tons)	469	569	682	719
SOx (tons)	19	24	33	37
Asia				
NOx (tons)	25	NR	NR	NR
SOx (tons)	3	NR	NR	NR

NOx emissions in the Americas and Europe combined, which was the previous year reporting basis, were down nearly 8% from the prior year. In the U.S., a reduction of 9% was associated with the sale of our cogeneration facility in Calvert City, KY, but this was offset by the inclusion of a Canadian facility in the reporting which was inadvertently omitted from the 2010 data. SOx emissions in the Americas and Europe combined, which was the previous reporting basis in CY2011, were down nearly 8% from the prior year. The reduction is a combination of improved emission performance and improved calculations. For the first time we are reporting NOx and SOx emissions for Asia, bringing our reporting for these emissions to 100% globally.

EN21 Water discharge

Globally, Air Products discharged approximately 39 billion gallons of water in 2011, primarily to surface water and typically to the original water source. In 2010, we began compiling COD centrally for those sites which are required to measure and report this parameter. We confirmed that the direct water discharges from the majority of our industrial gases operations are predominantly cooling tower blowdown streams with low COD impact. This totaled 43 tonnes for 2011. Our chemical facilities and HyCO operations typically generate higher COD waste water streams; however, these are transferred to nearby regulated facilities where COD is effectively treated prior to the water being discharged to the environment. COD transferred off-site for treatment totaled 1,208 tonnes in 2011.

	MM gal	1000 m3
Discharged to a Treatment Facility	3,100	12,000
Discharged Directly to Surface Water	35,500	134,000
Discharged Directly to Ground Water	50	190

EN22 Weight of waste

Based on internal record keeping, external reporting to agencies, and verification documents from approved waste disposal vendors, the weight of hazardous waste from operations globally was 44.4 million pounds during calendar 2011. This decrease from 46.8 million pounds during calendar 2010 is primarily due to the implementation of waste minimization projects in the U.S. and Europe that enabled us to reach our 2011 hazardous waste reduction goal (see EN24).

Disposal Method	Millions of Pounds 2011	Millions of Pounds 2010	Millions of Pounds 2009
Landfill	1.8	2.1	2.4
Incineration	12.8	12.5	8.1
Recycling	10.3	8.6	6.1
Treatment/disposal	19.5	23.6	19.0
Total	44.4	46.8	35.6

EN23 Significant spills

The number of environmental incidents reported globally was down significantly year-on-year (26 percent). Environmental performance improved in the Americas to the fewest number of incidents ever reported and down 24 percent from prior year. Incidents in Europe were also down significantly (37 percent). Performance in Asia was flat, indicating that incidents are leveling off while encouraged reporting levels continue. Overall our notices of violation were down 38%, reflecting improved conformance to strict regulatory requirements, even with more aggressive enforcement activity.

TRI releases* (millions of pounds)

Fuel	CY2010	CY2009	CY2008	CY2007	CY2006
Air	0.69	0.72	0.76	0.96	0.81
HAPs*	0.34	0.36	0.38	0.43	
Water	0.05	0.08	0.16	0.14	0.14
Land	0.44	0.18	0.42	0.23	0.35
Total	1.18**	0.98	1.34	1.33	1.30

*Hazardous Air Pollutants as defined by EPA and reported to ACC. Subset of total releases to air.

**Updated from 1.28, January 2013 data correction

TRI releases*	Millions of pounds
2010	1.18**
2009	0.98
2008	1.34
2007	1.33
2006	1.30
2005	2.98
2004	1.86
2003	2.12
2002	1.91
2001	1.89
2000	3.40
1999	4.83
1998	4.85
1997	4.48
1996	5.27

*excludes Pensacola remediation

**Updated from 1.28, January 2013 data correction

TRI releases increased slightly but were still within our goal range year-on-year. In addition, we added TRI components to the reporting programs of three facilities after internal review, thus improving our reporting.

EN24 Hazardous waste

In 2011, our hazardous waste shipments globally totaled 44.4 million pounds. Combined U.S. and European hazardous waste shipments of 30 million pounds were down 23 percent compared with prior year and 20% below our 2005 baseline levels, enabling us to achieve our hazardous waste reduction goal (20% reduction in U.S. and Europe 2005-2011). Hazardous waste shipments in the U.S. were down 20% year-on-year and down in Europe by 43%. Waste generation was lower in the U.S. as a result of multiple source reduction and beneficial reuse programs implemented to date. This includes a fully implemented major reuse/reclaim project in 2011, which significantly reduced our shipments offsite for treatment and disposal. This project was the primary enabler which allowed us to achieve our 20% waste reduction target this year. Waste numbers were down in Europe due to a number of projects and initiatives that have been in development over the past five years. These include ongoing waste reduction efforts in our chemicals operations; reductions in lime waste by volume reduction and by sending to beneficial use; gas cylinder recycling; and use/resale of vent scrubber wastes.

For calendar year 2011, we extended our hazardous waste measurement and tracking process to 100% global coverage for the second straight year, accounting for waste shipments in Asia, the Americas (including Canada and Brazil in addition to the U.S.), and Europe. Future reporting, forecasting, and improvement targeting will be based on global performance. A team is developing the scope for the next phase of our waste reduction goal-setting.

While our overall shipments of hazardous waste were down, the significant reductions in the U.S. and Europe shipments were partially offset by an increase in Asia, primarily due to lime generation at a new facility. Lime is a byproduct of acetylene production and a common material, which is recycled/reclaimed offsite, but still is classified as a hazardous waste in some countries. As such, we have included it in our waste shipment totals.

EN25 Biodiversity value of water bodies and related habitats

Air Products has no known water discharges from operations with significant impacts on water bodies.

EN26 Initiatives to mitigate environmental impacts

We believe that protecting the environment is a key element of sustainability. To that end, we work to minimize the environmental impacts of our operations and products and enable our customers to do the same.

Potential environmental impacts are evaluated during product development through a stage-gate process where environmental concerns must be addressed before a product can move through a gate and to the next phase of development. This process was enhanced in 2011 with the introduction of sustainability criteria into the new product introduction processes via our Project Management and Reporting System (PRMS). We also proactively seek alternative raw materials and develop products that have less impact on the environment. For commercial products, potential environmental impacts are assessed through our product risk review process, which establishes risk management measures for products based on their intrinsic environmental hazards. Depending on the potential environmental impact, we can also conduct life cycle assessments of products and processes to identify areas for improvement.

We also evaluate environmental protection during plant design and operation. All capital expenditure authorizations, which are required to finance new projects, include environmental considerations. From an operations perspective, we have set specific goals to reduce emissions, water consumption, hazardous waste and energy use. We also established greenhouse gas reduction targets based on our verified GHG inventory.

Importantly, the majority of our [products and services](#) enable our customers to reduce their environmental impacts. Some examples include use of our hydrogen by refiners to remove sulfur dioxide from crude oil, thus producing cleaner fuels that enable vehicles to operate more efficiently and reduce emissions of SOx, NOx and particulates; water treatment technologies that improve water quality and reduce wastewater sludge; and performance materials such as water-based products that eliminate solvents and reduce VOCs, low- or no-emission catalysts, and replacement products for nonylphenol and nonylphenol ethoxylate-containing surfactants.

EN27 Products and packaging materials reclaimed

Our customers generally do not reclaim our products – most of our products are consumed either through combustion or reaction or are atmospheric gases that can be safely vented after use. We supply the majority of materials in two-way bulk or semi-bulk containers or via pipelines, so packaging materials are not required. For small-scale supply, cylinders are returned and reused. In our Electronics business, for example, we use a very high percentage of returnable containers (>99 percent) requiring little or no packaging materials. Likewise, we typically reclaim the drums used to supply our Performance Materials products and are working with our drum suppliers on reclamation programs.

EN28 Significant fines and sanctions

In fiscal 2011, our environmental fines were higher than our traditional low levels, due primarily to a settlement reached with the U.S. EPA and the state of Texas for alleged violations of the Resource Conservation and Recovery Act (RCRA) related to sulfuric acid exchange at our Pasadena, Texas facility.

While we disputed the allegations, we agreed to settle the matter for \$1.485 million (\$1.35 million to the United States and \$135,000 to the State of Texas) and payment of \$15,000 to the State of Texas for attorneys' fees. See page 14 of the [2010 Form 10-K](#) for more information.

Year	Environmental Fines (\$USD)
2011	\$1.64 million
2010	\$15,000
2009	\$31,000
2008	\$39,000
2007	\$42,000

EN29 Transportation impacts

Air Products operates a fleet of more than 680 heavy-duty trucks that consumed nearly 8,000,000 gallons of diesel fuel and traveled more than 52,000,000 miles in the U.S. in 2011. Through our efficiency programs, which include replacement of 150 pre-emission engines, increasing the amount of product loaded in each trailer, and improving miles per gallon through driver behavioral programs such as reduced idling, we have significantly reduced our emissions of CO₂, NO_x and particulate matter (PM) per loaded mile. This performance has enabled us to meet our SmartWaySM goals for these pollutants four years ahead of target.

Air Products Fleet Sustainability Initiatives

Initiative	Increase in Miles per Gallon (MPG)
✓ Installed low rolling resistant tires	.05%
✓ Reduce the tractor idle time to three minutes on all-day cabs	.1%
✓ Installed tire inflation technology to regulate air pressure and reduce road drag on all Air Products owned trailers	.05%
✓ Installed automatic transmission on all new build tractors	.9%

Initiative	Reduction in Oil Consumption
✓ Increase oil change intervals for large vehicle fleet from 30,000 to 45,000 miles on all day cabs	28,500 quarts/year

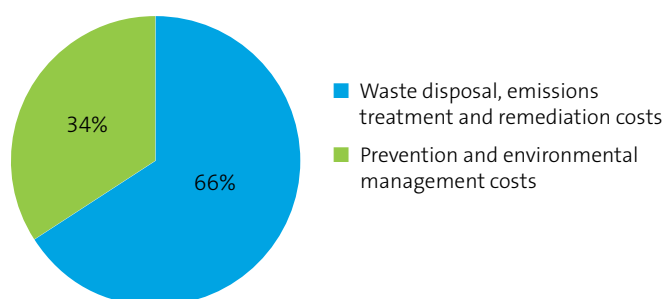
SmartWaySM

The SmartWaySM Transport Partnership is a collaboration between the U.S. EPA and major companies and associations that helps freight shippers, carriers, and logistics companies improve fuel-efficiency and save money. After joining SmartWay in 2009, we set preliminary emission reduction targets for 2015 of 10% on NO_x and particulate matter and 2% on CO₂ off a 2009 baseline.

EN30 Environmental expenditures

During fiscal 2011, Air Products spent \$34 million for operating expenses directly attributable to environmental protection activities. We spent another \$6 million in 2011 for capital improvements in our facilities to control emissions and reduce waste.

Environmental expenditures





Our Human Resource policies and principles reflect a common theme—helping our people discover, accomplish and thrive in a culture of respect, fairness, and inclusion. While intended to represent a statement of our own high standards, our Human Resource policies and principles also reflect our review of labor standards espoused by human rights groups and other leading companies and organizations worldwide.

We acknowledge the rights of our employees and adhere to all local and employment laws, wherever we operate, globally. We recognize and respect people's cultural differences and are committed to hiring individuals with varied backgrounds. We support equal opportunity, value diversity, and strive to provide a work environment that is supportive and inclusive of differences.

We maintain a strong policy against harassment, discrimination and retaliation of any kind based on race, color, religion, national origin, age, citizenship, gender, sexual orientation, gender identity and expression, veteran status, or physical or mental disability.

Positive employee relations

With regard to employee relations, we work to create a culture that affords employees the opportunity to work without fear of intimidation, reprisal or harassment. We hold managers and leaders accountable for positive employee relations. We abide by an open door policy and strive for employees' questions and concerns to be resolved in a fair and timely manner. Some of our employees are represented by officially designated third parties or designated/elected employee representatives, and we respect their voluntary freedom of association and right to bargain collectively and comply with pertinent local laws where we operate.

Priority #1: safety and health

The safety and health of our people, customers and the communities where we live and operate remains our highest priority. We believe all accidents are preventable, and we aim to meet or exceed applicable occupational health and safety standards.

All employees must abide by our [Total Safety Philosophy](#) as a condition of employment, and through our Basic Safety process, are required to personally take corrective and/or preventive action and apply our Accident Predictive Technique. These activities are tracked and assessed, and steps are taken to further improve safety throughout the company.

Good health supports good business, and we strive for a work environment that upholds and improves employees' mental and physical health through a variety of programs, tools, training and services.

Education and training

Air Products has a globally consistent learning and development strategy to develop the talent we need and provide long-term career development for our people. This is deployed through a global learning management system and our Air Products University organization.

We set and benchmark metrics annually using the American Society for Training & Development's (ASTD) BEST methodology. Air Products has been recognized twice as a top 20 learning organization by ASTD's benchmarking standard. The BEST criteria not only measure breadth of learning delivered, but also employee satisfaction, effectiveness and job impact.



Through the 11 colleges of Air Products University, we provide over 4,500 classroom and Web-based course offerings with development tracks. The 11 colleges represent the 11 key skill areas that we need to be successful as a sustainable business. Supported by our Learning and Knowledge Management Center of Excellence, there are over 100 Learning Communities and action teams within the company. Our goal is to create an environment where everyone can learn from each other's experiences, reuse the knowledge others have, and collaborate on projects of common interest. This approach allows us to ensure our employees are trained to comply with job requirements, innovate new customer solutions, and grow themselves and the company by refreshing and developing their skills.

More than 1,000 leaders around the world have completed our Leadership Education program, which takes participants through a personal examination of their knowledge, skills and leadership attitudes to select developmental goals that meet personal growth and company needs. In addition, approximately 1,400 new managers and supervisors have completed our global Management Fundamentals Program — our 15-month, instructor-led e-learning and coaching program that helps prepare them to transition effectively into their roles. We also provide an Educational Assistance Program by which more than 300 eligible employees globally received funding during the year for accredited undergraduate, graduate or certificate courses of study from qualifying institutions.

Accountability

The most senior executive with responsibility for labor aspects is the Senior Vice President and General Counsel.

LA1 Workforce demographics

At the end of fiscal 2011, Air Products (including majority-owned subsidiaries) had approximately 18,900 employees, of whom approximately 18,400 (or 97%) were full-time and of whom approximately 12,000 were located outside the United States.

	Fiscal 2011	Fiscal 2010	Fiscal 2009	Fiscal 2008	Fiscal 2007
The Americas	41%	41%	41%	46%	49%
Europe/ROW	32%	33%	34%	31%	30%
Asia	27%	26%	25%	23%	21%
Total	18,900*	18,300*	18,900*	21,100	22,100

*Global workforce, active employees (both full-time and part-time), including Air Products Healthcare

Fiscal 2011 Employment Breakdown

- Full-time: 97%
- Outside of the U.S.: 59%

Globally in fiscal 2011, Air Products' workforce was 75% male and 25% female.

	Men	Women
The Americas	77%	23%
Europe/ROW	72%	28%
Asia	76%	24%
Global	75%	25%

LA2 Employee retention

Air Products strives to attract and retain employees through challenging work in a team-based setting that makes a difference in the world. Many of our employees have worked for the company for decades, while others have recently joined us. In FY11, our global turnover rate for employees was 9.1%.

LA3 Employee benefits

Air Products offers a broad range of employee benefit plans and other programs to help provide security and opportunity for employees and their families. These programs are a valuable part of employee total compensation, and for full-time employees include: medical and dental; paid vacation and holidays; leaves of absence (personal, family, military, educational); life insurance; accident insurance; training and development; education assistance; employee recognition programs (company service, EH&S and sustainability, diversity and inclusion, continuous improvement); Employee Assistance Programs; and Employee Referral Program.

Other benefits may be available to employees such as a retirement savings plan, car/transportation allowance and more. Some of these benefits are available to part-time employees depending on the number of hours worked in a week. These benefits are not provided to temporary employees where it is not consistent with contractual obligations.

Total Rewards and Retention

Our Total Rewards and Retention approach for attracting, motivating, developing and retaining high-performing employees includes:

- Market-based competitive pay
- Career development and performance enhancement
- Training, learning and knowledge management
- Global health and wellness programs
- Driving a diverse and inclusive work environment
- Market-based competitive benefit offerings for eligible full- and part-time employees, which may include medical/wellness, employee assistance, dental, paid time off, retirement plans, life insurance, disability programs, long-term care insurance, adoption assistance and more

LA15 Parental leave

Air Products offers parental leave to our employees; the terms vary depending of the country. In the U.S., parental leave is covered under the FMLA leave. FMLA covers qualified medical and family reasons including: personal or family illness, family military leave, pregnancy, adoption, or the foster care placement of a child. Other countries have equivalent programs.

Work/Life balance

With flexibility in mind, we numerous programs and policies may be offered to employees at various stages of their work lives, including:

- Flexible schedules
- Compressed workweeks
- Reduced hours (including part-time and job-sharing)
- Telecommuting
- Short- and long-term leave for personal reasons (childcare, eldercare)
- Leave for emergency family reasons
- Education leave
- Medical leave
- Adoption leave
- Military leave

LA4 Collective bargaining

Air Products has collective bargaining agreements with unions at a number of locations throughout the world. In locations where employees are represented by a third party, Air Products respects that relationship and works directly with the third party. Globally, 17% of our employees are members of collective bargaining units. We also have a European Employee Forum with 16 representatives from 11 countries that meet annually.

LA5 Operational changes

Air Products addresses labor relations in our Human Rights Policy Statement. Air Products strives to keep employees well informed when operational changes happen. Communication is facilitated through many different channels, including messages from leaders, our corporate Intranet, Webcasts and town talks, Ask Management online forums, newsletters and others.

Air Products has maintained good relationships with employees when significant change has occurred. We comply with all regulations regarding notice to employees in the countries where we do business, remaining mindful of those regulatory requirements when preparing to communicate operational changes. Timely, respectful, and compliant communications of sensitive operational changes to our employees has contributed to the sustained, strong relationships we have with them.

LA7 Rates of injury and work-related fatalities

During fiscal 2011:

- We reduced employee recordable injuries by 11%, for a rate of 0.44 – our lowest recordable rate ever – and employee lost-time injuries (LTIs) by 5%.
- The safety performance of contractors declined significantly in both recordable injuries and LTIs. As a result we developed a contractor safety program that extends our Basic Safety

Process activities to short-term contractors and contract drivers; implemented increased auditing and senior management review of serious incidents and trends; initiated extensive benchmarking on contractor safety performance and programs; and strengthened our contractor management program.

- Sadly, we lost an Air Products driver as a result of a vehicle rollover. We continue to focus on specific plans to eliminate the causes of tragic accidents such as this and improve our performance with respect to serious injuries and incidents.
- Our preventable vehicle accident frequency rate (preventable accidents per one million kilometers driven) improved by 11% to a rate of 1.18 globally due primarily to improvements the Americas and Europe.

	FY11	FY 10	FY09	FY08	FY07
Employee	88	99	131	160	174
Recordables	(0.44)	(0.46)	(0.57)	(0.69)	(0.79)
Employee	39	41	47	55	48
LTIs	(0.19)	(0.19)	(0.20)	(0.24)	(0.22)
Contractor	83	43	51	45	52
Recordables	(0.95)	(0.52)	(0.58)	(0.65)	(0.80)
Contractor	36	27	24	15	14
LTIs	(0.41)	(0.33)	(0.27)	(0.22)	(0.21)

(Rates shown in parenthesis based on the number of recordable incidents for each 100 full-time employees per year, based on 2,000 hours worked per employee per year)

LA8 Global health and wellness

We provide a variety of educational, training, counseling and prevention resources to maintain and improve the mental and physical health of our global workforce. We have a Global Medical Director and regional Health and Wellness staff who act as liaisons for the health and medical issues facing employees in those regions.

Our Global Health and Wellness staff:

- Works closely with our Environmental Health and Safety organization to ensure global standards comply with governmental regulations on topics including handling of blood-borne pathogens, medical records management, emergency response, fire brigade and confined space entry rescue, among others.
- Provides wellness assessments and health coaching for employees in the U.S. and Canada, including a program for more than 800 professional Air Products drivers.
- Provides a program of travel medicine—including formal standards and policies for medical evaluations, training, administration of medications and/or immunizations, country-specific information and educational materials and more—to help employees and family members traveling internationally or working abroad.

- Collaborates with our Global Security and Corporate Travel organizations to ensure employees have the most current information they need to travel safely, including a dedicated Intranet portal for relevant information.
- Coordinates a Taking Charge of Our Health Wellness Program in North America in which thousands of Air Products employees participate. The Program offers webcasts, physical activity challenges, online tools and educational materials, biometric screenings, and “wellness credits” that translate into medical contribution deductions for current employees.
- Develops quarterly Health and Safety posters that are translated into our 14 common languages. Topics include staying healthy, driving safety, fire safety and more.
- Conducts global Influenza Awareness campaigns, providing flu vaccines at employee work sites to promote seasonal influenza vaccinations. This has resulted in vaccination rates higher than national averages at many Air Products locations for the past several years.
- Works with our Health Response Task Force, a sub-team of the Corporate Crisis Management Team, providing training and guidance to over 550 Health Response Officers throughout the company who serve as a first line of defense for keeping our workforce safe from transmission of disease.



LA10 Employee training

Employee roles and responsibilities, as well as current and future business needs, determine training and learning requirements and opportunities (see table). All training, education, and knowledge sharing throughout the company are equitable by gender. In addition to formal training and education, we also measure the time invested in learning through other events, such as hands-on training, learning communities, action teams and knowledge transfer processes, which are available to all employees. In 2011 employees spent, on average, 36 hours in formal training and 2.5 hours in additional active learning events for every one hour of formal training as listed in the table below. Therefore, the estimated total time invested in learning events in fiscal 2011 is 126 hours on average per employee, an increase of 13% over the prior year.

Employee/ Skill Area	2011 Average Training Hours per Employee	2010 Average Training Hours per Employee	2009 Average Training Hours per Employee
Engineering/ Technology	54	49	38
Plant Operations	47	46	31
Supply Chain	46	38	18
Professional	28	14	19

LA11 Skills and lifelong learning for retirees

- We have a formal Knowledge Retention and Transfer process to help preserve and share knowledge effectively throughout the organization. From storytelling to shadowing, we use various knowledge management tools to help employees who are approaching retirement impart tacit knowledge to their successors and work teams, and broadly throughout the organization.
- We offer retirement planning seminars for employees and spouses on topics such as financial readiness and the transition to non-working life. Our Credit Union also provides contracted services for retirement financial planning.
- Some of our retirees return to work on a part-time basis through our Supplemental Employment Program, enabling them to work up to 1,000 hours within a fiscal year, or roughly 20 hours/week. Pay is comparable to the salary earned prior to retirement (assuming the work is comparable).
- The AirPRO retiree organization also provides opportunities for educational activities.
- We provide eligible individuals access to outplacement services.

LA12 Performance and career development reviews

We use a global Performance Enhancement Process that knits together the cascading of organizational goals and objectives, performance management, career development, succession planning, workforce planning and compensation to help maximize our talent management results.

The key sub-processes include assessment of individuals' performance against the accomplishment of their objectives and the peers within their organizations, the Human Resource Planning (HRP) and Compensation Planning processes. The annual performance appraisal process engages the employee and manager in a dialogue to establish and maintain personal objectives and measures which are tied to the company's goals. Feedback is provided during the year on an informal basis, with a formal meeting and documentation occurring at the end of each fiscal year. Performance and career-related plans are developed at the same time as the performance objectives are established. To drive

accountability, metrics are maintained by organization and show the number of appraisals completed, and the number of development plans created and completed. During the Compensation Planning Process, managers are expected to differentiate merit, Global Variable Pay and equity compensation based on the employee's performance during the past fiscal year.

The Human Resource Planning (HRP) process is driven by strategic business plans and helps ensure the development of a high performing organization. This ongoing process ensures that the right people and organizations are available at the right time to meet business and marketplace needs. The HRP process identifies 1) critical talent management issues; for example, employee development, retention, deployment, additions, realignments, organization structure changes, growth and consolidation; and 2) talent pools, including high-potential individuals. An output of the HRP Process is a detailed Action Plan that drives the development of both the individuals and the organization. The process also supports staffing and succession decisions.

LA13 Diversity and inclusion

A diverse and inclusive workplace is essential to our success, today and in the future. At Air Products, this means having the right mix of people—with their unique characteristics, perspectives and life experiences—backed by a work environment where they are engaged, valued and supported to do their best work.

The highest level of oversight for Diversity and Inclusion (D&I) rests with the Environmental, Safety and Public Policy Committee of our Board of Directors and our Corporate Executive Committee (CEC), which includes the seven most senior executives of the company. Our Global Diversity & Inclusion Council (GDIC) implements our D&I strategy and sets priorities, working directly with three Local Diversity & Inclusion Councils (LDICs) for the Americas, Asia and Europe; our Diversity & Inclusion Leadership Teams (19 across our businesses globally); and eight Employee Resource Groups.

Board Diversity

The Board is composed of a diverse group of leaders in their respective fields. Many of the current directors have leadership experience at major domestic and international companies with operations inside and outside the United States and experience on other companies' boards, which provide an understanding of different business processes, challenges, and strategies. Others have experience in government relations or key market sectors which reflect our customer base, or financial or governance expertise. In fiscal 2011, three of the 12 members of the Board were women.

The Learning curriculum is focused on skills-building and individual responsibility for inclusion. Our D&I curriculum includes two, in-language web-based training modules, *D&I Basics* and *Building Inclusion*, followed by a classroom-based course, *Practicing Inclusion*. Managers also complete an additional classroom-based training, *Managing Effectively in a Diverse Work Environment*, and three, optional web-based courses are available for continued learning.

Other Diversity and Inclusion programs for our employees include on-boarding sessions and customized workshops for individuals, teams and leaders; a Diversity & Inclusion Toolbox on our intranet, with power tools, research and exercises; multicultural events hosted by our Employee Resource Groups; annual Diversity & Inclusion Recognition Awards, recognizing our people's top achievements in key D&I areas; and community engagement through our D&I teams. Our [Diversity & Inclusion Web site](#) is designed to help other stakeholders better understand our focus and initiatives.

LA14 Remuneration

Air Products has competitive pay practices and programs to attract, retain and develop our world-class workforce. Our human resources processes ensure external competitiveness and internal equity, with a pay for performance approach that is aligned with our vision, values and business strategies. Air Products has established competitive pay levels that are based on job descriptions and independent of gender, age or ethnicity, so there is consistency in the pay range for employees performing the same job function.



We follow all labor and employment laws in the countries where we operate, including those pertaining to child labor and employee rights such as freedom of association, privacy and equal opportunity employment. Our global [Human Rights Policy Statement](#) echoes our support of core labor standards and is an integral component of our Code of Conduct, by which we require our employees and suppliers to abide. We do not condone child labor, forced labor or discrimination, and we strive to maintain positive employee relations.

Reflected in our [Statement on Conflict Materials](#), we take very seriously concerns that profits from illegal metals mining may be fueling human rights atrocities in the Eastern Region of the Democratic Republic of the Congo.

The security and safety of our employees and the communities in which we operate has always been a priority. In support of these efforts, and as part of the Air Products Security Plan, we regularly communicate with employees about the importance of security and expectations for employees to focus upon security matters.

Our formal security policies and standards address employee and facility security, product security, pipeline and land transportation security, Security Vulnerability Assessments (SVAs), workplace violence, and security services for which we contract, among other areas.

The most senior executive with responsibility for labor aspects is the Senior Vice President and General Counsel.

HR1 Acquisition screening

As part of our entry strategy into new geographies, including those involving acquisitions, we examine human rights records for countries of interest. As part of periodic business reviews, we also provide updates to profiles for countries where we have operations in place. Our due diligence of specific companies and their key management also includes checks for any “red flags” which would highlight significant issues.

HR2 Screening of suppliers and contractors

All suppliers and contractors are expected to comply with the Human Rights principles of our Global Code of Conduct.

HR3 Employee training

We make our Global Code of Conduct – which references our Human Rights Policy Statement – available to our global workforce and conduct mandatory training. Employees also periodically certify their understanding of and compliance with the Code of Conduct. All new hires as well as some interns, co-ops and other groups are both trained and certify compliance.

In addition, our Commit to Integrity learning program offers a comprehensive curriculum on ethics and compliance topics, and our people take selected modules based on their roles and responsibilities.

See 4.8 for more details.

HR4–7 and 9 Fundamental rights

- **Nondiscrimination:** There were no judicial or administrative decisions of discrimination made against us on the grounds of race, color, sex, religion, political opinion, national extraction or social origin in fiscal 2011.
- **Freedom of association:** no operations have been identified where these rights are at risk.
- **Child labor:** Employees in all of our operations are older than the legal minimum ages in those jurisdictions. None of our operations have been identified as being at significant risk for incidents of child labor and/or young workers exposed to hazardous work.
- **Forced labor:** None of our operations have been identified as being at significant risk for incidents of forced or compulsory labor.
- **Indigenous rights:** There were no incidents of violations involving the rights of indigenous peoples in fiscal 2011.

HR8 Security

Security Personnel: Air Products employs security personnel globally, including a cyber investigation team, with much of our staff having prior security, audit and law enforcement backgrounds. All third-party contracted security personnel are properly vetted to ensure professional services are achieved around the globe.

Security Vulnerability Assessments (SVAs): Air Products has a regimented, global SVA program in place supported by trained personnel and global policies and standards. The SVA process systematically assesses the risks at each facility and determines security measures needed to ensure risks are properly mitigated.

Chemical Facility Anti-terrorism Standard (CFATS): Our security and process safety teams are actively engaged in the CFATS effort. We have completed the “Top Screens”, SVAs and Site Security Plans (SSPs) per the regulation and are waiting to receive preliminary approval of our plans. Once approved, the Department of Homeland Security will visit the site and complete an audit to confirm that the SSP has been properly implemented. The work we have already done to comply with the ACC Security Code should greatly reduce the need for additional security upgrades at our U.S. facilities.

Emergency preparedness

We have emergency response plans in place at all of our plant sites and mandatory employee training requirements that are tailored to the level of response. Our Global Crisis Management Plan includes:

- Global and regional crisis management teams
- Crisis management training programs
- Quarterly crisis management meetings
- Annual and site-specific drills/tabletops
- Facility database populated with critical information for all global sites
- Pandemic planning
- 24/7 Global Security Operations Center
- Employee Emergency Line

U.S. Customs Trade Partnership Against Terrorism (C-TPAT) programs:

Air Products is a certified and validated C-TPAT member, and we remain committed to the program. We consistently look to maintain the highest level of security and integrity across our supply chains.

Transportation security: Under our EH&S Corporate Risk Management Process, our Transportation Risk Team evaluates toxic-by-inhalation and flammable gases and chemicals that meet our established corporate risk criteria and completes assessments to analyze transportation risk. This analysis includes a Process Safety review, evaluating package specifications and sizes, shipment frequency, route, carriers, emergency response capability, and elements of Responsible Care in the supply chain.

Global Security Incident Reporting System: We have implemented a Global Incident Reporting system to respond to suspicious

behavior and other security-related activity. All incidents are recorded and investigated by appropriate internal resources, and when appropriate, are reported and investigated by external law enforcement agencies, including the regional Joint Terrorism Task Forces in the U.S.

Employee Travel Security Program

- Air Products utilizes a web-based travel tracking tool that enables us to identify, locate and communicate with employees traveling anywhere in the world. Our Global Security and Global Health & Wellness organizations provide security and medical advisories to employees traveling internationally.
- A security risk assessment is completed for all employees who travel to high-risk locations, including evaluation of travel, lodging and evacuation plans.
- On our corporate Intranet, our World Alert Website provides current security and medical information for major events such as pandemics. Additionally, a list of high risk locations, posted travel restrictions, and travel advisories are available to our global employees.

HR10 Human Rights reviews

Air Products uses a risk-based approach to identify risks that might impact our operations throughout the world. Our Country Risk Assessment process provides a detailed review of operational risks across broad risk areas, including human rights. Supplementing public resources to identify regions that may be more prone to human rights issues, we use multiple data sources, including subscription services such as Maplecroft, as well data from the U.S. government, OECD, The World Bank, NGOs and other groups, to develop meaningful risk assessments. Our businesses then identify and create appropriate mitigation plans for key risk areas identified during this review.

HR11 Human Rights grievances

Air Products maintains multiple venues for stakeholders to submit any concerns related to any aspect of our Code of Conduct. Our Employee Code of Conduct specifically addresses our commitment to Human Rights and adherence to all relevant local laws pertaining to child labor and employee rights. Stakeholders may submit any grievances or concerns via our IntegrityLine or IntegrityOnline web service. Employees are trained to take advantage of local management and staff resources to address any concerns and to use our formal reporting systems if they feel their concern cannot be adequately addressed using local resources. Additional internal reporting systems augment our IntegrityLine resources.

All of these systems are constantly monitored and allegations are reviewed, referred to appropriate investigative resources, and then entered into a case management system where the progress of the investigation is monitored by an independent observer. During 2011, no allegations related to Human Rights as defined in Section HR 4-7 and 9 of this report were submitted via any of the reporting systems.



Our core value to safely and responsibly care for each other, our communities and the global environment is foundational to our company. Air Products has a strong history and reputation for being a responsible corporate citizen in the hundreds of communities where we operate throughout the world.

We operate on the principle that healthy and vibrant communities are key to building a successful and growing business and to our ability to attract, retain and develop talented employees. This fundamental belief shapes our community engagement and development efforts.

We are committed to:

- Operate by the highest standards of integrity and ethical behavior as the environment in which we do business continues to change.
- Be a leader in the areas of the environment, health and safety and comply with or exceed laws and regulations.
- Design and operate our plants and facilities in a manner that protects the environment and the health and safety of our people and the public.
- Develop and produce products that can be manufactured, distributed, used, and recycled or disposed of in a safe and environmentally sound manner.
- Be an employer of choice, known as much for the way we value our employees as for the quality of our products or our earnings.
- Be an integral part of our communities through time, talent, resource and financial contributions.

Additional information about our outreach and stakeholder engagement is described in the Stakeholder Engagement discussion of this Report.

The most senior positions with responsibility for Society aspects are the Senior Vice President and General Counsel, and the Vice President, Treasurer and Chief Risk Officer.

SO1 Community engagement and development

Engaging our communities and contributing to their economic health and social infrastructure is an important element of our investment strategy and our responsibility to operate our facilities safely and efficiently around the world. Through open dialogue and by measuring our activities and performance, we strive to understand the needs of our local communities, continually improve our performance, and deepen our relationships with our community stakeholders.

Community Relations Standard, training and engagement plans

Our *Community Relations* Standard defines our site-level/ community stakeholders, which include neighbors and neighboring businesses, employees, regulatory authorities, emergency services, elected officials, community advisory panel (CAP) members, civic groups and the media.

Air Products plant management and other personnel communicate with stakeholders on a regular basis and solicit feedback on our processes and procedures, the safe use of our products, and the key issues and needs in the community. Outreach Training sessions are held periodically for site managers and other corporate staff involved in implementing community relations/stakeholder outreach plans. This training focuses on skills for engaging the public and the role that building trust and credibility plays in our stakeholder relationships.

All of our priority (Level 1) sites have established stakeholder engagement plans, which include a combination of personal outreach, annual meetings, tours, collaboration and drills with emergency responders, philanthropy and a goal to maintain good will. In addition, some of our sites have CAPs serving as a liaison between the community and plant management. The ongoing feedback from these CAP discussions often is considered when addressing EH&S issues and performance and to generate ideas for improvement.

Where we have pipelines supplying gases products to customers, Pipeline Awareness Coordinators oversee compliance with all federal and state regulations regarding public awareness concerning our hydrogen, carbon monoxide and syngas pipelines. This includes soliciting regular feedback from and communications with a number of external stakeholders including excavators, communities where our pipelines are located, emergency responders and public safety officials.

Community philanthropy criteria

Decisions regarding community relations activities are made after being carefully reviewed and measured against two main criteria:

- **Addressing community needs**, which includes demonstrating leadership, innovation and vision through support of major projects as well as on-going community “quality of life” issues in areas including education, environment, health, human service, safety, community and economic development, and arts and culture; supporting those activities and projects that share our commitment to diversity; providing support when employees and families and the communities they live in are impacted by major disasters.
- **Engaging employees** through augmenting employees’ volunteer interests and efforts with charitable contributions and other resources; providing opportunities to refresh employee morale which builds loyalty and a positive view of our company; and leveraging those activities that may also support recruitment and retention efforts.

Many of our plant managers are engaged on local boards and non-profit organizations, and over 90% of our senior executives serve on non-profit boards. See the Stakeholder Engagement section of the Report for additional information.

SO9 Negative impacts on local communities

We had no reports of significant potential or actual negative impacts on local communities.

SO10 Prevention and mitigation

We have not needed to implement prevention and mitigation measures in local communities.

SO2 Risk assessment for corruption

Our Corporate Risk Office gathers input from subject matter experts in all of our business and functional areas on risk elements of our corporate activities to compile our Corporate Risk Matrix. Each group is asked to provide information about any risk elements in their area, including corruption. In addition, risk analyses are done to support entry into new geographies or markets, including assessments of the climate for corruption where an Air Products business unit is looking to engage in new business activity. Due diligence on potential private venture partners includes background information on any activities which might fall under the category of corrupt business practices. We also perform an annual risk assessment for each of our existing joint ventures, and one of the risk factors that we evaluate is country risk as it relates to corruption and enforcement of rule of law. These activities collectively cover all of our core businesses. We reinforce our expectations for employee and supplier behavior via our Code of Conduct.

SO3 Anti-corruption training

Air Products has a rigorous training program for targeted employees with respect to corruption. Employees are identified as candidates for Foreign Corrupt Practices Act (FCPA)/Anti-bribery training based upon the position they hold and where they are located. Of the required employees targeted globally for FCPA training, we have achieved a 98% completion rate. Training is available in 16 languages to facilitate understanding of this important topic. In addition to FCPA training, Air Products requires all employees to complete a multiunit course on our Code of Conduct and Competition Law. Ninety-five percent of our employees have completed our Code of Conduct training, 90% have completed Global Competition Law training, and 86% have completed the most recently-added course, *Global Export Controls*. More than 9,200 employees have taken Information Security training.

We are introducing several new learning opportunities, including combating bribery and insider trading topics. Likewise, new and updated policies, standards and guidelines for Governance have been revised or published, including those related to Information risk management, allowable goodwill/promotional gifts and gifts in kind, improper payments, anti-trust and others. We continue to enhance our compliance and risk management supporting tools and technology as well.


SO4 Anti-corruption governance and actions

Air Products takes a strong position on all violations of its Code of Conduct. We maintain telephone and Web-based allegation systems designed to be compliant with all local regulations and ruling. Stakeholders who wish to make allegations of violations in accordance with the Sarbanes-Oxley Act or our Code of Conduct can report their allegations, consistent with local regulations, to their local management, functional specialist or to our allegation system. All reported incidents and the related investigation are tracked in a global database. While all allegations are referred immediately for investigation, the status and results of investigations are reviewed quarterly with our Corporate Investigation Council and annually with the Corporate Compliance Committee, which comprises senior executives, and with the Audit Committee of our Board of Directors. Air Products has had no confirmed incidents of corrupt behavior as defined under FCPA, and as a result, no employees were terminated or disciplined for incidents of corruption in the reporting period.

SO5–6 Public policy positions and contributions to political parties

Governments make policy decisions that affect Air Products and our business operations, and we recognize our responsibility to our stakeholders to participate in the political process.

In accordance with our [Policy on Political Contributions](#) and Expenditures for Lobbying, Gifts and Travel for Government Officials, we will not use corporate funds to make direct or indirect political disbursements to candidates in any country or region,



even where allowed by law. However, we do use our resources to advance matters of public policy by educating public officials about our business. We also use our resources to facilitate employee contributions.

Air Products uses a political action committee (PAC), whose membership comprises certain eligible Air Products employees who donate to it on a purely voluntary basis. The PAC makes contributions—reported to the Federal Election Commission and applicable state agencies—to U.S. candidates who support the company's business interests. In 2011, Air Products' PAC disbursements totaled \$89,000.

The Environmental, Safety and Public Policy Committee of the Board of Directors monitors the Company's political activities through annual reports from members of management responsible for the activities.

SO7 Anti-Competitive behavior

Legal actions for anti-competitive behavior, anti-trust and monopoly practices which are deemed to be material are reported as required in our [Form 10-K](#), Item 3, Legal Proceedings for our fiscal year ending 30 September 2011.

SO8 Fines and sanctions for non-compliance

The value of fines for any environmental or safety issues are reported separately. Although there were no significant fines during the reporting period, incidents which could result in fines are pending. Any sanctions for noncompliance with laws and regulations which are deemed to be significant are reported as required in our [Form 10-K](#), Item 3, Legal Proceedings, for our fiscal year ending 30 September 2011.

Product Responsibility Disclosure on Management Approach



We are committed to the safe use of our products and ensuring they can be effectively handled by our customers. The key to product safety is identifying and managing potential risks, which we do through our Product Risk Review process. We then communicate through safety data sheets, labels, Safetygrams and other means. In addition, we established a list of chemicals of concern that enable our product security commitments, which include customer verification and transportation tracking.

We aim for a cradle-to-grave life cycle management approach, incorporating EH&S protection into every step of the life cycle of our products. Our Sustainable Technologies Center (STC), in collaboration with our [MATGAS Research Center](#) in Barcelona, Spain, conducts life cycle assessments of our products and processes to identify the environmental benefits of our offerings, as well as areas for possible improvement. Likewise the STC has promoted the integration of sustainability and Green Chemistry concepts into our new product development process and implemented a Green Product Analyzer for consistent evaluation of potential product impacts based on environmental, human and property considerations.

The most senior position with responsibility for product responsibility aspects is the Vice President, EHS&Q and Corporate Chief Engineer.

PR1 Assessment of health and safety

We evaluate all products for health and safety impacts through risk assessment processes that are applied based on the product's state of commercialization.

We review new products through the Offering Development and Introduction (ODI) process, and we assess existing commercial products through our Product Risk Review process.

ODI

ODI is a gated process that considers environmental, health and safety aspects at each of five product introduction gates from concept through commercialization. All EH&S concerns identified must be addressed before the product can move to the next gate and ultimately be commercialized. Sustainability considerations including energy and water consumption, as well as greenhouse gas and other emissions and waste, also have been integrated into ODI.

Product risk review

The Product Risk Review process examines the life cycle of each product, from manufacturing through ultimate use and disposal. New hazard information or regulatory changes can trigger a re-review of company products. Commercial products added to our product lines through acquisition also are evaluated under the Product Risk Review process.

Likewise, our Transportation Risk Assessment (TRA) process is used to evaluate the potential risks of higher hazard materials in transit (see HR8).

PR2 Product compliance

There were no incidents of noncompliance for company products in 2011. This is due in large part to the incorporation of product safety requirements into our global EH&S Management System. These requirements are consistent with product regulations and Responsible Care. Our product risk management processes have been certified against the Responsible Care Management System requirements of the American Chemistry Council.

During fiscal 2011, we had a small number of transportation-related fines in the U.S. totaling less than \$8,000. To ensure we covered the breadth of our products being transported by air, we made significant investments in 2011 in our IT tools to improve process controls that ensure compliance with International Air Transport Association (IATA) requirements.

PR3 Product and service information

All products comply with company requirements and governmental regulations for hazard communication information, specifically safety data sheets and labels. In addition, we established a list of restricted chemicals that enable our product security commitments, which include customer qualification and transportation tracking. For many years we have offered product and equipment training to our customers and published Safetygrams on the safe use and handling of our products and related equipment and services. These Safetygrams, which are primarily aimed at EH&S professionals, cover a majority of our products and are [publicly available](#).

Also, as part of a broader communication program that enhances public dialogue, we develop Product Stewardship Summaries for many of our gases and chemicals using a tiered prioritization process. This process takes into consideration the production volume, chemical hazards and risks associated with the intended use of our products in determining the value of a published summary. The publically available summaries demonstrate our commitment to the Global Product Strategy program by educating others on the beneficial products we manufacture and describing the safe handling measures that minimize EH&S concerns. As we continually monitor our product portfolio through the prioritization process, we published summaries for 25 higher priority chemicals and have developed a plan for further sharing information on our lower priority chemicals.

PR4 Products and labeling

We did not receive any fines or citations related to product compliance issues during 2011. We had a small number of transportation-related fines during fiscal 2011 in the U.S. totaling less than \$8,000.

PR5 Customer satisfaction

See the Stakeholder Engagement and Feedback section of our Report.

PR6 and 7 Marketing communications

We have a centralized marketing communications discipline with regional support offices, and we regularly benchmark respected organizations, including The Corporate Executive Board Company® and The Conference Board, for which our Global Brand and Marketing Communications Director serves as chair of the Corporate Branding Council. Globally, we use a consistent briefing package to develop all promotional materials, ensuring that communications objectives and needs are understood up front, messages are clear and consistent, and our corporate brand and core values of understanding, passion, and integrity are integrated. We had no instances of noncompliance, sanctions, warnings or fines regarding regulations for marketing communications during the year.

Specific claims being developed for the sustainable offerings are being reviewed by a third party. Claims for other offerings should be reviewed by Corporate Sustainability (Julie O'Brien) to ensure the claims meet [U.S. Federal Trade Commission guidelines](#).



PR8 Customer privacy

At Air Products we believe it is our responsibility to safeguard the personal information of our employees and all other individuals with whom we deal, including customers. We have established a [Global Data Privacy policy](#) to ensure that personal information is handled and stored in a secure manner. We also adhere to any additional data protection requirements in the countries in which we operate.

We have had no substantiated complaints regarding breaches of customer privacy and losses of customer data.

PR9 Provision/use of products/services

We are unaware of any significant fines in fiscal 2011 resulting from use of our products. Any sanctions for noncompliance with laws and regulations which are deemed to be significant are reported as required in our [Form 10-K](#), Item 3, Legal Proceedings, for our fiscal year ending 30 September 2011. During fiscal 2011, we had a small number of transportation-related fines in the U.S. totaling less than \$8,000.

REACH and Global Product Regulations

Air Products continues to focus on meeting the requirements of the EU Registration, Evaluation and Authorization of Chemicals ([REACH](#)) regulation. We plan to complete the registration of substances in accordance with the schedule provided by the legislation, with the majority of our substances being registered in 2013 or 2018. Also, as part of our REACH efforts, we have continued to track development of the Substances of Very High Concern (SVHC) and authorization list and are currently working on replacing some substances in our Performance Materials products.

REACH has had global impact as governments around the world consider the adoption of similar chemical control schemes. To that end, we have satisfied the recent obligations for product registrations in Taiwan.

GHS

The [Globally Harmonized System \(GHS\)](#) for the classification and labeling of chemicals provides a common approach for defining and classifying chemical hazards and communicating safety information on labels and safety data sheets. In 2011, Air Products converted our gases, electronics, and pure chemical products to the GHS scheme in China, following the successful conversion to GHS for the EU, Singapore, Brazil, Korea, Japan and Taiwan. We continue to prepare for GHS in Canada and the U.S.

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