

PRAXAIR INC
Form DEF 14A
March 07, 2003

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SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Praxair Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- No fee required
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(3) Filing Party:

(4) Date Filed:

39 Old Ridgebury Road
Danbury, Connecticut 06810-5113

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD APRIL 22, 2003

Dear Praxair Shareholder:

The Annual Meeting of Shareholders of Praxair, Inc. will be held at 9:30 a.m. on Tuesday, April 22, 2003 at The Amber Room Colonnade, Stacey Road, Danbury, Connecticut, for the following purposes:

1. To elect three directors to the Board of Directors.
2. To consider a shareholder proposal.
3. To conduct such other business as may properly come before the meeting.

Only holders of Common Stock of Praxair, Inc. of record at the close of business on February 24, 2003 will be entitled to vote at the meeting or any adjournment thereof.

It is important that your shares be represented and voted at the meeting. You may vote your shares by means of a proxy form using one of the following methods:

1. **Electronically on the Internet** (if instructions for this method are included in this package), **OR**
2. **By telephone** (if instructions for this method are included in this package), **OR**
3. By signing and dating the **proxy/voting instruction card** enclosed in this package and returning it in the postage-paid envelope that is provided.

The giving of such proxy does not affect your right to vote in person if you attend the meeting.

We encourage you to complete and file your proxy electronically or by telephone (if those options are available to you) as a means of **reducing the Company's expenses** related to the meeting.

BY ORDER OF THE BOARD OF
DIRECTORS

DAVID H. CHAIFETZ,
*Vice President, General Counsel
and Secretary*

February 28, 2003

WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING IN PERSON, PLEASE PROMPTLY COMPLETE
AND FILE A PROXY, EITHER BY INTERNET, BY TELEPHONE OR BY MAIL.

PROXY STATEMENT

TABLE OF CONTENTS

	<u>PAGE</u>
MATTERS TO BE CONSIDERED AT THE ANNUAL MEETING	
Item 1: Election of Directors	1
Item 2: Shareholder Proposal	1
Item 3: Other Business	2
PROXY AND VOTING PROCEDURES	3
HOW TO RECEIVE YOUR ANNUAL REPORT AND PROXY STATEMENT ON-LINE	4
SHARE OWNERSHIP	
Principal Holders	4
Directors and Executive Officers	5
CORPORATE GOVERNANCE AND BOARD PRACTICES	
Praxair's Governance Principles	6
Business Integrity and Ethics	6
Director Independence	6
Board Leadership	6
Mandatory Director Retirement	6
Limits to Service on Other Boards	6
Director Stock Ownership Guidelines	6
Executive Stock Ownership Guidelines	6
Succession Planning and Personnel Development	7
CEO Performance Evaluation	7
Strategy Review and Oversight	7
Board Effectiveness Assessment	7
Auditor Independence	7
Director Compensation	7
Board Committees	9
THE BOARD OF DIRECTORS	
Director Attendance	12

	PAGE
The Directors	12
EXECUTIVE OFFICERS	15
SHAREHOLDER RETURN (Performance Graphs)	16
EXECUTIVE COMPENSATION	
Compensation and Management Development Committee Report on Executive Compensation	17
Executive Compensation Tables:	
Table 1: Summary Compensation Table	20
Table 2: Option Grants in Last Fiscal Year	21
Table 3: Aggregated Option Exercises in Last Fiscal Year and FY-End Option Values	22
Table 4: Pension Plan Table	23
Employment Contracts and Termination of Employment and Change-in-Control Arrangements	23
<hr/>	
THE INDEPENDENT ACCOUNTANTS	25
Auditor Selection and Attendance at the Meeting Auditor	
Independence	25
Fees Paid to the Independent Accountants	25
AUDIT COMMITTEE REPORT	26
SHAREHOLDER PROPOSAL	
Proponent's Statement	27
Your Board's Statement in Opposition	28
MISCELLANEOUS	
Section 16(a) Beneficial Ownership Reporting	
Compliance	28
Shareholder Proposals for the 2004 Annual Meeting	29
Annual Reports	29
Cost of Proxy Solicitation	29
APPENDIX 1: CORPORATE GOVERNANCE GUIDELINES	30
APPENDIX 2: DIRECTOR INDEPENDENCE STANDARDS	34
APPENDIX 3: AUDIT COMMITTEE CHARTER	36

39 Old Ridgebury Road
Danbury, Connecticut 06810-5113

PROXY STATEMENT

*Annual Meeting of Shareholders
Tuesday, April 22, 2003*

This statement is furnished to shareholders of Praxair, Inc. ("Praxair" or the "Company") in connection with the solicitation of proxies for the Annual Meeting of Shareholders to be held at The Amber Room Colonnade, Stacey Road, Danbury, Connecticut on April 22, 2003, at 9:30 a.m. or at any adjournment thereof (the "Annual Meeting"). This Proxy Statement and the enclosed form of proxy are first being sent to

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shareholders on or about March 10, 2003. The enclosed proxy is solicited on behalf of the Board of Directors of Praxair.

MATTERS TO BE CONSIDERED AT THE ANNUAL MEETING

Item 1: Election of Directors

Three directors are to be elected. Praxair's Board of Directors is divided into three classes serving staggered terms. The terms of three of the present directors expire this year and each of them has been nominated for reelection.

Your Board recommends that Claire W. Gargalli, G. Jackson Ratcliffe, Jr., and Dennis H. Reilley be elected to serve in the class with terms expiring in 2006. Each nominee has agreed to be named in this Proxy Statement and to serve if elected. Biographical data on these nominees and the other members of the Board of Directors is presented at page 12 of this Proxy Statement under the caption "The Board of Directors".

If one or more of the nominees becomes unavailable for election or service as a director, the proxy holders will vote your shares for one or more substitutes designated by the Board of Directors, or the size of the Board of Directors will be reduced.

To be elected, a nominee must receive a plurality of the votes cast at the Annual Meeting in person or by proxy. If you are a shareholder of record and submit a proxy card (whether by Internet, telephone or mail) without specifying a choice on this matter, the proxy holders intend to vote your shares in favor of each of the above nominees. If you hold your shares in a brokerage or bank account, then, under New York Stock Exchange rules, your broker or bank is entitled to vote your shares on this matter even if no instructions are received from you. If you hold your shares in the Praxair, Inc., Praxair Distribution, Inc., Praxair Healthcare Services, Inc., Praxair Puerto Rico, Inc., or the Dow Chemical Company Employees' savings plan, and if the plan trustee receives no voting instructions from you, then, under the applicable plan trust agreement, the plan trustee is to vote your shares in the same proportion on this matter as it votes shares for which it has received instructions. Abstentions may not be specified as to election of directors.

Item 2: Shareholder Proposal

A shareholder has announced his intention to present a proposal recommending that your Board redeem rights issued to you under the Company's Stockholder Protection Rights Agreement. **Your Board recommends that you vote against this proposal.** The proponent's statement in favor of this proposal and your Board's statement in opposition are located on pages 26 and 27, respectively, of this Proxy Statement under the caption "Shareholder Proposal". In order for this proposal to be adopted by the shareholders, at least a majority of votes cast at the Annual Meeting in person or by proxy by shareholders entitled to vote on the matter must be voted in favor of the proposal. If you are a shareholder of record and submit a proxy card (whether by Internet, telephone or mail) without specifying a choice on this matter, the proxy holders intend to vote your shares against the above

proposal. If you hold your shares in a brokerage or bank account, then, under New York Stock Exchange rules, your failure to give voting instructions to your broker or bank will result in a so-called "broker non-vote" (since your broker or bank is not entitled to vote your shares on this matter unless it receives instructions from you). Broker non-votes as well as abstentions are not considered votes cast and, therefore, will be counted neither for nor against this matter. However, if you hold your shares in the Praxair, Inc., Praxair Distribution, Inc., Praxair Healthcare Services, Inc., Praxair Puerto Rico, Inc., or the Dow Chemical Company Employees' savings plan, and if the plan trustee receives no voting instructions from you, then, under the applicable plan trust agreement, the plan trustee is to vote your shares in the same proportion on this matter as it votes shares for which it has received instructions.

Item 3: Other Business

Praxair knows of no other business that will be considered for action at the Annual Meeting. If any other business calling for a vote of shareholders is properly presented at the meeting, the proxy holders will vote your shares in accordance with their best judgment.

Shareholders Entitled to Vote

Common Stock shareholders of record at the close of business on February 24, 2003 will be entitled to vote at the Annual Meeting. As of that date, a total of 162,241,254 shares of Praxair's Common Stock were outstanding and entitled to vote. Each share of Common Stock is entitled to one vote.

Filing of Proxies

Your vote is important. Because many shareholders cannot attend the Annual Meeting in person, it is necessary that a large number be represented by proxy. Most shareholders have a choice of voting over the Internet, by using a toll-free telephone number or by completing a proxy card and mailing it in the postage-paid envelope provided. Check your proxy card or the information forwarded by your bank, broker or other holder of record to see which options are available to you. Please be aware that, if you vote over the Internet, you may incur costs such as telecommunication and Internet access charges for which you will be responsible.

The Internet and telephone voting procedures are designed to authenticate shareholders by use of a Control Number and to allow shareholders to confirm that their instructions have been properly recorded.

Voting of Proxies

All shares entitled to vote and be represented by a properly completed proxy (either by Internet, telephone or mail) will be voted at the Annual Meeting as indicated on the proxy unless earlier revoked by you. If no instructions are indicated for a matter on an otherwise properly completed proxy, the shares represented by that proxy will be voted on that matter as recommended by the Board of Directors. If a proxy is returned by mail unsigned, it will also be voted as recommended by the Board of Directors. Execution of the proxy also confers discretionary authority to the proxy holder to vote your shares on other matters that may properly come before the meeting.

Revocation of Proxy

You may revoke your proxy at any time before it is voted by filing with Praxair's Secretary a written revocation, by timely delivery of a properly completed, later-dated proxy (including by Internet or telephone), or by voting in person at the Annual Meeting.

Voting at the Annual Meeting

The method by which you vote will in no way limit your right to vote at the Annual Meeting if you later decide to attend in person. If your shares are held in the name of a bank, broker or other holder of record, you must obtain a proxy, executed in your favor, from the holder of record, to be able to vote at the Annual Meeting.

Quorum

The presence, in person or by proxy, of the holders of a majority of the shares entitled to vote shall constitute a quorum. The shares represented by abstentions and broker non-votes (for an explanation of "broker non-votes", see vote counting information on page 2 of this Proxy Statement under the caption "Item 2 Shareholder Proposal") on filed proxies and ballots will be considered present for quorum purposes.

HOW TO RECEIVE YOUR ANNUAL REPORT AND PROXY STATEMENT ON-LINE

Save Praxair future postage and printing expense by consenting to receive future annual reports and proxy statements on-line on the Internet.

Most shareholders can elect to view future proxy statements and annual reports over the Internet instead of receiving paper copies in the mail. Those shareholders will be given the opportunity to consent to future Internet delivery when they vote their proxy. (For some shareholders, this option is only available if you vote by Internet.)

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If you are not given an opportunity to consent to Internet delivery when you vote your proxy, contact the bank, broker or other holder of record through which you hold your shares and inquire about the availability of such an option for you.

If you consent, your account will be so noted and, when Praxair's 2003 Annual Report and the Proxy Statement for the 2004 Annual Meeting of Shareholders become available, you will be notified on how to access them on the Internet. Any prior consent you have given will remain in effect until specifically revoked by you in the manner specified by the bank or broker that manages your account.

If you do elect to receive your Praxair materials via the Internet, you can still request paper copies by contacting the Assistant Corporate Secretary at Praxair, Inc., 39 Old Ridgebury Road, M1, Danbury, CT 06810-5113.

SHARE OWNERSHIP

Principal Holders

The only persons known by Praxair to be beneficial owners of more than five percent of Praxair's Common Stock (par value \$0.01) are the following:

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percent of Shares Outstanding(a)
FMR Corp. Devonshire Street, Boston, MA 02109	15,491,171(b)	9.6%
Massachusetts Financial Services Company ("MFS") 500 Boylston Street, Boston, MA 02116	8,555,039(c)	5.3%

- Notes: (a) Based on 162,268,096 total shares outstanding on December 31, 2002 excluding shares held for the account of Praxair.
- (b) Holdings as of December 31, 2002 as reported in SEC Schedule 13G by FMR Corp. According to this report, FMR Corp. had sole voting power as to 1,652,331 shares and sole investment power as to 15,491,171 shares.
- (c) Holdings as of December 31, 2002 as reported in SEC Schedule 13G by MFS. According to this report, MFS had sole voting power as to 7,786,737 shares and sole investment power as to 8,555,039 shares.

4

Directors and Executive Officers

As of December 31, 2001, directors and executive officers of Praxair beneficially owned shares of Praxair's Common Stock (par value \$0.01) as follows. Directors and all executive officers as a group, 20 persons, beneficially owned 1.0% of the outstanding shares as of that date.

SHARES BENEFICIALLY OWNED AND OTHER EQUITY INTERESTS					
Name	Position	Common Stock(1)	Deferred Stock(2)	Total	Stock Options(3)
Dennis H. Reilley	Chairman, President and Chief Executive Officer	51,702	35,008	86,710	583,333
Paul J. Bilek	Executive Vice President	27,275	14,650	41,925	181,999
Stephen F. Angel	Executive Vice President	21,462	13,974	35,436	93,333
Thomas W. von Krannichfeldt	Executive Vice President	15,492	9,803	25,295	74,166

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SHARES BENEFICIALLY OWNED AND OTHER EQUITY INTERESTS

James S. Sawyer	Vice President and Chief Financial Officer	8,395	11,153	19,548	83,433
Alejandro Achaval	Director	1,727	14,451	16,178	0
Dale F. Frey	Director	1,629	1,909	3,538	15,000
Claire W. Gargalli	Director	1,722	3,984	5,706	15,000
Ronald L. Kuehn, Jr.	Director	5,301	15,156	20,457	15,000
Raymond W. LeBoeuf	Director	1,000	11,266	12,266	10,000
Benjamin F. Payton	Director	1,821	2,329	4,150	10,000
G. Jackson Ratcliffe, Jr.	Director	1,821	22,397	24,218	15,000
Wayne T. Smith	Director	5,000	2,314	7,314	0
H. Mitchell Watson, Jr.	Director	1,808	9,813	11,621	10,000
Total		146,155	168,207	314,362	1,106,264
Directors & Executive Officers as a group	(20 persons)	223,412	195,932	419,344	1,482,260

- (1) Amounts reported as **Common Stock** include 25,000 restricted shares for which Mr. Reilley has sole voting power and which vest in stages beginning in 2006. Reported shares also include 20,000 restricted shares for which Mr. Angel has sole voting power and which vest in stages beginning in 2003.
- (2) **Deferred Stock** represents stock price-based units into which deferred compensation has been invested pursuant to the deferred compensation plans for management and for non-employee directors. Holders have no voting rights with respect to Deferred Stock. The value of Deferred Stock units varies with the price of Praxair's common stock and, at the end of the deferral period, the units are payable in stock.
- (3) **Stock Options** represent shares that may be acquired upon exercise of options exercisable within 60 days of December 31, 2002.

CORPORATE GOVERNANCE AND BOARD PRACTICES

Praxair's Governance Principles. Praxair operates under Governance Guidelines which are set forth in Appendix 1 to this Proxy Statement. Consistent with those guidelines, your Board has adopted the following policies and practices, among others:

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Business Integrity and Ethics. One of your Board's first acts upon Praxair's launch as a public company was to adopt policies regarding Compliance with Laws and Business Integrity and Ethics. The current version of the Board's policy in these areas is posted at Praxair's web-site, www.praxair.com.

Director Independence. Your Board has adopted independence standards for service on Praxair's Board of Directors and these are set forth in Appendix 2 to this Proxy Statement. Your Board has applied these standards to all of the incumbent non-employee directors, including those who are nominees for reelection at this meeting, and has determined that all of them are independent; and your Board is not otherwise aware of any relationship with the company or its management that could potentially impair a director's exercise of independent judgment.

Board Leadership. The independent directors have elected G. Jackson Ratcliffe, Jr. as Executive Session Presiding Director. Mr. Ratcliffe presides over private meetings of the independent directors and performs other duties, including conducting a formal performance review of the Chief Executive Officer.

Mandatory Director Retirement. Your Board has adopted a policy whereby no director who has attained the age of 72 may serve on the Praxair Board. Your Board also has a policy against service on the Board by an officer of the company after his/her retirement, resignation or removal as an officer.

Limits to Service on Other Boards. Your Board has established a policy whereby no non-employee director may serve on more than 5 additional public company Boards and no member of the Audit Committee may serve on more than two additional public company audit committees. Also, the Chief Executive Officer may not serve on more than two other public company Boards.

Director Stock Ownership Guidelines. Your Board has adopted a policy whereby directors must acquire and hold during their service as a Praxair Board member shares of the Company's stock equal in value to at least 5 times the base cash retainer for directors. Directors have 5 years from their initial election to meet this guideline (or, for incumbent directors, until October 2007). As shown in the stock ownership table presented at page 5 of this Proxy Statement under the caption "Share Ownership", all directors have met this guideline or are within the compliance period; and most substantially exceed the guideline. In addition, any new director elected after October 2002 must, no later than the date of his/her election, acquire, using his/her own personal resources, shares of the Company's stock equal in value to the base cash retainer.

Executive Stock Ownership Guidelines. Your Board of Directors believes that it is important for executive officers to acquire a substantial ownership position in Praxair. In this way, their interests will be more closely aligned with those of shareholders. Significant stock ownership focuses the executives' attention on managing Praxair as equity owners.

Accordingly, stock ownership guidelines have been established for the Corporation's officers and senior managers as follows. 104 executives are currently covered under this stock ownership policy. Individuals are expected to meet the applicable guideline no more than 5 years after first becoming subject to it. The guidelines for 4 of the 5 members of the Office of the Chairman (designated by

6

asterisk below), were increased effective in 2002. These officers have 3 years to meet the increased guidelines.

	Value of Shares Owned
Chief Executive Officer*	5.0x Base Salary
Executive Vice Presidents*	3.0x Base Salary
Chief Financial Officer	3.0x Base Salary
Other Executive Officers	1.5x Base Salary
Other Officers and Senior Managers	1.0x Base Salary

As of the date of this Proxy Statement, all covered individuals have met or exceeded their guidelines, where permitted by law, or are within their transition period. Stock ownership of the 5 most highly compensated executive officers in 2002 can be found in the table presented at page 5 of this Proxy Statement under the caption "Share Ownership."

Succession Planning and Personnel Development. Under the leadership of the Compensation and Management Development Committee, it is your Board's practice to annually conduct a formal Succession Planning and Personnel Development session in which evaluations of senior executives are reviewed with respect to their potential for promotion into senior leadership positions, including that of the CEO. In addition, a wide variety of senior executives are purposely exposed to your Board by way of Board and Committee presentations and directors have unrestricted access to management for management assessment and development as well as for information gathering.

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CEO Performance Evaluation. Your Board has in place a process whereby the Executive Session Presiding Director conducts a formal performance review at least annually of the Chief Executive Officer taking into account the views of all of the other independent directors. This is in addition to the evaluation inherent in the Compensation and Management Development Committee's determination of performance-based variable compensation each year.

Strategy Review and Oversight. It is your Board's practice to conduct a full day session at least annually to review the strategies of the Company overall and of its key business components; and to provide advice and counsel to management regarding the strategic issues facing the Company. Throughout the year, management reports to your Board on the status of significant strategic initiatives and issues.

Board Effectiveness Assessment. As set forth in the Corporate Governance Guidelines, your Board assesses its effectiveness at least annually. Most recently, and extending over several Board and Governance & Nominating Committee meetings beginning in September 2002, your Board undertook a comprehensive review of governance practices and structures and it evaluated measures of its effectiveness including in the areas of Performance of Core Responsibilities, Decision-making Support, and the Quality of Deliberations and Director Performance. In addition, directors have been given measures of individual director effectiveness for purposes of self-assessment, reflection and self-improvement. Several governance improvements have arisen from this review, including development of the Corporate Governance Guidelines set forth at Appendix 2 to this Proxy Statement.

Auditor Independence. Your Board recognizes the importance of insuring the independence of the Company's outside accountants. See page 24 of this Proxy Statement under the caption "Independent Accountants" for a summary of some of the policies designed to monitor and support such independence.

Director Compensation. No director who is an employee of Praxair is compensated for service as a member of the Board of Directors or any committee of the Board of Directors. As of January 1, 2003, compensation for non-employee directors consists of an annual retainer of \$55,000, a \$1,500 fee for

7

each Board meeting attended, and a \$1,500 fee for each committee meeting attended. A director who is also chairman of a Board of Directors' committee is paid an additional \$10,000 annual retainer. The Executive Session Presiding Director is paid a \$5,000 annual retainer in addition to any other fees s/he may be due. Directors are reimbursed for travel expenses incurred on behalf of Praxair and, from time to time, Praxair may sponsor a director's participation in third party-supplied continuing education related to the director's Board or Committee service.

Each active non-employee director is also a participant in the 1995 Stock Option Plan for Non-Employee Directors of Praxair, Inc. On or about April 1st of each year, each Stock Option Plan participant is granted options to purchase 2,500 shares of Praxair's Common Stock. The exercise price of each option is 100% of the closing price of Praxair's stock as reported by the New York Stock Exchange on the date of grant. Each option granted under the stock option plan becomes exercisable on the second anniversary of its date of grant and expires ten years from the date of grant. The plan contains provisions regarding the exercisability and termination of outstanding options in the event of termination of service, retirement, disability, death and change in control of Praxair.

A Deferred Compensation Plan is also available for non-employee directors. Under this plan, non-employee directors may, prior to the beginning of a calendar year, elect to defer to a later date payment of some or all of the cash fees earned in that year. This deferred payment date is fixed by the director at the time of his or her deferral election. At the time of the deferral election, the director also designates that the deferred fees be credited with earnings based upon a "Cash Account", which earns interest at the prime rate, a "Stock Unit Account", the value of which varies with the market price of Praxair's common stock, or a "Discounted Stock Unit Account", in which stock units are allocated at a 10% discount to the market price of Praxair's common stock on the date of deferral and, thereafter, their value varies with the market price of that stock. Stock Unit Accounts and Discounted Stock Unit Accounts are also credited with additional stock units whenever dividends are paid on Praxair's common stock. Stock units provide directors the economic equivalent of stock ownership except that the units may not be transferred or sold and they do not provide any voting or other shareholder rights. The "Cash Account" is paid to the director in cash on the designated payment date. The "Stock Unit Account" and the "Discounted Stock Unit Account" are both paid in the form of Praxair common stock.

8

Board Committees. The Board currently has 4 standing Committees as described in the nearby table and each is comprised of only independent directors:

Meetings and Current Members

*indicates Committee Chairman

Summary Responsibilities

AUDIT COMMITTEE

Meetings in 2002: 6

Members:

H. Mitchell Watson, Jr.*

Alejandro Achaval

Ronald L. Kuehn, Jr.

Benjamin F. Payton

Wayne T. Smith

The Board has determined that each of these Committee members is financially literate and that one or more Committee members has accounting or financial management expertise

Assists the Board in its oversight of (a) the independence, qualifications and performance of Praxair's independent accountants, (b) the integrity of Praxair's financial statements, (c) the performance of Praxair's internal audit function, and (d) Praxair's compliance with legal and regulatory requirements. In furtherance of these responsibilities, the Committee, among other duties,

- (1) appoints the independent accountants to audit Praxair's financial statements, approves the fees and terms of such engagement, approves any non-audit engagements of the independent accountants, and meets regularly with, and receives various reports from, the independent accountants. The independent accountants report directly to the Audit Committee;
- (2) reviews Praxair's principal policies for accounting and financial reporting and its disclosure controls and processes, and reviews with management and the independent accountants Praxair's annual financial statements prior to their publication;
- (3) reviews assessments of Praxair's internal controls, the performance of the Corporate Audit function, and the guidelines and policies by which Praxair undertakes risk assessment and risk management; and
- (4) reviews the effectiveness of Praxair's compliance with laws, business conduct, integrity and ethics policies and programs.

9

COMPENSATION & MANAGEMENT DEVELOPMENT COMMITTEE

Meetings in 2002: 5

Members:

Ronald L. Kuehn, Jr.*

Claire W. Gargalli

Raymond W. LeBoeuf

G. Jackson Ratcliffe, Jr.

H. Mitchell Watson, Jr.

Assists the Board in its oversight of (a) Praxair's compensation and incentive policies and programs, and (b) management development and succession, in both cases particularly as they apply to Praxair's Executive Officers. In furtherance of these responsibilities, the Committee, among other duties,

- (1) determines Praxair's policies relating to the compensation of the Executive Officers and assesses the competitiveness and appropriateness of their compensation and benefits;
- (2) approves corporate goals relevant to the Chief Executive Officer's ("CEO") compensation, evaluates the CEO's performance in light of these goals and sets the CEO's compensation accordingly;
- (3) reviews management's long-range planning for executive development and succession, and develops a CEO succession plan; and
- (4) reviews Praxair's management incentive compensation and equity compensation plans and oversees their administration.

GOVERNANCE & NOMINATING COMMITTEE

Meetings in 2002: 4

Members:

G. Jackson Ratcliffe, Jr.*

Dale F. Frey

Benjamin F. Payton

Wayne T. Smith

Assists the Board in its oversight of (a) the selection, qualifications, compensation and performance of Praxair's directors, (b) Praxair's governance, including the practices and effectiveness of the Board, and (c) various important public policy concerns that affect the corporation. In furtherance of these responsibilities, the Committee, among other duties,

- (1) recommends to the Board nominees for election as directors, and periodically reviews potential candidates, including incumbent directors;
- (2) reviews policies with respect to the composition, organization and practices of the Board, and developments in corporate governance matters generally; and

- (3) reviews Praxair's policies and responses to important social, political and public issues, including equal employment opportunity, charitable contributions, legislative issues, and important shareholder issues, including management and shareholder proposals offered for shareholder approval.

10

FINANCE & PENSION COMMITTEE

Meetings in 2002: 3

Members:

Dale F. Frey*

Alejandro Achaval

Claire W. Gargalli

Raymond W. LeBoeuf

Assists the Board in its oversight of (a) Praxair's financial position and financing activities, (b) Praxair's financial risk management policies and activities, and (c) the ERISA-qualified, funded plans sponsored by Praxair. In furtherance of these responsibilities, the Committee, among other duties,

- (1) monitors Praxair's financial condition and its requirements for short and long term financing, and reviews, and recommends to the Board, the amounts, timing, types and terms of public stock issues and public and private debt issues;
- (2) reviews Praxair's foreign exchange and interest rate exposures, the results of its foreign exchange, interest rate and derivatives hedging activities, and Praxair's practices for managing insurable risks;
- (3) reviews Praxair's policies on dividends and stock repurchases; and
- (4) reviews the investment performance, administration and funded status of Praxair's funded benefit plans and appoints administration and investment committees to act as fiduciaries of such plans.

11

THE BOARD OF DIRECTORS

The following pages present information about the persons who comprise Praxair's Board of Directors; including the three nominees for reelection. During 2002, the Board held seven meetings.

Director Attendance

During his/her current term to date, each nominee for reelection attended Board meetings and meetings of committees of which s/he is a member as follows: Ms. Gargalli, 98%; Mr. Ratcliffe, 98%; and Mr. Reilley, 100%. During this same period, the continuing directors collectively attended 97% of such meetings.

The Directors

ALEJANDRO ACHAVAL

Director Since 1992

Chairman, Chief Executive Officer and Controlling Partner of IMEXTRADE S.A. and Trinidad S.C.A.

Age 70
Term Expires 2004

Mr. Achaval served as Vice Chairman & Chief Executive Officer, IPAKO Industrias Petroquimicas Argentinas S.A. between 1975 and his retirement in 1994.

Mr. Achaval also has served as Chairman of the Argentine Chamber of Chemical and Petrochemical Industries, as a member of the Board and Executive Committee of the Argentine Board of Industry, and as a director of I.D.E.A. Argentine Institute for Management Development, the National Institute of Technology (INTI), and FIPLASTO S.A.

Mr. Achaval is Chairman of FUNDES Argentina and director of FUNDES International, a subsidiary of Nueva A.G. (Switzerland). He is also a director of Minetti S.A., a company controlled by Holderbank A.G. (Switzerland) and a director of Praxair Argentina S.A., an indirect subsidiary of Praxair, Inc.

DALE F. FREY

Director Since 1993
Director of Various Corporations

Age 70
Term Expires 2004*

Mr. Frey served as Chairman and President, General Electric Investment Corporation from 1984 to 1997.

Mr. Frey is Chairman of the Damon Runyon-Walter Winchell Cancer Research Fund. He is a trustee of Franklin & Marshall College and a member of the New York University Stern School Advisory Board. He is also a member of the Forstmann Little Company, the Aurora Capital Partners and the Invemed advisory boards.

Mr. Frey is also a director of After Market Technology Corporation, Community Health Systems, Inc., McLeodUSA, Inc., Roadway Express, Inc., and Yankee Candle Company.

*by reason of Board policy mandating retirement upon attaining age 72

CLAIRE W. GARGALLI

Director Since 1992
Director of Various Corporations

Age 60
Term Expires 2003

Ms. Gargalli served as Vice Chairman, Diversified Search Companies from 1990 to 1998.

Ms. Gargalli is a trustee of Carnegie Mellon University and Middlebury College and she is also a director of Baker Hughes, Inc. and UNOVA, Inc.

12

RONALD L. KUEHN, JR.

Director Since 1992 Term
Director of Various Corporations

Age 67
Expires 2004

Mr. Kuehn was Chairman, President and Chief Executive Officer of Sonat Inc. from 1986 until its merger with El Paso Corporation in 1999. He served as Chairman of El Paso Corporation through 2000.

Mr. Kuehn is a trustee of Tuskegee University.

Mr. Kuehn is also a director of AmSouth Bancorporation, Dun and Bradstreet Corporation, El Paso Corporation (Lead Director), and Transocean Sedco Forex Inc.

RAYMOND W. LEBOEUF

Director Since 1997
Chairman and Chief Executive Officer of PPG Industries, Inc. since 1997

Age 56
Term Expires 2005

In 1995, Mr. LeBoeuf was elected President and Chief Operating Officer and a director of PPG Industries, Inc. and he assumed his current positions in 1997.

Mr. LeBoeuf is a director of ITT Industries, Inc., a trustee of Robert Morris College and a board member of The Business Roundtable and the Extra Mile Education Foundation.

BENJAMIN F. PAYTON

Director Since 1992

Age 70
Term Expires 2004*

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President, Tuskegee University since 1981

Dr. Payton is a member of the Board of Governors of the U.S. Air Force Civil Patrol and a director of the National Action Council for Minority Engineers. He is also on the Board of Directors of the Tuskegee Chamber of Commerce and is on the Royal Council, Alabama Shakespeare Festival. In February 2002, he was appointed by President Bush to be Chairman of the President's Board of Advisors for Historically Black Colleges and Universities.

Dr. Payton is also a director of Liberty Corporation.

*by reason of Board policy mandating retirement upon attaining age 72

G. JACKSON RATCLIFFE, JR.

Director Since 1992

Executive Session Presiding Director of Praxair since 2002

Age 66
Term Expires 2003

Chairman of the Board of Hubbell Incorporated since 1987

Mr. Ratcliffe was also President and Chief Executive Officer of Hubbell Incorporated from 1987 until 2001.

Mr. Ratcliffe is also a director of Barnes Group, Inc., Olin Corporation and Sunoco, Inc.

DENNIS H. REILLEY

Director Since 2000

Chairman, President and Chief Executive Officer of Praxair since 2000

Age 50
Term Expires 2003

Mr. Reilley assumed his current positions when he joined Praxair in 2000. Beginning in 1989, he held senior management positions in DuPont Co.'s Chemicals and Specialties business including Vice President and General Manager of Specialty Chemicals. In May 1999, Mr. Reilley was appointed Executive Vice President and Chief Operating Officer of DuPont with responsibility for Pigments and Chemicals, Specialty Polymers, Nylon and Polyester.

13

Mr. Reilley is past Chairman of the American Chemistry Council, a member of The Business Roundtable and is on the Executive Committee of the Society of Chemical Industry. He also is a director of Entergy Corporation and Marathon Oil Company.

WAYNE T. SMITH

Director Since 2001

Chairman, President and Chief Executive Officer of Community Health Systems, Inc. since 2001

Age 57
Term Expires 2005

In 1997, Mr. Smith was elected President and then Chief Executive Officer and a director of Community Health Systems, Inc. Prior to joining Community Health Systems, he served as Chief Operating Officer, President, and a director of Humana Inc.

Mr. Smith is a director of Almost Family and a member of the Board of the Federation of American Hospitals.

H. MITCHELL WATSON, JR.

Director Since 1992

President, Sigma Group of America since 1992

Age 65
Term Expires 2004

Mr. Watson is the former President and Chief Executive Officer of ROLM Company.

Mr. Watson is also a director and the non-executive Chairman of MAPICS, Inc.

14

EXECUTIVE OFFICERS

The following Executive Officers have been elected by the Board of Directors and serve at the pleasure of the Board. It is expected that the Board will elect officers annually following each Annual Meeting of Shareholders.

Stephen F. Angel, 47, is an Executive Vice President of Praxair. Prior to joining Praxair in that capacity, Mr. Angel was General Manager for the General Electric Company Industrial Systems Power Equipment business. From 1996 to 1999, he was General Manager, Marketing and Sales, for GE's Transportation Systems business. He assumed his current position in 2001.

Paul J. Bilek, 55, is an Executive Vice President of Praxair. Prior to assuming this position, Mr. Bilek served as President, North American Industrial Gases from 1996 to 1998. He assumed his current position in 1998.

David H. Chaifetz, 60, is Vice President, General Counsel and Secretary of Praxair. He assumed his current positions in 1992 upon Praxair's launch as a public company.

Patrick M. Clark, 41, is a Vice President of Praxair and its Controller. Prior to joining Praxair in those capacities, Mr. Clark was, since 1997, Vice President, Finance and Chief Financial Officer of Enodis North America, a subsidiary of Enodis Plc., a global manufacturer of food equipment. He assumed his current positions in 2002.

James J. Fuchs, 50, is a Vice President of Praxair, President of North American Industrial Gases, and President, Praxair Canada Inc. Prior to these assignments, Mr. Fuchs served Praxair Asia as a Vice President from 1996 and then as its President from 1998. He assumed his current positions in 2001.

Ricardo S. Malfitano, 44, is President of White Martins Gases Industriais Ltda. ("White Martins"), Praxair's Brazilian subsidiary, and is a Vice President of Praxair. He served as President, North American Industrial Gases and President, Praxair Canada Inc. from 1998 to 2001. Mr. Malfitano also served as Chief Operating Officer of White Martins from 1997 to 1998. He assumed his current position in Brazil in 2001.

Dennis H. Reilley, 50. See description under "The Board of Directors."

James S. Sawyer, 46, is a Vice President of Praxair and its Chief Financial Officer. Mr. Sawyer served as a Vice President of Praxair and as its Assistant Treasurer and then Treasurer from 1992 upon Praxair's launch as a public company until 2000. He was designated Chief Financial Officer in 2000.

Thomas W. von Krannichfeldt, 53, is an Executive Vice President of Praxair. Mr. von Krannichfeldt also has served as President, Praxair Surface Technologies, Inc. since 1995. He assumed his current position in 1999.

Alan J. Westendorf, 59, is a Vice President of Praxair and President, Praxair Europe. In 1996, Mr. Westendorf was designated the North American Industrial Gases ("NAIG") Vice President-Sales and became an NAIG Senior Vice President in 1998. He assumed his current positions in 1999.

Wayne J. Yakich, 45, is a Vice President of Praxair and President, Praxair Distribution, Inc. Mr. Yakich was formerly Vice President, Business Operations for Praxair Distribution. He assumed his current positions in 2000.

15

SHAREHOLDER RETURN

COMPARISON OF CUMULATIVE TOTAL RETURN¹ AMONG PRAXAIR, INC.,
S&P 500 INDEX, and S5 MATERIALS INDEX²

	<u>Dec. 31 1997</u>	<u>Dec. 31 1998</u>	<u>Dec. 31 1999</u>	<u>Dec. 31 2000</u>	<u>Dec. 31 2001</u>	<u>Dec. 31 2002</u>
Praxair	\$ 100	\$ 79	\$ 115	\$ 103	\$ 129	\$ 137
S&P 500	\$ 100	\$ 128	\$ 121	\$ 91	\$ 88	\$ 78
S5 Materials	\$ 100	\$ 94	\$ 118	\$ 99	\$ 102	\$ 97

	<u>Dec. 31 2000</u>	<u>Dec. 29 2001</u>	<u>Dec. 31 2002</u>
Praxair	\$ 100	\$ 126	\$ 134
S&P 500	\$ 100	\$ 88	\$ 69
S5 Materials	\$ 100	\$ 103	\$ 98

ASSUMES \$100 INVESTED ON DECEMBER 31ST OF THE START YEAR IN PRAXAIR COMMON STOCK, THE S&P 500 INDEX AND THE S5 MATERIALS INDEX

- Note:
- 1) Total return assumes reinvestment of dividends.
 - 2) The S5 Materials Index (formerly, the S&P Basic Materials Index) is a published index which covers 34 companies, including Praxair.

EXECUTIVE COMPENSATION

COMPENSATION AND MANAGEMENT DEVELOPMENT COMMITTEE REPORT ON EXECUTIVE COMPENSATION

(The five non-employee directors that comprise this Committee have considerable experience in executive compensation issues and management development. None of the members of the Committee has ever been an officer or employee of Praxair or any of its subsidiaries. All of the members of the Committee are independent as defined by the Board of Directors Policy on Independence Standards (See Appendix 2 to this Proxy Statement). In discharging its responsibilities, the Committee employs the services of an independent compensation consultant. The consultant reports directly to the Committee regarding these matters.)

This report addresses and discloses the Committee's policies and decisions regarding 2002 compensation and long term incentives as they affected the Chief Executive Officer and the four other most highly paid executive officers of Praxair (the five individuals collectively called "the Senior Executives"). These policies and practices also generally affect the compensation of Praxair's other officers and high level executives.

EXECUTIVE COMPENSATION POLICIES AND PRACTICES

Praxair's executive compensation policies are designed to: (1) align compensation with the company's annual and long term performance goals; (2) attract and retain a highly qualified and motivated management team; (3) reward individual performance; and (4) link the interests of the Senior Executives directly with those of shareholders through the use of Praxair stock as a compensation vehicle.

The Committee uses the services of an outside compensation consultant to review the competitiveness of the company's compensation programs. Praxair has selected a comparator group of companies from the consultant's database that it considers as an appropriate group of companies against which to compare Praxair for compensation purposes. The comparator group comprises 20 companies from various industries that represent the competitive marketplace for Praxair executives. Since the size of the comparator companies measured by sales varies somewhat, the consultant adjusts its competitive analysis to account for that variable. For purposes of the shareholder return comparisons elsewhere in this proxy statement, Praxair uses an index focussed on the basic materials industry, based on its belief that an industry index is an appropriate peer group for investment comparisons. The companies chosen for the compensation comparator group are not necessarily those represented in the shareholder return comparisons. The Committee believes that Praxair's competitors for executive talent are a broader group of companies and not limited only to the companies in the investment comparison.

In determining the total compensation opportunity for each Senior Executive, the Committee takes into account the mix of base salary, variable compensation and long term incentives. It targets its compensation decisions to achieve a median total compensation opportunity for comparable jobs within the comparator group. However, since a large portion of the compensation opportunity is determined by performance-based variable compensation, total compensation may be above or below the median based on individual, business unit and/or total company performance.

SALARY

The Committee reviewed the base salaries of each of the Senior Executives in comparison to the size-adjusted salaries paid for comparable jobs by the companies in the comparator group. Generally,

the Committee found that, except for Mr. Reilley, the salaries of the Senior Executives were at approximately the market median. The Committee approved salary adjustments for the Senior Executives based on their individual performance, and their salaries relative to the market. Mr. Reilley's salary was adjusted by 5.7 percent on an annualized basis, effective April 1, 2002 in order to bring his salary up to the market median.

PERFORMANCE-BASED ANNUAL VARIABLE COMPENSATION

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At its January 2002 meeting, the Committee reviewed its method of determining annual variable compensation awards. In view of the Corporation's twin objectives of increasing earnings per share and return on capital, the Committee established growth in sales revenues, net income after tax, and cash flow as the financial measures against which performance would be judged for purposes of annual performance-based variable compensation. Non-financial measures established by the Committee included achievement of agreed upon goals in the areas of safety and environmental performance, Six Sigma and people excellence. Second, the Committee reviewed the current target variable compensation levels as a percentage of base salary. The target levels were found to be consistent with the external market place. The target payout percentages for the Senior Executives range from 55 percent of base salary up to a high of 100 percent of base salary for Mr. Reilley.

At its January 2003 meeting, the Committee evaluated 2002 performance of the Corporation against its 2002 Annual Business Plan and considered the individual performance of each of the Senior Executives. Regarding the primary measures of performance, namely achievement of financial targets, the Committee concluded that the Corporation achieved improved performance in 2002 compared to 2001 and substantially achieved its annual plan in spite of an extremely challenging external environment in the U.S. and some of Praxair's key international markets such as South America. The Committee also noted that the Corporation achieved record operating results in 2002 and was one of a very few of the basic materials companies (chemicals, paper, minerals, mining, steel) to show improved performance versus the prior year. For 2002, Praxair's total shareholder return was +5.98%. In contrast, the S&P 500 Index declined 22.10%. In addition, most of the 2002 nonfinancial goals noted above either were accomplished or progress was well under way. The Committee also reviewed the performance of the Corporation in comparison to the performance measures established by the Committee in 2002 for the Senior Executives under the Praxair, Inc. Plan for Determining Performance-Based Awards Under Section 162(M), approved by the shareholders in 2001 to comply with Section 162(m) of the Internal Revenue Code.

On the basis of the overall performance during 2002 in relation to both financial and non-financial plans, the Committee awarded 2002 performance-based annual variable compensation for the Senior Executives somewhat above the target payout. Mr. Reilley's variable compensation was established at \$1,150,000 based on the foregoing considerations.

LONG TERM INCENTIVES

The Committee granted stock options to Mr. Reilley and the other Senior Executives in January 2002. These options were granted at the closing market price on the date of grant, will vest in January 2003, 2004 and 2005, and have a ten year term. Mr. Reilley's grant was for 220,000 options. These grants were based on a competitive evaluation of the long term incentive component of compensation for chief executive officers and comparable Senior Executives in the Corporation's peer group of comparator companies.

The Committee made annual stock option grants to 101 executive officers, officers, and other key employees (excluding the Senior Executives) at its December 2001 meeting. These options were granted at the closing market price on the date of grant, will vest in December 2002, 2003 and 2004, and have a ten year term. These grants constituted the long term incentive component of pay for 2002.

18

POLICY WITH RESPECT TO DEDUCTIBILITY OF COMPENSATION EXPENSE

Section 162(m) of the Internal Revenue Code, enacted in 1993, limits the tax deduction that Praxair may take with respect to the compensation of certain executive officers, unless the compensation is "performance-based" as defined in the Code. In order to insure full deductibility for 1996 and future years, the shareholders adopted in 1996, and reapproved in 2001, a plan for determining performance-based annual and long term incentives that is designed to comply with the IRS requirements for deductibility.

CONCLUSION

The Praxair compensation program described above closely links pay with performance and the creation of shareholder value. The Committee believes that the program has been and will continue to be successful in supporting Praxair's financial, growth and other business objectives.

The Compensation and Management Development Committee

Ronald L. Kuehn, Jr., Chairman
Claire W. Gargalli
Raymond W. LeBoeuf
G. Jackson Ratcliffe, Jr.
H. Mitchell Watson, Jr.

TABLE 1
SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation			Long Term Compensation			All Other Compensation(3) (\$)
		Salary (\$)	Bonus(1) (\$)	Other Annual Compensation(2) (\$)	Awards		Payouts	
					Restricted Stock Award(s) (\$)	Securities Underlying Options (#)	LTIP Payouts (\$)	
Dennis H. Reilley	2002	912,500	1,150,000		0	220,000	0	34,219
Chairman, President and Chief Executive Officer(4)	2001	856,250	750,000	169,779	0	165,000	0	32,173
	2000	657,971	660,000	181,671	985,938(5)	400,000	0	24,835
Paul J. Bilek	2002	480,500						
Executive Vice President	2001	467,250						
	2000	437,5						