

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE DECLARATION AND CORPORATE GOVERNANCE REPORT

Compliance with the German Corporate Governance Code and declarations of compliance

Linde AG follows the German Corporate Governance Code presented by the Government Commission on the German Corporate Governance Code and as amended from time to time. In March 2017, the Executive Board and Supervisory Board of Linde AG issued a declaration of compliance with the recommendations of the German Corporate Governance Code as amended on 5 May 2015 in accordance with § 161 of the German Stock Corporation Act (AktG) and made this declaration permanently available to the public on the Linde website.

Amendments to the German Corporate Governance Code were adopted on 7 February 2017. These amendments came into force upon their publication in the official section of the German Federal Gazette on 24 April 2017. The Executive Board and Supervisory Board of Linde AG studied the requirements of the German Corporate Governance Code as amended on 7 February 2017 in detail before issuing the following declaration of compliance in March 2018.

“The Executive Board and the Supervisory Board of Linde AG declare in accordance with § 161 of the German Stock Corporation Law:

All the recommendations of the ‘Government Commission on the German Corporate Governance Code’ as amended on 7 February 2017 have been complied with

since publication of the last declaration of compliance and will be complied with in future – except for the following exception.

Clause 4.2.3 para 2 sentence 6

In accordance with clause 4.2.3 para 2 sentence 6 of the German Corporate Governance Code the Executive Board members’ remuneration in total and as to its variable components should be capped at a given maximum amount. Employment contracts with Executive Board members do not include a ceiling for the Executive Board members’ total remuneration; variable components are capped as is described below.

The components of the variable cash emoluments are limited in terms of amounts. The Long Term Incentive Plan which provides for remuneration in the form of options to purchase shares (performance shares) and bonus shares linked to personal investment (matching shares) has a cap in terms of amounts at the time of the granting of option rights and matching shares rights. However, the value of the performance shares and matching shares after a multi-year qualifying period is not limited in terms of amounts. An additional cap like that was not deemed appropriate. In such a case, the synchronisation of interests of shareholders and Executive Board members to be achieved by share-based remuneration would be disrupted, which in our opinion would not be in the shareholders’ interest.”

The current declaration of compliance and past declarations of compliance with the German Corporate Governance Code are available on the company’s website at ► WWW.LINDE.COM/DECLARATIONOF COMPLIANCE.

Corporate governance practices

Linde AG has always attached great importance to sound, responsible management and supervision geared towards the creation of sustainable value added. Our success has always been based on close and efficient cooperation between the Executive and Supervisory Boards, consideration of shareholders’ interests, an open style of corporate communication, proper accounting and audit procedures as well as a responsible approach to risk and to statutory and Group-internal rules and regulations.

Linde upholds high ethical standards. These are set out, among other things, in core values (Linde Spirit) and in the Code of Ethics, both of which apply across the Group. The Executive Board has further issued its own guidelines on competition/antitrust law, preventing corruption, the engagement of sales agents, occupational safety, environmental and health protection, quality and procurement. Like the Linde Spirit and the Code of Ethics, these guidelines apply to all employees throughout The Linde Group.

Compliance

To reinforce compliance with both legal regulations and voluntary principles, the Group has a global compliance organisation. Linde's Group-wide compliance activities are focused in particular on antitrust law, the fight against corruption, export control and data protection. A binding risk analysis process (compliance risk assessment) was introduced in 2014, covering the issues of general compliance, antitrust law and corruption. The full-time employees working in Compliance are affiliated to Group Legal. Compliance officers have been appointed in the divisions, business units and operating segments to support Group-wide observance of the compliance programme. The Chief Compliance Officer coordinates and implements compliance measures. The Executive Board and the Audit Committee of the Supervisory Board are regularly informed about the current state of progress in the compliance organisation, including measures aimed at communicating existing rules of conduct to employees, training employees in those rules and updating the rules as necessary. Training is provided for Linde employees worldwide. Classroom-based courses are supplemented by a Group-wide e-learning programme. We thereby create a working environment in which our employees are entirely familiar with our rules and guidelines.

The Integrity Line reporting system is an important element of the compliance framework at The Linde Group. It enables both internal and external stakeholders to raise issues or report any doubts or suspicions that they might have. If an internal investigation reveals that the doubts or suspicions raised were justified, a prescribed process is used to determine which measures are required. Linde also checks that these measures have actually been implemented.

Information on Linde's core values and compliance policy can be found on the company's website at ► WWW.LINDE.COM/GUIDELINESCOREVALUES and ► WWW.LINDE.COM/CORPORATEGOVERNANCE.

Executive Board and Supervisory Board procedures

Linde AG, which has its registered office in Munich, is governed by the provisions of the German Stock Corporation Act (AktG) and the German Co-Determination Act (MitbestG), capital market regulations and the rules set out in its articles of association. The Executive Board and Supervisory Board are responsible for the management and supervision functions assigned to them. They cooperate closely in the interests of Linde to ensure the continuation of the Group as a going concern and to create sustainable value added. They are obliged to act in the interests of the shareholders and for the benefit of the Group.

Executive Board

The Executive Board of Linde AG is responsible for managing the company and conducting its business. Its actions and decisions are geared towards the best interests of the Group, taking into consideration the concerns of shareholders, employees, customers and other stakeholder groups with the aim to create sustainable value. The Executive Board establishes the strategic direction of the Group, agrees this strategy with the Supervisory Board, ensures it is properly implemented and reviews the progress made during regular discussions with the Supervisory Board. It is also responsible for annual and multi-year planning, Group financing and the preparation of quarterly, half-yearly, annual and Group financial statements. In addition, the Executive Board ensures that appropriate risk management and risk control systems are in place and provides regular, timely and detailed reports to the Supervisory Board on all relevant Group issues including strategy, medium-term planning, business trends, the risk situation, risk management and compliance with legal regulations and internal Group guidelines. The Executive Board also takes the necessary measures to facilitate compliance in the Group companies. It has set up a compliance management system and disclosed the main features of this system in the Opportunity and risk report.

Key Executive Board activities and transactions require the approval of the Supervisory Board. This applies in particular to the annual capital expenditure programme, major acquisitions, divestments, and defined capital and financial measures. The Supervisory Board can also specify special approval requirements in individual cases. While in office, and after leaving their positions, members of the Executive Board are bound by a detailed restraint clause. Any conflicts of interest must be disclosed immediately to the Supervisory Board, as well as to fellow Board members. No such conflicts of interest arose for any member of the Executive Board during the reporting period.

The procedural rules of the Executive Board govern the work it performs, the allocation of responsibilities to individual members, the issues which must be dealt with by the full Executive Board and the majority required for resolutions to be passed by the Executive Board. The Executive Board passes resolutions at meetings held on a regular basis. A simple majority of the votes cast is sufficient for a resolution to be passed, unless a greater majority is prescribed by law. If the vote is tied, the Chairman has the casting vote. Without prejudice to the collective responsibility of all members of the Executive Board, each member of the Executive Board has individual responsibility for the functions assigned to him when the decisions of the Executive Board are being made. It is incumbent upon the Chairman of the Executive Board to assume responsibility not only for the functions assigned to him, but also to coordinate all areas of responsibility entrusted to the Executive

Board. He is the main point of contact between the Executive Board and the Supervisory Board and represents the company in public.

Diversity concept for the Executive Board: The company aims to ensure that the Executive Board is diverse in its composition and that, viewed as a whole, it has sufficiently diverse experience and knowledge for the management of a capital market-oriented gases and engineering company with international operations, and that this experience and knowledge adequately reflect the various areas that the Executive Board members are responsible for. The Executive Board should have members with a range of educational backgrounds. Given the object of the company, sufficient technical or scientific expertise is considered to be particularly important. In addition, at least one member should have a business management background. In line with the company's international structure, the Executive Board should also include individuals with particular international experience, where possible even with an international cultural background. It is considered helpful if the Executive Board comprises a number of different age groups. The Supervisory Board believes that the Executive Board should ideally include a mixture of men and women. In the medium term, the aim is to have an Executive Board that is 20 percent female. At 31 December 2017, the Executive Board consisted of five members. All of the areas of expertise required within the company are covered. Three members have a technical background, one also has a scientific background and two have a business management background. Professor Dr Aldo Belloni is an Italian citizen, while Sanjiv Lamba was born in India and has Singaporean citizenship. At the moment, the Executive Board has exclusively male members, with one falling into the over-40 age group, three in the over-50 age group and one in the over-60 category. Professor Dr Aldo Belloni exceeded the standard age limit for Executive Board members set out in the procedural rules. When Professor Dr Aldo Belloni was appointed member of the Executive Board in December 2016, the Supervisory Board also took the age limit that applies to Executive Board members into account, but opted to appoint Professor Dr Aldo Belloni as member and Chairman of the Executive Board on special grounds.

§ 111 (5) of the German Stock Corporation Act (AktG) subjects the Supervisory Board to the obligation to set targets for the proportion of women on the Executive Board. The first targets defined were to have been met by 30 June 2017. As the appointment periods and terms of the employment contracts of all Executive Board members expire after 30 June 2017 and in order to prevent setting a target that the Supervisory Board did not feel was realistic or in the interests of the company given the resources at its disposal, the Supervisory Board had set a target of 0 percent for the period leading up to 30 June 2017. This corresponds to the current

status quo. The Supervisory Board reviewed the target when the deadline had been reached and set a target of 20 percent women in the Executive Board for the period from 1 July 2017 to 30 June 2022.

Given the Group's extensive reach across international markets and industry sectors, the Executive Board is also responsible for ensuring that this diversity is reflected at management level. The goal is to put together the best teams worldwide. The Group's HR strategy includes the definition, delivery and continuous evolution of Group-wide talent development programmes. Linde supports intercultural diversity by adopting an international human resources policy and making appointments across national borders. Another of Linde's main priorities in the area of diversity is the promotion of female managers. The Executive Board is supporting numerous measures, also prompted by employee initiatives, to promote women. These include networking events, training programmes for women with management responsibility or leadership potential, and internal mentoring schemes. The Executive Board has set targets regarding the proportion of women working at the two levels of management below Executive Board level. Linde reached its target of increasing the proportion of women in the first management tier below the Executive Board to 14 percent (11 percent at Linde AG) by 30 June 2017. In 2017, the proportion of female senior managers in this tier was 15 percent (2016: 16 percent). In the second management tier below the Executive Board, Linde was aiming for a proportion of women of 17 percent (15 percent at Linde AG) by 30 June 2017. This figure was 14.5 percent in 2017 (2016: 18 percent). This drop in a year-on-year comparison is also due to the programme to boost efficiency (LIFT programme). By 30 June 2022, the proportion of women in the first management tier below the Executive Board is to come to 18 percent (18 percent at Linde AG) and to 22 percent (20 percent at Linde AG) in the second management tier below the Executive Board.

As at the reporting date, no member of the Executive Board other than Professor Dr Aldo Belloni was a member of supervisory boards of listed companies outside The Linde Group or of comparable supervisory bodies of other business entities. Professor Dr Aldo Belloni is a member of a statutory supervisory board of a listed company outside of the Group with its registered office in Germany. Information about memberships held by the members of the Executive Board who were in office in the 2017 financial year on other German statutory supervisory boards or comparable German and foreign boards of business entities is given in ► [NOTE \[35\]](#) of the Notes to the Group financial statements.

The Executive Board has no committees.

Information on the composition of the Executive Board and on individual Board members, including their responsibilities and duties, may be found in the overview on ► [PAGE 4](#) or on the Linde website. The CVs

of Executive Board members, including an overview of their main additional functions, are available on the Linde website.

Supervisory Board

Equal numbers of shareholder representatives and employee representatives sit on the Supervisory Board of Linde AG, which comprises, in accordance with the company's articles of association, the minimum number of members as specified in the relevant regulations. Currently, the minimum number specified by law is twelve. The appointment of the members of the Supervisory Board is also governed by the relevant legal regulations. The current term of office of the members of the Supervisory Board ends with the closure of the Annual General Meeting in 2018. The shareholder representatives are elected individually at the election to the Supervisory Board at the Annual General Meeting. The Supervisory Board's Nomination Committee prepares for the election of shareholder representatives by the Annual General Meeting. When proposing candidates to the Supervisory Board, it takes into account not only the requirements set out in the German Stock Corporation Act (AktG), the German Corporate Governance Code and the Supervisory Board's procedural rules, but also the targets set by the Supervisory Board in terms of its composition, giving due consideration to the skills profile for the Board as a whole set out therein, including the targets for international expertise and impartiality, as well as requirements and targets relating to diversity and, in particular, to the inclusion of women in the Supervisory Board. New members are provided with comprehensive induction documents and information upon their appointment to the Supervisory Board. The members of the Supervisory Board and the Supervisory Board committees complete the training or professional development measures necessary for the performance of their duties on their own initiative. Also during their meetings and at specialist lectures conducted by internal and external experts that are organised specifically for the Supervisory Board, they take an in-depth look at issues that are of fundamental significance to the company. In 2017, these issues included, by way of example, the changes in legal requirements due to the German Act to Strengthen the Non-Financial Reporting of Companies in their Management Reports and Consolidated Management Reports (CSR Directive Implementation Act), as well as developments and their strategic impact on key markets in the Healthcare sector and in the electronic gases business.

The Supervisory Board appoints the Executive Board and monitors and advises the Executive Board in the running of its business operations. Executive Board decisions that are of fundamental importance to the Group require the approval of the Supervisory

Board. The Supervisory Board regularly meets to discuss Executive Board and Supervisory Board matters without the Executive Board.

The Chairman of the Supervisory Board coordinates the work of the plenary Supervisory Board and chairs its meetings. He is responsible for ensuring that resolutions passed by the Supervisory Board and its committees are duly executed and he is authorised to issue the statements on behalf of the Supervisory Board required to implement the resolutions of the Supervisory Board and its committees. He is prepared to talk to investors, to an appropriate extent, about Supervisory Board-specific topics. The Chairman of the Supervisory Board maintains close contact with the Executive Board and the Chairman of the Executive Board in particular throughout the year, sharing information and ideas.

In its procedural rules, the Supervisory Board has set out regulations governing regular reviews to determine the efficiency of its activities. In accordance with the procedural rules, the last review was conducted at the end of 2015. Based on the outcome of this efficiency review, suggestions regarding, in particular, future personnel changes and additional topics to be addressed by the Supervisory Board were implemented on an ongoing basis as of 2016.

All Supervisory Board members must ensure that they have sufficient time to perform those duties. When submitting proposals to the Annual General Meeting regarding the election of new Supervisory Board members, the Supervisory Board checks that the candidates are able to invest the time likely to be required.

At present, one member of the Supervisory Board, Dr Thomas Enders, is a member of the executive board of a listed company. Dr Thomas Enders currently has another mandate outside of the Group. This means that he complies with the limits on Supervisory Board mandates set out in the German Corporate Governance Code. Information about the members of the Supervisory Board and their memberships of other legally prescribed German supervisory boards and/or comparable German or foreign boards of business entities is given in ► [NOTE \[35\]](#) of the Notes to the Group financial statements. The CVs of Supervisory Board members are available on the Linde website. These also include an overview of the main activities in addition to the Supervisory Board mandate at the company.

Skills profile, targets of the Supervisory Board regarding its composition and diversity concept for the Board as a whole

The composition of the Supervisory Board is to be balanced to ensure that its members collectively possess the knowledge, skills and professional experience necessary to enable them to discharge their duties in a group with global operations in a fit and proper manner. All in all, the Supervisory Board should have the skills

that are deemed important given the global activities of The Linde Group as a capital market-oriented gases and engineering company. The Supervisory Board should also, in particular, include individuals with leadership experience in a major industrial company with international operations. In addition, the Supervisory Board should have knowledge and experience relating to Linde's key business areas. All of the members of the Supervisory Board should be familiar with the sector in which the company operates. The Supervisory Board should have sufficient international experience. The Chairman of the Audit Committee should be impartial and have particular knowledge and experience in the application of accounting principles and internal control procedures. One member of the Audit Committee must always be impartial and have specialist expertise in accounting or auditing. The Supervisory Board has defined the following specific targets for its composition in accordance with clause 5.4.1 of the German Corporate Governance Code. These take into account the particular situation of the Group, the Group's international reach, potential conflicts of interest, the number of independent Supervisory Board members, an age limit for Supervisory Board members, a regular limit on the length of membership of the Supervisory Board and the need for diversity.

→ International expertise

With operations in more than 100 countries, The Linde Group has a global footprint. To reflect this, at least five of the Supervisory Board members should have extensive international expertise.

→ Potential conflicts of interest and independence

At least 75 percent of the Supervisory Board members should have no direct or indirect business, financial or personal ties with the company or its corporate bodies, a controlling shareholder or a company affiliated with the latter, that could constitute a significant and not just temporary conflict of interest or give rise to concerns regarding partiality. The mere existence of an employment relationship between employee representatives and the company or its affiliated companies does not preclude impartiality as described above. Supervisory Board members should not have management or advisory roles on the executive bodies of the main competitors of The Linde Group. No more than two former Executive Board members should sit on the Supervisory Board.

→ Age limit for Supervisory Board members

Supervisory Board members should be no older than 72.

→ Standard threshold for membership of the Supervisory Board

The Supervisory Board has set three terms of office as the maximum period of membership of the Supervisory Board. This maximum threshold is to be adhered to as a general rule.

→ Diversity

The Supervisory Board is committed to diversity in its composition and to the fair representation of women in particular. As Linde Aktiengesellschaft is a listed stock corporation that is subject to the provisions of the German Co-Determination Act (MitbestG), the Supervisory Board comprises at least 30 percent female members and at least 30 percent male members in line with the principles set out in § 96 (2) of the German Stock Corporation Act (AktG).

Status of implementation of the targets, skills profile and diversity concept

The current composition of the Supervisory Board matches the above-stated objectives. The Supervisory Board matches the skills profile and the areas of expertise covered by its membership include engineering, law and economics, as well as finance, accounting and financial control. All of the members of the Supervisory Board are familiar with the sector in which the company operates.

Thanks to professional experience gained during their careers to date, all of the current Supervisory Board members have special international expertise. No conflicts of interest arose for any member of the Supervisory Board during the 2017 financial year. Where such conflicts of interest do occur, they must be disclosed immediately to the Supervisory Board. No Supervisory Board members currently have management or advisory roles on the executive bodies of any of Linde's major competitors. Four Supervisory Board members, Anke Couturier, Gernot Hahl, Andrea Ries and Frank Sonntag, are company employees. No other consultancy, service or work contracts have been concluded between Supervisory Board members and the company. One Supervisory Board member, Professor Dr Wolfgang Reitzle, is a former member of the company's Executive Board. When he was elected by the 2016 Annual General Meeting, the two-year cooling-off period required for Executive Board members of a listed company in accordance with § 100 (2) No. 4 of the German Stock Corporation Act (AktG) was taken into account. No member of the Supervisory Board reached the age limit. The Supervisory Board currently has three members in the over-40 age category, five members in the over-50 category and four members in the over-60 category. One of the Supervisory Board members elected by the employees, Gernot Hahl, has been a member of the Supervisory Board since 1998. Otherwise, no Supervisory Board members exceed the standard threshold for membership of the Supervisory Board adopted in 2016. Due to the resignation of the Supervisory Board member Hans-Dieter Katte on 31 December 2017, the proportion of women on the Supervisory Board has increased to 33 percent. The minimum gender distribution levels set out in § 96 (2) sentence 1 AktG have been met. The Supervisory

Board currently includes a total of four women, Professor Dr Ann-Kristin Achleitner and Dr Victoria Ossadnik on the shareholder representative side, and Anke Couturier and Andrea Ries on the employee representative side. This means that women account for 33 percent of the Supervisory Board on both the shareholder and the employee representative side. Professor Dr Ann-Kristin Achleitner is a member of the Nomination Committee and Audit Committee. The Chairman of the Audit Committee, Dr Clemens Börsig, is impartial and, like Professor Dr Ann-Kristin Achleitner, has specialist knowledge and many years experience of financial reporting and the application of accounting principles and internal control systems.

The procedural rules of the Supervisory Board include rules regarding the independence of its members. No member of the Supervisory Board is in a personal or commercial relationship with the company or its bodies that could represent a conflict of interests. Dr Thomas Enders and Dr Victoria Ossadnik currently hold leadership functions at companies with which Linde has business relationships. Transactions with these companies take place under the same conditions as for non-related third parties. The values of all ongoing transactions with these companies in the 2017 financial year corresponded to less than 0.1 percent of Linde's Group revenue in the 2017 financial year and, in each case, to less than 0.1 of the consolidated revenue of the companies in question. In the opinion of the Supervisory Board, the impartiality of Dr Thomas Enders and Dr Victoria Ossadnik is not affected by these transactions. Linde AG has no controlling shareholder whose relationship with a member of the Supervisory Board could jeopardise that member's independence. Consequently, the Supervisory Board is composed exclusively of individuals with a sufficient level of independence.

Supervisory Board committees

The Supervisory Board has four committees, which lay the groundwork for the plenary Supervisory Board. The committees prepare the work of the plenary Supervisory Board. If it is permitted by law and laid down in the procedural rules of the Supervisory Board, decision-making powers may in individual cases be delegated by the Supervisory Board to these committees. The Chairman of the Supervisory Board chairs all the committees with the exception of the Audit Committee. The committee chairmen report back to the Supervisory Board on the work of their committees, doing so at the first plenary Supervisory Board meeting following the committee meeting.

The Standing Committee, which comprises three shareholder representatives and two employee representatives, advises the Supervisory Board in particular on the appointment and removal of members of the Executive Board and on decisions regarding the remuneration system for the Executive Board, including

the terms and conditions of employment contracts, pension contracts and any other contracts pertinent to the remuneration of Executive Board members, and the total remuneration of individual Executive Board members. Moreover, the Standing Committee is responsible for approving transactions with Executive Board members and related parties, as well as for approving other activities of the Executive Board members, especially the holding of positions on supervisory boards and comparable boards of business entities that are not part of The Linde Group. It also provides advice on long-term succession planning for the Executive Board and reviews the efficiency of the work of the Supervisory Board on a regular basis.

The Audit Committee similarly comprises three shareholder representatives and two employee representatives. It monitors the impartiality of the auditors and looks at the additional services they provide, the awarding of the audit mandate, the definition of audit focal points and the fee agreement. The Audit Committee lays the groundwork for the decisions of the Supervisory Board regarding the adoption of the annual financial statements and the approval of the Group financial statements, taking account of the auditors' reports, and makes arrangements with the auditors. It supports the Supervisory Board in the execution of its supervisory duties and monitors, in particular, the accounting process and the effectiveness of the internal control system, risk management system and internal audit system, as well as the statutory audit. It also deals with compliance issues. The Executive Board also discusses the interim and half-year financial reports with the Audit Committee prior to publication. The Audit Committee also submits a substantiated recommendation to the plenary Supervisory Board regarding the proposal for the election of the company's auditors.

The Nomination Committee comprises the Chairman of the Supervisory Board, the Second Deputy Chairman of the Supervisory Board and one other shareholder representative. It makes recommendations to the Supervisory Board on proposed candidates for the election of shareholder representatives at the Annual General Meeting.

The Mediation Committee, formed under the provisions of the German Co-Determination Act (MitbestG), comprises the Chairman of the Supervisory Board, the Deputy Chairman of the Supervisory Board (elected by the employee representatives on the Supervisory Board), one shareholder representative and one employee representative. It makes suggestions to the Supervisory Board regarding the appointment of Executive Board members if the required majority of two-thirds of the votes cast by Supervisory Board members is not obtained in the first ballot.

The Supervisory Board and its committees pass resolutions at meetings which are convened on a regular basis.

The names of those sitting on the Supervisory Board and on the Supervisory Board committees when the annual financial statements were being prepared are given on ► [PAGES 6 TO 7](#) or may be consulted on the Internet at ► WWW.LINDE.COM/SUPERVISORYBOARD. Information about the activities of the Supervisory Board and its committees, about the work it has done with the Executive Board, as well as a disclosure regarding participation in meetings by the individual Supervisory Board members in the 2017 financial year is provided in the Report of the Supervisory Board. ► [SEE PAGES 8 TO 14](#).

Additional corporate governance information

Annual General Meeting

The shareholders assert the rights accorded to them by law and by the articles of association either before or during the Annual General Meeting by exercising their right to vote. Each share entitles the shareholder to one vote.

The Annual General Meeting takes place within the first six months of each financial year. Notice of the Annual General Meeting, together with the reports and documents required by law for the meeting, including the financial report, is published, along with the agenda for the meeting, the conditions governing participation, an overview of shareholder rights, forms for voting by post, plus shareholder counter-motions and nominations, on the Linde website in both German and English, and is thus easily accessible for shareholders. Notice of the Annual General Meeting and the associated documents may also be transmitted electronically to shareholders if they so wish.

Shareholders who are unable to attend the Annual General Meeting or who leave the meeting before voting has commenced have the option of exercising their vote through a proxy of their choice or a proxy appointed by the company who then votes in accordance with their instructions. Proxy forms may also be submitted in electronic form. Moreover, shareholders have the option of casting their votes without appointing a proxy in writing or using electronic media (ballot by mail).

The Executive Board of Linde AG presents the annual financial statements and Group financial statements, together with the combined management report, for approval at the Annual General Meeting. The Annual General Meeting passes resolutions regarding the appropriation of profits, the ratification of the acts of the Executive Board and Supervisory Board, the appointment of the auditors and generally also the election of shareholder representatives to the Supervisory Board. Decisions are also made at the Annual General Meeting about the content of the articles of association, key structural measures, capital measures and the authorisation

to repurchase shares. The meeting has the opportunity to approve the remuneration system for Executive Board members. Once the Annual General Meeting has closed, the results of the votes on each agenda item are published on the company's website without delay.

Consequential loss and liability insurance

The company has taken out consequential loss and directors and officers liability insurance (D & O) for the members of the Executive Board and Supervisory Board. For members of the Executive Board, the retention in accordance with legal rules is 10 percent of the claim, up to a figure of one and a half times the fixed annual emoluments of the Board member in question. An appropriate retention has been agreed for members of the Supervisory Board in accordance with the recommendation set out in the German Corporate Governance Code.

Directors' dealings

Linde AG publishes without delay as stipulated by law transactions subject to notification pursuant to Article 19 of the Market Abuse Regulation which have been executed by the persons named therein, in particular transactions carried out by members of the executive bodies of the company and related parties involving shares in, and debt instruments issued by, in the company or related financial instruments. The transactions reported to Linde AG in the past financial year can be accessed on the company's website.

Interests in share capital

The total holdings of all the members of the Executive Board and Supervisory Board in Linde AG shares or related financial instruments during the financial year did not exceed 1 percent of the shares issued by the company. On 31 December 2017, Executive Board members held a total of 70,000 shares in Linde AG submitted for exchange, while Supervisory Board members held a total of 13,000 shares in Linde AG submitted for exchange.

Remuneration of the Executive Board and Supervisory Board

The remuneration report, which also includes information on the share-based emoluments, can be found on ► [PAGES 24 TO 39](#) of this financial report.

Communications and stakeholder relations

Linde AG complies with the legal requirement to treat all its shareholders equally. Transparency plays an important role and the company always aims to provide shareholders and the public with comprehensive, consistent and up-to-date information. Linde makes extensive use of the Internet as a reporting tool. Comprehensive facts and figures about Linde are available online. Interested parties can also seek information on the latest Linde developments via social media.

A financial calendar, which is also published on Linde AG's website, keeps our shareholders and the general public informed about the dates of the company's main recurring publications, the Annual General Meeting, the Press Conference on the annual results and analyst conferences. Linde AG publishes ad-hoc announcements, press releases and notifiable securities transactions (directors' dealings) in the media specified by the law and on its website. The company's articles of association are also available on its website. Four times in the financial year, Linde reports to its shareholders on its business performance, the net assets, financial position and results of operations of the Group, the forecast for the future, and opportunities and risks. Linde provides information to the capital market and to the public every quarter through analyst conferences and press conferences or in the form of teleconferences. These coincide with the publication of quarterly, half-year and annual results. Regular events where the CEO and CFO meet institutional investors and financial analysts also ensure a continual exchange of information with the financial markets. The dates and locations of roadshows and investor conferences are published on the Linde website. The presentations given at these events are also available to view on the website, which additionally contains video and audio recordings of major events.

Linde considers not only the interests of its shareholders but also the concerns of its stakeholders, who are a key element in the Group's success. As far as possible, all stakeholders are included in corporate communications. Linde's stakeholders include all its employees, customers and suppliers, as well as trade associations and government bodies.

Accounting, audit and risk management

Linde AG prepares its Group financial statements and the Group half-year financial report and interim financial reports in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The preparation of the statutory annual financial statements of Linde AG, on which the dividend payment is based, complies with German commercial law (HGB). The annual financial statements and the Group financial statements are prepared by the Executive Board, examined by the Supervisory Board and audited by the auditors. As obliged by law, the members of the Executive Board confirm that, to the best of their knowledge, the annual financial statements, the Group financial statements and the combined management report provide a true and fair view, describing the main opportunities and risks associated with the likely future development of the Group and the company. The audit procedures are in accordance with German auditing regulations and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (the Institute of Public

Auditors in Germany) and, in the case of the Group financial statements, in supplementary compliance with International Standards on Auditing. The audit procedures also include a review of the system for the early identification of risks. The Audit Committee meets the Executive Board to discuss the interim and half-year financial reports in detail prior to publication.

In May 2017, the Supervisory Board issued the mandate for the audit of the annual financial statements and Group financial statements to KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, who had been appointed at the Annual General Meeting as auditors of the annual financial statements and Group financial statements for the 2017 financial year and had also been appointed to conduct audit reviews of the interim and half-year financial reports for the 2017 financial year. KPMG/a predecessor company has been the auditor of the annual financial statements of Linde AG since 31 December 1984. Since the 2013 financial year, Mr Klaus Becker has been signing the annual financial statements, with Mr Harald von Heynitz providing his signature, as the auditor responsible for the audit (Global Lead Partner), since the annual and Group financial statements for 2015. The auditors issued a detailed declaration confirming their independence to the Audit Committee of the Supervisory Board. There were no conflicts of interest. It was agreed with the auditors that the Chairman of the Supervisory Board and the Chairman of the Audit Committee would be informed immediately during the audit of any potential reasons for the disqualification of the auditors or for their lack of impartiality, unless these could be eliminated without delay. The auditors were obliged to report immediately all the significant audit findings and events that came to either attention while conducting the audit that have an impact on the duties of the Supervisory Board. The auditors have also undertaken to inform the Supervisory Board if they discover facts in the course of their audit which reveal any inaccuracies in the company's declaration of compliance with the German Corporate Governance Code.

Linde has reporting, monitoring and risk management systems in place which are continually being updated and adapted by the Executive Board to take account of changing circumstances. The internal audit department performs reviews at regular intervals of the efficiency and effectiveness of the risk management system and the internal control system. The auditors also assess the system in place for the early identification of risk and provide regular reports on their findings at a global level to the Executive Board and Supervisory Board. Additionally, the Audit Committee supports the Supervisory Board in monitoring the activities of executive management and also deals with risk management issues in this context. It receives regular reports from the Executive Board about risk management, the risk position, and the identification

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and monitoring of risks. In addition, it is informed on a regular basis about existing risks and the evolution of those risks. Moreover, the Audit Committee has agreed with the auditors that, if necessary, they will report to the Committee any significant weaknesses that they identify in the internal control system in relation to the accounting process and in the system for the early identification of risks. Further details about risk management in The Linde Group are provided in the Opportunity and risk report on ► [PAGES 75 TO 89](#). This includes the report on the accounting-related internal control system.