



# Sustain Ability 2018

Parker Hannifin is a Fortune 250 global leader in motion and control technologies. For more than 100 years the company has engineered the success of its customers in a wide range of diversified industrial and aerospace markets.

By applying its engineering expertise and core technologies, Parker partners with its customers to improve their productivity and profitability, while helping to solve the world's greatest engineering challenges.

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## About This Report

The information in this report addresses the many ways in which Parker applies its core technologies to make a positive impact on the world. All data corresponds to Parker's fiscal year 2018 (July 1, 2017 through June 30, 2018), unless otherwise noted. The previous report corresponded to Parker's fiscal year 2017. Parker's intention is to report on an annual basis.

## Report Scope

The data provided in this document reflects Parker's global manufacturing operations in which the company has at least a 50% controlling interest or majority ownership. It also includes team members in those operations and the associated headquarters and distribution centers. The scope does not include suppliers, customers, distributors, contractors or minority-owned joint ventures.

## The Win Strategy™

The Win Strategy is the Parker business system, focused on the goals of engaged people, premier customer experience, profitable growth and financial performance.

Looking ahead, the powerful combination of Parker's highly engaged people, unique motion and control capabilities and the Win Strategy will generate positive results for customers, communities, shareholders and Parker team members.

## Financial Highlights (dollars in millions, except per share data)

		FY18		FY17	Year-Over-Year Change
Net Sales	\$	14,302	\$	12,029	19%
Segment Operating Margin		15.7%		14.9%	80 bps
Diluted Earnings Per Share	\$	7.83	\$	7.25	8%
Net Cash Provided By Operating Activities	\$	1,600	\$	1,302	23%

## Contact Us

Parker welcomes comments and questions about its sustainability strategy by email: [sustainableparker@parker.com](mailto:sustainableparker@parker.com)

Learn more at [www.parker.com/sustainability](http://www.parker.com/sustainability)

# Leadership Message

During a year in which Parker achieved record growth and delivered the strongest financial performance in the company's history, we are also very grateful for the dedication of our team members in fulfilling the company's commitment to responsible operations. From creating a safety-first workplace to acting as good stewards of the environment and supporting the communities around the world that we call home, we are making progress toward our social responsibility goals.

## Safety

- Safety is Parker's highest priority and we all share the responsibility to make sure team members return home safely to their families, friends and communities after each work day. We have reduced our Recordable Incident Rate by 54% over the past five years, including a 21% reduction in 2018.
- Our High Performance Teams (HPTs) are focused on safety, with team members highly engaged in pursuing our target of zero safety incidents.

## Social Responsibility

- The practice of volunteering and charitable giving is central to our culture, and with matching contributions from the Parker Hannifin Foundation, this year Parker team members donated close to \$1 million to support dozens of local United Ways across the United States.
- The Parker Hannifin Foundation donated more than \$6 million to hundreds of charitable organizations with a focus on communities in need, education, disaster relief and energy and water conservation.

## Environmental Stewardship

- Since calendar year 2004, Parker has reduced its energy index (MWh/USD) by 54% and greenhouse gas index (MT/USD) by 50%.
- Parker reports its energy and emissions data to the Carbon Disclosure Project (CDP) and our 2018 Climate Change Score ranked in the top quartile among our diversified industrial peer companies.
- Today Parker recycles more than 85% of the waste generated from its manufacturing operations and we continue to make progress toward our goal of reducing water use and the volume of waste sent to landfills by 20% between 2015 and 2020.

Looking ahead, we will continue to pursue new opportunities to foster the enduring success of our company, customers and communities. With the support of Parker's remarkable team members, we are in a fortunate position to build on this strong foundation of environmental stewardship and social responsibility.

Sincerely,



Thomas L. Williams  
*Chairman and Chief Executive Officer*



Lee C. Banks  
*President and Chief Operating Officer*







# Social Responsibility

While implementing sustainable business practices across the operations of a global organization is a complex challenge, doing so also presents a meaningful opportunity to make a positive impact on the lives of team members, the environment and the communities Parker calls home.

Parker's sustainability commitment, shared by team members around the world, helps to align and reinforce their efforts and shapes the company's operations.

***To responsibly help solve the world's greatest engineering challenges to foster enduring success for the company, customers and communities.***

## People

Sustainability at Parker means providing a safe and engaging work environment, strengthening local communities and actively supporting charitable organizations that make the world a better place.

## Planet

Parker is helping to conserve resources and protect the environment by using eco-friendly materials, implementing recycling initiatives, optimizing manufacturing processes and reducing the consumption of energy, water and raw materials.

## Products

Engineers at Parker analyze the entire product lifecycle to identify opportunities to leverage sustainable materials in manufacturing, design systems to operate at peak efficiency and engineer products that can be reused or recycled upon disposal. Doing so enables customers to be more efficient and productive and helps to reduce waste, energy consumption and emissions on a large scale.

## Stakeholder Engagement

As a result of the dedication of team members, Parker continues to make progress toward its sustainability objectives each year, and understands the importance of maintaining this momentum and building on past progress. The company engages a number of stakeholders to help strengthen its sustainability efforts and identify opportunities for continuous improvement.

Parker receives valuable input through direct feedback from its customers; marketing and sales teams; suppliers on their compliance with Parker's sustainability requirements through the company's supply chain web portal; the Parker leadership team; and ratings from the investor community. Parker also analyzes information from benchmarking efforts within its diversified industrial peer group.

## Potential Risks and Boundaries

The scope of this report encompasses all areas of activity within Parker's control, defined as the company's manufacturing and sales footprint. Parker's social responsibility initiatives can influence or directly impact a range of key stakeholders, including team members, the communities in which the company operates and key customers and suppliers.


Parker is aware of external factors such as material availability, climate change and government regulation that could pose a risk to the business, and incorporates programs and measures to address these risks as needed.

## Star Point HPTs Improving Safety Performance

Each year Parker is continuing to make significant progress toward achieving an accident-free workplace, driven by team members participating in Star Point High Performance Teams (HPTs). This structured approach helps to clarify roles and responsibilities, facilitate communication and instill a sense of ownership and pride in supporting a shared team effort. High Performance Teams have contributed to a 21% reduction in Parker's Recordable Incident Rate this year.

Parker recently held a global contest to recognize Safety Star Point HPTs that have established a robust charter, maintained a consistent meeting cadence and made outstanding contributions to safety performance. The winning facilities accounted for 166 total Star Point team members focused on safety, with a combined 6,701 near miss reports submitted and 12,296 days accident free.





## Congratulations to the 2018 Safety Star Point HPT Winning Teams

**Aircraft Wheel & Brake Division**  
*Avon, Ohio, USA*

**China Filtration Division**  
*Shanghai, China*

**Chomerics Division Asia**  
*Shanghai, China & Shenzhen, China*

**Control Systems Division**  
*Dublin, Georgia, USA*

**Cylinder Division**  
*Benton, Arkansas, USA*

**Fluid Connectors India**  
*Nagpur, India & Hyderabad, India*

**Hydraulic Cartridge Systems Division**  
*Lincolnshire, Illinois, USA*

**Industrial Hydraulics Division China**  
*Shanghai, China*

**Instrumentation Products Division Europe**  
*Sheffield, England*

**Mobile Hydraulics Division China**  
*Tianjin, China*

**Motion Systems India**  
*Mumbai, India*

**Stratoflex Division**  
*Jacksonville, Florida, USA*

# People

With a distinctive culture where all team members are empowered to make decisions, Parker has attracted some of the most driven and talented individuals from around the world, who are the foundation of the company's success.

By encouraging an ownership mentality, committing to workplace safety and approaching professional development and career progression at the individual level, Parker enables its team members to thrive and make a positive impact in the lives of those around them.

## Safety

Safety is Parker's highest priority. Everyone at Parker shares the responsibility to make sure team members return home safely to their families, friends and communities after each work day. The company is equally committed to ensuring the safety and security of contractors, customers and other guests visiting its workplaces.

Achieving an accident-free workplace is regarded not as an aspiration, but an expectation. Safety performance is measured by the Recordable Incident Rate (RIR), which is the number of work-related incidents that require medical attention beyond first aid, normalized to 100 team members per year. Through the implementation of comprehensive safety initiatives supported by dedicated High Performance Teams, Parker has achieved a 54% RIR reduction over the past five years. This includes a RIR of 0.73 in fiscal year 2018, a 21% reduction in workplace accidents for the year.

## Recordable Incident Rate

**NORMALIZED TO 100 TEAM MEMBERS PER YEAR**



Through active participation in High Performance Teams, all team members can contribute to driving safety performance, optimizing their workplace and supporting an accident-free environment. These teams thoroughly monitor safety results, near misses and potential hazards within their production areas, and individuals proudly hold one another accountable for maintaining safe work habits.

Safety-oriented High Performance Teams at Parker utilize a unique structure in which each production team designates a specific individual to serve as their representative on a site-wide Star Point Safety Team. This year Parker established teams at facilities that recently joined through the acquisition of CLARCOR, as well as those in France and Germany in collaboration with local works councils.

Parker team members have demonstrated a remarkable level of dedication to driving safety performance, but there is still much work to be done to achieve an accident-free workplace. Current initiatives include the implementation of a safety information management system to track progress, and the development of a safety accountability program to emphasize ownership at the individual level. An ergonomics e-learning and risk assessment program was recently deployed, with participation from more than 1,400 team members across 440 Parker locations.

## Safety is Our Responsibility

### LATIN AMERICA GROUP

While there are many compelling reasons to focus on improving safety, team members across Parker's Latin America Group have established a meaningful connection between day-to-day actions in the workplace and their families at home. This year several facilities organized open house events and team members invited their spouses and children to visit their work area and examine their safety equipment hands-on, enabling them to take part in the shared sense of responsibility for safe behavior. The campaign has contributed to improved safety awareness and several facilities in the region have achieved new records for consecutive days accident free.



## Engaged People

High Performance Teams have proven to be an effective tool to enable an ownership culture at Parker and drive better performance. To further strengthen the team framework, this year Parker focused on integrating the Star Point structure throughout its operations, which represents five key performance areas: safety, quality, delivery, cost and a fifth point that is determined at the local site level.

Each natural production team, representing a specific operational work area, identifies representation for each of the Star Points. This enables the team to directly apply their knowledge, experience and talent in enhancing their own space and production processes. Representatives from each team also act as members of a site-wide Star Point team to enable broader communication and collaboration, and identify opportunities to improve performance and provide a premier customer experience.

## Global Well-Being

Aligned with the Win Strategy goal of Engaged People, Parker provides educational materials, programming resources and guidance to support health, safety and financial goals of team members and their families. These are the foundational pillars of Parker's offering to team members spanning health, wealth, career and culture. The program is flexible in nature and designed to be customized on a regional and individual basis, recognizing differences in local cultures, regulations, business practices and objectives.

# 900%

**Increase in Reports of  
Safety Concerns**

## Wellness Inside and Out

### **INSTRUMENTATION PRODUCTS DIVISION EUROPE SHEFFIELD, ENGLAND**

A Safety Star Point HPT at the division has implemented a comprehensive campaign that enables team members to optimize their physical and mental health, while improving safety performance in alignment with Parker's zero-accident target. The initiative includes workshops and educational materials to raise awareness of mental health issues, as well as free health checks to help monitor weight, blood pressure, cholesterol and other metrics, all backed by a leadership pledge reinforcing the commitment to a positive lifestyle. This year the division also achieved a 900% increase in reports of safety concerns to help identify potential workplace risks, resulting in zero accidents and zero lost time, and ranking among the best-performing Parker facilities in the region.

## Inclusion

Parker is committed to building a welcoming and inclusive workplace that respects and embraces the unique perspectives of all. Team members from an incredibly diverse range of personal and professional backgrounds leverage their creativity and unique skill sets to solve problems, improve processes and drive Parker forward.

This year Parker's EMEA Headquarters in Etoy, Switzerland brought together more than 60 women of different roles, ages and career stages to celebrate International Women's Day. The event included educational workshops, networking opportunities and presentations from company leaders, with a goal of encouraging all attendees to collaborate and share ideas for how to better attract, retain and develop women in the workplace and ensure all team members are in a position to contribute to their fullest potential.

## Rock & Roll Therapy for Toddlers

**GLOBAL HEADQUARTERS  
CLEVELAND, OH, USA**

Research demonstrating that exposure to music at an early age increases a child's likelihood of academic success later in life is the basis of the Rock & Roll Hall of Fame's Toddler Rock initiative. The music therapy program uses popular music to engage nearly 400 students each week through music, movement, singing and storytelling. The Parker Hannifin Foundation is proud to support Toddler Rock, which enhances reading and problem-solving skills by teaching letter recognition, rhyming and alliteration, and promotes positive interaction between children and their parents, caregivers and teachers.







## Social Responsibility

Parker strives to strengthen communities through the practice of volunteering and charitable giving, which is central to the company's culture. With many manufacturing facilities located in rural areas, Parker values its long-standing relationships with local organizations and community leaders. Each year Parker team members around the world generously contribute thousands of volunteer hours by serving on the board of directors at non-profit organizations, setting up food drives, working in soup kitchens and finding other meaningful ways to support their communities.

To provide critical support in times of need following a catastrophic event, Parker's Disaster Relief Program is designed to rapidly distribute funds to team members and their families who have been impacted by a disaster. To strengthen the recovery process throughout an affected region, Parker also established a collaborative program with the American Red Cross through which every dollar donated by a Parker team member is matched by the Parker Hannifin Foundation.

In fiscal year 2018, the Parker Hannifin Foundation donated more than \$6 million to hundreds of charitable organizations with a focus on communities in need, education, disaster relief and energy and water conservation. Giving included matching donations made by Parker team members, as well as contributions directly to organizations.

With matching contributions from the Parker Hannifin Foundation, this year Parker team members donated close to \$1 million to support dozens of local United Ways across the United States.



# Planet

**Parker team members are applying their technical knowledge and creativity to simplify complex manufacturing processes, reduce production waste and design products and systems that precisely balance performance and efficiency. This strategy fulfills a shared responsibility to solve challenges for customers while minimizing environmental impact to help create a better future.**

From engineering and manufacturing to distribution and services, as a global industrial leader it is critical that Parker recognizes the impact of its operations and the importance of acting responsibly with the planet's natural resources.

## Environmental Stewardship

Parker's global network of Environmental, Health and Safety experts are focused on local implementation of the company's environmental stewardship strategy, which includes guidelines for identifying and addressing key areas of opportunity to reduce resource consumption and waste.

Today Parker recycles more than 85% of the waste generated from its manufacturing operations, and the company continues to make progress toward its goal of reducing water use and the volume of waste sent to landfills by 20% between 2015 and 2020. This year Parker also engaged in several strategic partnerships that will help support environmental initiatives, including the implementation of a fluid management program and ongoing development of a resource tracking and reporting structure.

## Hazardous Materials

Across all of its manufacturing operations Parker strives to avoid using materials which are harmful to the environment.

Efforts in this area include systematic elimination of chlorinated solvents, cadmium-plated parts, hexavalent chromium finishes, silica, phthalates and other highly hazardous materials. The process of eliminating these materials requires a significant investment in evaluating alternatives, product testing and customer certification, but is aligned with Parker's environmental goals and makes the company more resilient.



## Company Car Policy

### **PARKER SWEDEN**

The transition from traditional gasoline and diesel to vehicles powered by renewable energy represents a significant opportunity to reduce emissions and protect the environment, and Parker Sweden is helping to lead the charge.

A new country-wide company car policy encourages team members to choose hybrid or electric vehicles for business use. With a fleet of 125 company cars and an average annual mileage of approximately 18,640 miles (30,000 kilometers), Parker Sweden estimates the new policy is reducing fuel consumption by 18,492 gallons (70,000 liters), helping to reduce emissions by up to 25% without increasing cost.

## Waste Reduction Down Under

### **PARKER AUSTRALIA**

#### **CASTLE HILL, AUSTRALIA**

In evaluating opportunities to reduce their environmental footprint, the division's Supply Chain: Procurement & Warehouse High Performance Team noticed that paper, cardboard and wooden pallet waste was being discarded with regular trash, a realization that gave way to a major recycling project with significant results. By creating processes that enabled the proper disposal of key materials without creating extra work, installing colored and clearly labeled bins and partnering with two local companies that offered no-charge recycling, the plant has increased the amount of paper and cardboard recycled from 9% to 50% in the first year, and reduced waste management costs by nearly \$90,000. The team plans to build on its success by adding glass and plastic recycling, and supporting the rollout of this initiative at other Parker sites across Australia.



## Responsible Property Management

Parker is helping to reduce environmental impact by actively investing and engaging in the remediation of properties affected by pollution or poor chemical management practices. Many of the sites undergoing treatment were acquired, and the pollution occurred prior to Parker's ownership.

Parker's strategy is to implement remediation technologies that, whenever feasible, reduce total energy use, waste generation and greenhouse gas emissions and conserve natural resources.

During fiscal year 2018, Parker successfully completed remedial activities on five properties, resulting in compliance with applicable environmental cleanup regulations set by the relevant governing authority. As a result, these impacted properties can continue to provide a beneficial use for their intended purpose while ensuring safety to both human health and the local environment.

## Energy Management

At Parker manufacturing facilities around the world, team members continue to research and implement creative solutions to reduce energy consumption and emissions by optimizing manufacturing processes and modernizing equipment. Given the scope of Parker's manufacturing operations, increasing energy efficiency represents a significant opportunity to reduce environmental impact.

Parker has reduced its energy index (MWh/USD) by 54% and greenhouse gas index (MT/USD) by 50% since calendar year 2004. This included a 1.6% reduction in absolute energy consumption and a 2.3% reduction in carbon emissions in calendar year 2017.



Since 2008, Parker has reported its energy and emissions data to the Carbon Disclosure Project (CDP). In 2018, Parker's Climate Change Score ranked in the top quartile among its diversified industrial peer companies.

## Weathering the Storm

### PUMP & MOTOR DIVISION EUROPE VIERZON, FRANCE

After experiencing two significant storms that brought heavy rain and flooding throughout the region, the division became aware that their existing infrastructure was not fully capable of capturing and diverting large volumes of rainwater, which created a number of potential risks related to safety and production downtime. The facilities team not only installed an updated high capacity drainage system that reduced water recycling costs by nearly \$25,000, but used it to redirect falling rain to a new self-contained lagoon outside the facility, complete with natural reed beds to help purify the water.

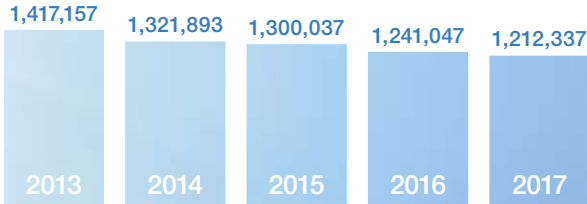




## Parker's Energy Use & Emissions

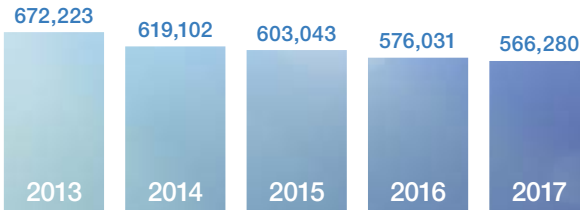
### Absolute Energy Consumption

Measured in Megawatt Hours (MWh)



### Greenhouse Gas Emissions

Measured in Metric Tons



## Sustainability Taking Root

### FLUID CONNECTORS INDIA NAGPUR, INDIA

In recognition of World Environment Day, a High Performance Team named Green Cross organized a unique activity where team members worked together to plant 200 trees throughout the facility's premises. The project is seen as an investment in a more sustainable future, as the trees will help improve air quality, offset soil erosion, minimize water runoff and provide shade to reduce cooling costs during the hot summer months.



# Product Stewardship

**Parker's products and systems can be found on and around almost everything that moves, and improving efficiency throughout the product lifecycle represents an important opportunity to minimize environmental impact while creating significant value for customers.**

Among Parker's most important innovations introduced in the past decade, each achieved success by providing customers tangible and compelling value. In many cases, these new solutions created significant improvements in environmental and societal sustainability by minimizing manufacturing waste and reducing the use of energy. Such accomplishments are driven by reductions in weight, increases in efficiency, improvements to safety and the elimination of unnecessary features.

New product development is managed through Parker's Winovation system, which establishes a long-term planning horizon for future product introductions and includes specific deliverables at each stage of the process to apply structure to the research and development of products, systems and services. This portfolio approach enables Parker to manage complex new products and ensure they deliver all of the key elements of value required by customers, and to share across global business units the knowledge and best practices identified along the way, including those related to sustainability and efficiency.

When correctly applied, industrial innovation drives strong financial performance and creates a lasting, positive impact on the world. Looking ahead, Parker will stand by its commitment to a sustainable business model that generates value for shareholders, customers, team members and society.

## Supplier Partnerships

Throughout its history Parker has been fortunate to partner with world-class suppliers who share a commitment not only to a premier customer experience and maintaining the highest standards for quality and reliability, but to reducing resource consumption and waste. With an annual supplier spend exceeding \$7 billion, continuing to improve the supply chain in these areas of focus will enable Parker to significantly reduce its global footprint and improve the resilience of its suppliers.

By developing dual sourcing capabilities and incorporating other strategies to secure continuity of supply, Parker's global supply chain team effectively manages risk to the business. The company also collaborates with its supply base to ensure compliance with all laws and regulations regarding human rights, conservation of resources and other environmental and legal requirements.



Parker has been a proud member of the U.S. Environmental Protection Agency (EPA) SmartWay Transport Partnership since 2013. This program helps Parker identify technologies and strategies to reduce carbon emissions, track its progress and set goals to reduce fuel consumption and improve the efficiency of freight transport. Parker has also achieved a high Carbon Disclosure Project (CDP) supply chain rating, measuring against 5,000 other companies taking action to support a sustainable economy.

As a supplier itself, Parker is responsible for conserving resources, optimizing manufacturing processes, upholding human rights and creating highly efficient and reliable products and systems which enable customers to minimize their own environmental impact.

## Shining Bright on the Track and in the Classroom

### CONTROL SYSTEMS DIVISION IRVINE, CA, USA

For three years Barbara Lam, a senior principal engineer at the Control Systems Division of Parker Aerospace, donated her time and company-sponsored resources to help make the Walnut Solar Car Team possible. The team consists of high school students from the local school district in Walnut, California and each year they travel to Fort Worth, Texas to showcase and race solar-powered cars that they worked on together to design and build, learning valuable hands-on lessons about science and mathematics.

Barbara unexpectedly passed away on January 3, 2018 and her family, friends, coworkers and students were shocked and saddened by her passing. Her passion for supporting the Walnut Solar Car Team reflects the kindness and generosity for which Barbara will be remembered, and the many students in which she helped instill a life-long enthusiasm for engineering will continue to serve as a testament to her remarkable life.





## Responsible Products

### **CN-6 NITROGEN GENERATOR**

Parker nitrogen filtration systems are used in many ways, from the preservation of grocery produce to improving the safety of commercial aviation. The latest application of this technology relates to a beverage that is coveted by millions of people each morning - coffee. For coffee shops across the country, the CN-6 delivers highly purified nitrogen used to improve the taste and consistency of cold brew, an alternative to traditional hot coffee that has rapidly grown in popularity in recent years.


Earth's atmosphere is approximately 78% nitrogen, and the CN-6 draws air directly through a special membrane with nano-sized holes to separate oxygen from the smaller nitrogen molecules. Nitrogen is non-flammable and extremely inert so it won't react with anything in the environment.

By offering nitrogen on-demand, the system also improves safety as delivery truck drivers, coffee shop employees and customers are not exposed to any risks associated with handling liquid nitrogen. For the environment, this means less wasted energy producing mass quantities of liquid nitrogen and eliminating vehicle emissions from transporting it to the many locations where it is used.

### **LEAP ENGINE FUEL NOZZLE**

There are few more visible sources of combustion than a jet aircraft. Modern jet engines are the cleanest-burning, most efficient means of transportation available today. When CFM International set out to make a better version of the CFM56 engine, more of which have been produced than all other types of jet engines combined, they chose the Parker-GE joint venture Advanced Atomization Technologies to develop the all-important TAPS fuel injection system.

CFM International's new LEAP engine offers a 15% improvement in fuel efficiency, or an average savings of 90 miles/gallon per passenger, which is approximately 66% less fuel than a person would use if they decided to drive instead. One of the secrets to that incredible performance is the TAPS fuel injection system, which mixes air and fuel together so perfectly that the engine can extract unprecedented amounts of energy as it consumes fuel, enabling the aircraft to travel farther and produce fewer emissions for each gallon burned.



An efficient engine is also a hotter engine, and that heat must be managed by any engine system. It must keep the fuel cool enough to prevent it from breaking down before it is injected into the engine to prevent potential damage to the fuel injectors. The TAPS system incorporates many proprietary features that enable optimum performance in the LEAP environment.

The LEAP engine is now achieving the most rapid order build in the history of commercial aviation, enabling countless passengers to travel more affordably and with a smaller environmental impact than ever.

### **LOW DRAG D-RING**

From sports cars and sedans to pickup trucks and vans, the number of passenger and commercial vehicles on the road continues to grow each year, so even incremental improvements to their performance can have a significant environmental impact. Two of the leading U.S. automobile manufacturers have introduced creative solutions that increase efficiency including lightweight construction, highly efficient engines and improved transmissions.

One factor to increase transmission efficiency is a new Low Drag D-Ring developed by Parker, a modification of an existing O-ring design that helps to reduce drag and improve shifting smoothness and fuel efficiency. Used on more than 30 different vehicle platforms, each transmission assembly contains 37 Low Drag D-Rings accounting for approximately 90% of the seals within it. This advancement in transmission design is helping manufacturers to meet stringent government fuel efficiency mandates and improve the driving experience.





# Governance, Ethics & Compliance

Parker has built its success on the ability to leverage advancements in manufacturing technology, innovate in alignment with changing global trends and constantly adapt in order to meet the needs of customers. Parker's values, however, have been consistent since the company was founded in a small loft in Cleveland, Ohio more than a century ago.

Parker is a values-driven company and encourages team members to make decisions and take action with a strong sense of purpose. Its unique culture and reputation as a trusted business partner are shaped by the remarkable Parker team members who, whether creating enduring partnerships with customers and suppliers or working to help solve the world's greatest engineering challenges, always strive to do what is right.

## Corporate Governance

The strong values and culture upon which Parker has built its success and reputation as a trusted partner begins with its Board of Directors. The Board has responsibility to represent stakeholders in overseeing the business risk and strategy, and the governance matters of the company. Nine of Parker's 11 directors are "independent" based on the applicable independence standards of the New York Stock Exchange and Parker's Independence Standards for Directors. Each director must stand for election annually, and is elected by a majority vote standard. Parker's Board of Directors is guided by the company's Global Code of Business Conduct, corporate governance guidelines, independence standards for directors and charters for each board committee, available at [www.phstock.com/corporategovernance](http://www.phstock.com/corporategovernance)





## Winning With Integrity

Character defines the legacy of Parker's history of fair dealings. In order to preserve the company's reputation and protect its financial strength, Parker depends on the character of all team members to go beyond legal requirements and internal policies. This strength-based approach to culture and leadership, known as Winning With Integrity, frames Parker's unwavering dedication to the highest standards of integrity and ethical behavior.

Parker has long understood the connection between engaged people, providing a premier customer experience and strong financial performance. The company's values-driven culture is a distinct competitive advantage, and team members work tirelessly to protect it and use it to achieve sustained, profitable growth.

## Regulatory and Legal Compliance

Parker identifies legal and ethical risks and opportunities and recommends strategies to address them. At the core of the compliance program is the Global Code of Business Conduct, which guides business conduct and calls for honesty and integrity in all matters. Each of Parker's team members and directors are required to read the document and follow its precepts in the workplace and larger community. The Code is available in multiple languages at [www.parker.com/integrityandethics](http://www.parker.com/integrityandethics)

Any team member who observes conduct that is not aligned with Parker's values, policies or applicable laws or regulations is urged to speak up and raise their concerns to local leadership, the Corporate Compliance Office or by calling Parker's Integrity Line. The company takes all such reports seriously and has robust investigation, reporting and remediation protocols.

Parker is committed to ethical behavior and reinforces this commitment through various channels. In addition to required Annual Compliance Training, Parker distributes printed brochures, newsletters, video vignettes and other educational materials reminding team members of important laws, regulations and policies.

Parker optimizes risk mitigation strategies through execution of the Integrated Risk Management Program. This disciplined process, which includes policy management, communication, training, and monitoring and testing of controls, supports other preventative and mitigating measures to manage risks on a continuous basis.

This comprehensive program is designed to promote ethical conduct and compliance with applicable laws and regulatory requirements. Parker and its leadership team are dedicated to fostering a culture of transparency, integrity and risk mitigation, and encourage team members and stakeholders worldwide to actively participate in creating and maintaining a culture that goes well beyond basic compliance.

**PH**  
**LISTED**  
**NYSE**



The data and information presented is a compilation of information reported into the corporate office from more than 100 business units worldwide. Data is not independently validated but is internally checked for significant deviation from expected results.



Parker Hannifin Corporation  
6035 Parkland Boulevard  
Cleveland, OH 44124  
216-896-3000  
[sustainableparker@parker.com](mailto:sustainableparker@parker.com)  
[www.parker.com](http://www.parker.com)