



Sustainability Report 2019

Enabling Engineering Breakthroughs that Lead to a Better Tomorrow



Parker Hannifin is a Fortune 250 global leader in motion and control technologies.

The cover of this report features Parker’s purpose, which was introduced in 2019 following months of research and team member input. It serves as a catalyst for growth, change and positive impact to the world.

By aligning around purpose today, Parker is better positioned for the challenges and opportunities of tomorrow.

Leadership Message 2

Leading with Purpose 4

People 8

Planet 14

Product Stewardship 18

Ethical Business & Corporate Governance 22

Contact Us

Parker welcomes comments and questions about its sustainability strategy by email: sustainableparker@parker.com

Learn More

www.parker.com/sustainability



About This Report

The information in this report addresses the many ways in which Parker applies its engineering expertise and core technologies to create value for customers and drive progress toward its sustainability objectives. All data corresponds to Parker's fiscal year 2019 (July 1, 2018 through June 30, 2019), unless otherwise noted. Parker reports on an annual basis.

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

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 joint ventures where Parker has minority ownership.

The Win Strategy™ 3.0 & Parker Values

The Win Strategy is the Parker business system, focused on the goals of engaged people, customer experience, profitable growth and financial performance. Parker's culture is reflected in the core values all team members aspire to, organized into four key pillars: winning culture, passionate people, valued customers and engaged leadership.

This year the Win Strategy and Parker Values were refreshed to direct focus on key areas of opportunity and reinforce the importance of leading with purpose to help create a better tomorrow.

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

	FY19	FY18	Year-Over-Year Change
Net Sales	\$ 14,320	\$ 14,302	0%
Segment Operating Margin	17.0%	15.7%	130 bps
Diluted Earnings Per Share	\$ 11.48	\$ 7.83	47%
Net Cash Provided By Operating Activities	\$ 1,730	\$ 1,597	8%

Leadership Message

Throughout our 103-year history, Parker's commitment to responsible operations has been evident, from creating a safety-first workplace to acting as good stewards of the environment. We have also been called upon in times of global hardship and adversity. Following the COVID-19 outbreak, our remarkable team members stepped up to deliver technology to help with the front-line effort to combat the spread of the virus and support its treatment around the world. Our perseverance in these defining moments is how we live our purpose which articulates our unique contribution to the world: Enabling Engineering Breakthroughs that Lead to a Better Tomorrow.

Purpose

- Our purpose statement reflects months of research and extensive input from team members. The statement does not indicate a change in direction but a way to clarify it and point to the path ahead.
- Our purpose highlights how our team members collaborate to improve the workplace, partner with customers to enable breakthroughs that make the world work better and take action to strengthen the places we call home.
- By aligning ourselves around a defined purpose today, we are better positioned for the challenges and opportunities of tomorrow.

Safety

- At Parker, safety is a core value that all team members share, and our safety goal is simple but ambitious: to achieve a zero-incident workplace. By driving an ownership culture we have reduced our Recordable Incident Rate by 61% over the past five years, including a 24% reduction in 2019.
- Led by our high performance teams we recently introduced SAFETY 360, a new enterprise-wide safety platform that reminds team members, guests and contractors that safety is an all-encompassing priority at Parker.

Social Responsibility

- From countless volunteer initiatives to generous charitable giving campaigns, the actions of our team members bring our purpose to life. This year team members and the Parker Hannifin Foundation donated more than \$800,000 to support dozens of local United Ways across the United States.
- The Parker Hannifin Foundation donated nearly \$6 million to hundreds of qualified charitable organizations with a focus on communities in need, education, disaster relief and energy and water conservation.

Environmental Stewardship

- Parker has reduced its energy index (MWh/USD) by 33% and greenhouse gas index (MT/USD) by 27% since 2008.
- Since 2008, we have reported our energy and emissions data to the Carbon Disclosure Project, and our 2019 Climate Change Score ranked in the top quartile among our diversified industrial peer companies that reported.
- Today, Parker recycles more than 85% of the waste generated from its manufacturing operations, and we are working to further reduce the volume of waste sent to landfills.

Even in these extraordinary and challenging times we are all facing together due to the COVID-19 pandemic, Parker is committed to driving sustainable, long-term growth and doing so in a way that makes the world a better place. This is our responsibility to our team members, shareholders, customers and communities, and as we move forward together, we will continue to pursue new opportunities to build on our strong foundation of environmental stewardship and social responsibility. Although it took more than a day for us to discover our purpose, we will spend every day after living up to it.

Sincerely,



Thomas L. Williams
Chairman and Chief Executive Officer



Lee C. Banks
President and Chief Operating Officer

Leading with Purpose

With a broad motion and control technology portfolio, engaged teams working across the globe and long-standing customer partnerships, Parker is fortunately positioned to help improve the lives of many and make the world a better place. Addressing these opportunities is more than an ambition, it's why Parker is in business. The ability to help team members thrive, protect the environment and support local communities is viewed as a key measure of the company's success.

Following months of research and extensive input from team members, Parker recently defined its unique contribution to the world in the form of a new purpose statement:

Enabling Engineering Breakthroughs that Lead to a Better Tomorrow

The statement does not indicate a change in direction but a way to clarify it and point to the path ahead. As a catalyst for growth and change, purpose is a reflection of Parker's culture and provides inspiration and direction for team members. The simple expression highlights how they collaborate to improve the workplace, partner with customers to enable breakthroughs that make the world work better and take action to strengthen the places Parker calls home.



People

By establishing high performance teams and driving an ownership culture, Parker's engaged team members are making significant improvements to safety, quality, cost and on-time delivery. They're also building on a rich legacy of social responsibility through volunteering and charitable giving to help address the needs of their local communities.

Planet

From expanding recycling programs and finding new ways to utilize eco-friendly materials, to optimizing manufacturing processes and reducing the consumption of energy, water and raw materials, Parker is exploring new methods to conserve resources and help protect the environment.

Products

Parker technologies can be found on and around almost everything that moves. Driving improvement across the entire product lifecycle and designing systems to operate at peak performance represents a meaningful opportunity to create value for customers while minimizing environmental impact.

Stakeholder Engagement

Parker understands the importance of continuing to build on past progress toward its sustainability objectives. To help guide these efforts the company analyzes benchmark information within its diversified industrial peer group, and receives valuable input from: direct feedback shared by team members and customers; marketing and sales teams; suppliers on their compliance with Parker's sustainability requirements; the Parker leadership team; and ratings from the investor community.

A new high performance team is being established to lead a stakeholder engagement process. The team's analysis and evaluation of data and best practices will shape recommendations to be shared in periodic reports, helping to increase the speed with which Parker is able to identify and address opportunities for continuous improvement.





Potential Risks & 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, pandemics, natural disasters and government regulation that could pose a risk to its business, and incorporates programs and measures to mitigate those risks as needed.

Environmental, Health & Safety Policy

Parker's Environmental, Health & Safety (EHS) Policy establishes fundamental commitments intended to guide progress toward the company's EHS goals. These include achieving a zero-incident workplace, reducing the environmental impact of manufacturing operations and maintaining compliance with legal requirements. Strategies to fulfill these commitments are embedded into the Win Strategy, and doing so not only reflects Parker's Values, but contributes to strong financial performance and generates positive results for customers and shareholders.

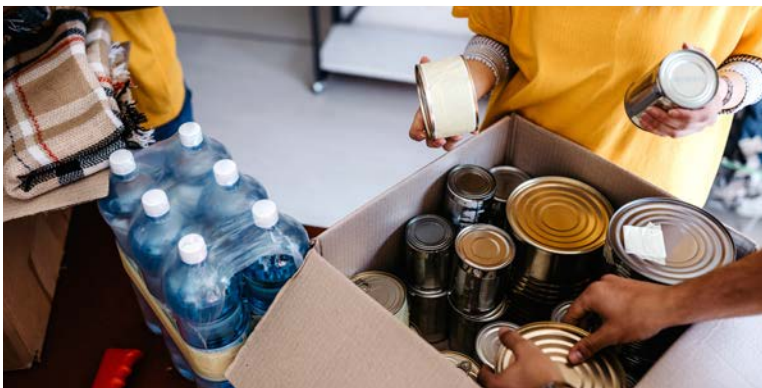
The EHS Policy is available at www.parker.com/sustainability.



Shared Legacy of Social Responsibility

Parker LORD - Cary, NC, USA

In October 2019, Parker completed the acquisition of LORD Corporation, a leading manufacturer of advanced adhesives and coatings, as well as vibration and motion control technologies. The cultures and values of the two organizations are closely aligned, and LORD team members have a rich history of community involvement. Last year they collectively volunteered 13,780 hours across more than 50 organizations around the world and contributed more than \$900,000 to support initiatives that make a positive difference in society.



VOLUNTEER
HOURS ACROSS 50
ORGANIZATIONS
AROUND THE WORLD

13,780

People

The collective talent, ambition and expertise of Parker team members is a powerful resource. By focusing their efforts through high performance teams and embracing an ownership mentality, team members drive Parker forward and provide the foundation for sustained success.

In turn, Parker is committed to workplace safety and providing its team members the resources, flexibility and autonomy to thrive both personally and professionally, and make a positive impact in the lives of those around them.

Safety

At Parker, safety is a breakthrough business objective and a core value that all team members share, and the safety goal is simple but ambitious: to achieve a zero-incident workplace by driving an ownership culture. Although there is still important work ahead to achieve that goal, the company has made significant gains in improving safety performance. Through the commitment and diligence of all team members, over the past five years Parker has achieved a 61% reduction in the Recordable Incident Rate, which included a 24% reduction in fiscal year 2019.

This year several initiatives contributed to strong safety performance. As reflected in its safety strategy, Parker believes that a safe workplace and culture is grounded in an equal commitment made by the company and each team member. Parker bears the responsibility to maintain a safe workplace, and in turn it depends on its team members to always work in a safe manner and to take action when they observe potential hazards or unsafe behavior.

To support this partnership on safety, Parker is focused on implementing local safety commitment and pledge events and recently introduced a new enterprise-wide safety platform: SAFETY 360. Developed with input from team members around the world, SAFETY 360 reminds all team members, guests and contractors that safety is an all-encompassing priority at Parker. It is intended to support the company's safety strategy based on the pillars of safety as a value, operational safety and excellence, talent and competence and continuous improvement.



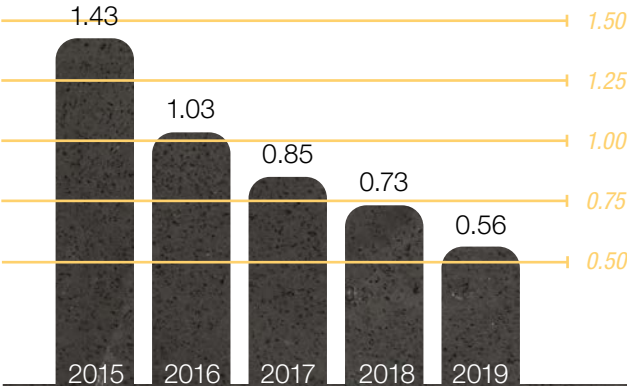
Throughout the year Parker also hosted safety-focused kaizen events at many of its locations. In these events, teams work together to improve safety and productivity by identifying improvements that can be addressed quickly, such as the installation of improved machine guarding, lessening of an ergonomic risk factor or implementation of new training.

Parker remains committed to operational safety excellence and the engagement of all team members, including those who recently joined the company through the LORD Corporation and Exotic Metals Forming Company acquisitions, in supporting a safety-first culture and driving toward a zero-incident workplace.



Nationwide Safety Pride
Parker India

This year the National Safety Council of India organized the 48th annual National Safety Week, an event held in early March to improve safety awareness and recognize reductions in workplace accidents across participating organizations. Parker India joins in the activities each year as an opportunity to reinforce a safety-first culture and renew the commitment shared by all team members to achieving zero accidents. This year's celebration aligned with the launch of SAFETY 360 and highlights included speeches from business leaders and safety Star Point team representatives, the launch of a new safety pledge and site visits and prizes for team members' families and children. Team members also attended demonstrations of various scenarios to help visualize safety best practices and learn how to respond in emergency situations.



Recordable Incident Rate

Normalized to 100 Team Members Per Year

The Recordable Incident Rate, Parker's primary safety metric, is the number of work-related incidents which require medical attention beyond first aid normalized to 100 team members per year.



Engaged People

Aligned with the Win Strategy goal of Engaged People, high performance teams are an integral part of ensuring all Parker team members are fully engaged in making a difference in their workplace and the business as a whole. The Star Point structure is a key component of high performance teams and provides a platform for team members to get involved in creating a better experience for customers. Engagement is now established as Parker's fifth Star Point, in addition to Safety, Quality, Delivery and Cost. Each location is establishing a site-wide Engagement Star Point Team, which is connected to all other natural production teams. This team participates in the deployment of their site's engagement strategy, supports the formation of competent and effective teams and helps implement company-wide social responsibility initiatives at the local level.

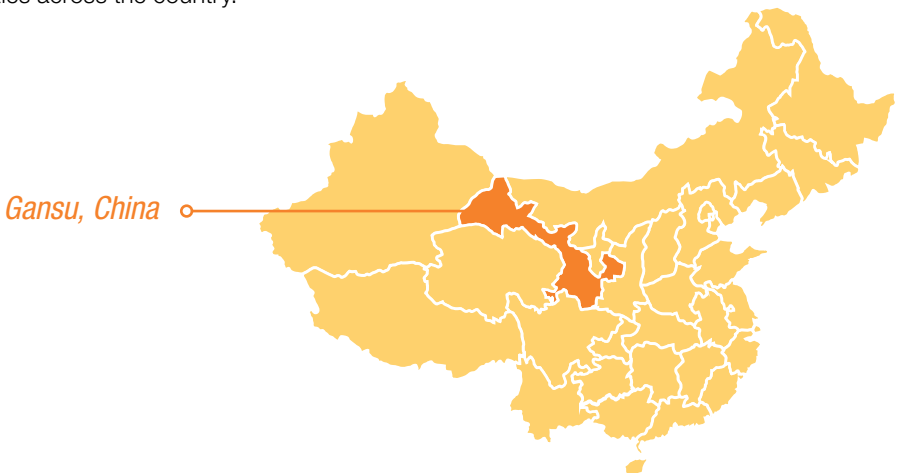
The Intersection of Hope & Purpose

Parker China - Shanghai, China

Poverty is an ongoing challenge in many parts of rural China. So when a massive earthquake destroyed a primary school in the remote mountain village of Tianshui, Gansu in 2008, families in the neighboring communities had little hope of recovery.

With the belief that education is the root of eliminating poverty and creating a better future, Parker China team members worked with the China Youth Development Foundation to establish The Parker Hannifin Hope School. Located along the Qingshui River in Western China, the school provides kindergarten and primary education to students from neighboring villages.

Each year, team members undertake the long journey to visit the Hope School to deliver gifts, build relationships and to help address the needs of the surrounding community. In the decade since Parker China began partnering with the Hope School, more than a dozen graduates have enrolled at high-performing universities across the country.



This year Parker reinvigorated the use of kaizen events designed to engage team members at all levels in rapid improvement initiatives. A fundamental component of lean manufacturing methodology, kaizen events help participants identify and implement opportunities for continuous improvement through the methodical evaluation of a process or value stream by a multidisciplinary team over a short period of time, usually a week. In fiscal year 2019, Parker facilitated approximately 375 kaizen events with participation from thousands of team members, generating a significant impact on business results and engagement. Going forward, kaizen will be a way of life at Parker.

Global Well-Being

Parker's approach to well-being is built on enabling team members and their families to achieve their health, safety and financial goals. These are the foundational pillars of Parker's offering which encompasses health, wealth, career and culture. It includes educational materials, programming resources and guidance designed to be customized on a regional and individual basis, recognizing differences in local cultures, regulations, business practices and objectives.

Inclusion

The diverse backgrounds and experiences of its team members enables Parker to adapt and be better prepared for the challenges and opportunities of tomorrow. The unique skill set, point of view and experiences each person brings to the workplace creates a foundation for meaningful collaboration to solve problems more creatively, deliver innovative solutions to customers and ultimately help Parker succeed in the future.

Peer W is a business resource group that drives inclusion by supporting the attraction, development and retention of women at Parker, through new chapters around the world. The group regularly hosts networking events and educational seminars, and this year launched a new Mentoring Circles program that connects team members with senior leaders to facilitate personal and professional growth. These developments are aligned with Peer W's focus on recognizing women at Parker for their accomplishments and helping them achieve their career goals.



Social Responsibility

Parker's story is rooted in delivering motion and control technologies that help advance modern progress, but living up to a greater purpose also goes beyond engineering breakthroughs. With many manufacturing facilities located in rural areas, Parker strives to be a pillar within those communities and values its long-standing relationships with local organizations and leaders. Team members share this responsibility and generously contribute thousands of volunteer hours each year by serving as directors on boards of non-profit organizations, setting up food drives, working in soup kitchens and finding other meaningful ways to help those in need.

From Saltwater to Safe Water

Parker Water Purification - Carson, CA, USA

When Hurricane Dorian reached the Grand Bahamas, the deadly storm's powerful sustained winds destroyed houses, battered infrastructure and wreaked havoc in the lives of those who call the islands home. Rising tides also led to devastating floods which compromised the local water supply, leaving more than 60,000 people without access to clean drinking water. Engineering nonprofit organization Water Mission™ quickly deployed its Parker Reverse Osmosis Unit, a container-based seawater desalination system capable of producing 30,000 gallons of clean drinking water per day. With support from an onsite field engineer from Parker, the disaster response team helped to address a critical need of the residents of Marsh Harbour following the catastrophic storm.



The impact of natural disasters and other catastrophic events can be devastating, upending the lives of community residents and causing widespread damage to property, wildlife and the environment. To aid the recovery process throughout an affected region in these times of great need, Parker has established a collaborative program with the Red Cross through which every dollar donated by a Parker team member is matched by the Parker Hannifin Foundation.

This year the Parker Hannifin Foundation announced an expansion to its Matching Gift Program. A matching gift is a financial match by the Foundation of an individual's personal donation to a qualifying organization, and it's a way of standing by team members and the institutions which they support. This program has been in place for many years to extend the impact of educational giving. With this program expansion it now includes a selection of outstanding organizations that align with the Foundation's areas of focus and utilize contributions efficiently to maximize impact in the communities they serve.

In fiscal year 2019, the Parker Hannifin Foundation donated nearly \$6 million to hundreds of qualified 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 more than \$800,000 to support dozens of local United Ways across the United States.

Brightening Up the Holidays

Various Locations



With a spirit of caring and compassion, each year Parker team members around the world organize charity drives, volunteer initiatives and other activities to help support those in need during the holiday season. In partnership with Toys for Tots®, this year more than a dozen participating Parker locations donated 1,572 brand new bicycles to less fortunate children, bringing the total to 12,379 bicycles distributed in the 14 years since the annual tradition began. Team members across many other locations also partner with nonprofit organizations to provide food, clothing, blankets, toys and other items to help make the holidays a little brighter for all within their local communities.

Planet

Across a wide range of aerospace, industrial and mobile equipment applications, Parker team members partner with customers to solve their complex challenges and enable engineering breakthroughs. Living up to a greater purpose, however, means doing so in a way that minimizes environmental impact to help create a better world for future generations.

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. Through comprehensive initiatives to optimize manufacturing operations, and market-driven innovation to deliver products and systems that improve performance and efficiency, Parker team members are taking action to fulfill this shared responsibility.

Environmental Stewardship

Parker's environmental stewardship strategy includes guidelines for identifying and addressing key opportunities to reduce resource consumption and waste. The company's global network of EHS experts utilize these guidelines to create initiatives that can be effectively implemented at the local level.

Today Parker recycles more than 85% of the waste generated from its manufacturing operations, and is working to further reduce the volume of waste sent to landfills.

A Crate Full of Opportunity

Tube Fittings Division - Lewisburg, OH, USA

The division routinely receives shipments of heavy wooden crates that contain forged metal parts used in manufacturing processes. In evaluating opportunities to reduce their environmental footprint, the team determined that approximately 55% of their waste sent to the landfill each year was made up of the empty wooden crates. By partnering with a local packaging supplier who collects the crates and recycles them into an absorbent material used in other applications, the division has reduced their annual waste sent to the landfill by 64.8 tons, and reduced waste management costs by nearly \$97 per ton.



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 investment in evaluating alternatives, product testing and customer certification, but is aligned with Parker's environmental goals.

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 2019, Parker successfully completed remedial activities on two 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.

Tearing Apart Rubber Waste

Parker Seal Vietnam - Hồ Chí Minh City, Vietnam

At large manufacturing facilities, even small changes in process can create a significant impact due to the scale of production. In this case, each month the facility was left with approximately 7.16 tons of rubber waste generated as part of standard trimming and tearing processes used in O-ring production. By implementing a rubber reuse and recycling program with a designated disposal area and containers, team members were able to reduce the amount of rubber waste sent to the landfill by more than 77.9 tons per year.



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 and costs.

Parker has reduced its energy index (MWh/USD) by 33% and greenhouse gas index (MT/USD) by 27% since calendar year 2008. Parker's absolute energy consumption increased 7% in calendar year 2018, largely reflecting increased natural gas use during the winter of that year. Despite this anomaly, the company recorded a 1% reduction in carbon emissions in calendar year 2018.

Since 2008, Parker has reported its energy and emissions data to the Carbon Disclosure Project (CDP). In 2019, Parker's Climate Change Score ranked in the top quartile among its diversified industrial peer companies that reported.

Parker's Energy Use & Emissions

ABSOLUTE ENERGY CONSUMPTION *Measured in Megawatt Hours (MWh)*



GREENHOUSE GAS EMISSIONS *Measured in Metric Tons*



Growing Up Together

Filtration Group EMAM - Querétaro, Mexico

Parker team members around the world are leading with purpose, and in one shining example the Filtration Group manufacturing location in Queretaro, Mexico has united its entire workforce of more than 170 team members behind an ambitious project that will have an impact for generations to come. A high performance team, focused on environmental sustainability, engaged in a state government program that partners with local companies to raise seedlings of native tree species that are in danger of extinction as a result of deforestation. The team is taking a staged approach, receiving shipments of 1,000 seedlings at a time to be planted around the property and raised until they are strong enough to be transplanted to a local nature preserve. Their goal is to raise 10,000 trees over the course of the next decade, building a legacy for future generations that team members are proud to be a part of.



Product Stewardship

After more than a century of experience serving its customers, Parker is often called to the table for the collaborations that help to solve the most complex engineering challenges. Breakthroughs that make the world smarter, safer and more efficient would not be possible without Parker technologies.

Parker's Winovation system applies structure to the research and development of products, systems and services by establishing a long-term planning horizon for new offerings, including specific deliverables at each stage of the process. Guided by the Winovation system, Parker forms trusted partnerships with its customers to determine the outcomes that they see as most important and yet are least satisfied with current capabilities.

This deliberate approach yields solutions that create significant improvements in sustainability by minimizing manufacturing waste and energy use. Such accomplishments are driven by reductions in weight, increases in efficiency, improvements to safety and the elimination of unnecessary features.

This year Parker introduced Simple by Design™, a new element of Simplification under the Win Strategy 3.0. Across the cost continuum of a product, approximately 30% of the cost is labor and overhead. The other 70% of the costs are associated with product design, when decisions are made about materials, sourcing, part design and functionality. Historically, most companies have focused on the 30% portion. Simple by Design will utilize new business processes and tools to address the 70% of costs by reducing complexity and increasing efficiency, enabling Parker to deliver an even more cost-effective product that provides additional value to customers.

Space Exploration Challenge

Parker Aerospace - Irvine, CA, USA

For years, many Parker team members across various locations have supported FIRST® Robotics Competitions, a nonprofit organization for students to build self-confidence, knowledge and life skills while motivating them to pursue education and career opportunities in science, technology, engineering and math. For 2019 the theme was Destination: Deep Space, and Parker Aerospace team members in Irvine, California volunteered to support students, including those from the nearby Troy High School, who were tasked with designing a robotic vehicle to perform tasks in a habitat that simulates another planet. Parker team members were on-site at the competition to share their technical expertise and volunteer as inspectors, judges and scorekeepers. Students from the Troy Robotics team were also invited to participate in a summer internship program at Parker Aerospace to gain valuable hands-on engineering experience.

Supplier Partnerships

Enabling technology breakthroughs that change the world for the better would not be possible without long-standing and trusted partnerships. For many years Parker has been fortunate to collaborate with suppliers that deliver exceptional quality and reliability. These relationships are characterized not only by a shared commitment to providing a premier customer experience, but to efficiency and exploring new opportunities to reduce resource consumption and waste. With an annual supplier spend exceeding \$7 billion, these actions will enable Parker to continue to reduce its environmental footprint and improve resiliency throughout the supply chain.

Recent initiatives include a program to minimize air freight, generally associated with increased costs and an expanded environmental footprint, which in many cases can be avoided in favor of more sustainable transport methods. Parker is also transitioning to electronic purchase orders, invoices and other supplier documents to decrease paper waste. Wooden pallets are used at Parker distribution centers to store and transport materials, and the company has implemented a program to repair and reuse damaged pallets whenever possible to minimize waste sent to landfills. Reusable totes are also being adopted at these facilities to reduce the use of corrugated boxes.

Since 2013, Parker has been a proud member of the U.S. Environmental Protection Agency (EPA) SmartWay® Transport Partnership. 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, measured against more than 5,000 other companies acting to support a sustainable economy.



Parker's global supply chain team effectively manages risk to its business by developing dual sourcing capabilities and incorporating other strategies to secure continuity of supply. 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. As a supplier itself, Parker is committed to upholding these same responsibilities, while engineering solutions that enable customers to improve productivity and efficiency and minimize their own environmental impact.



Leading with Purpose During COVID-19

Throughout its 103-year history, Parker has been called upon in times of global hardship and adversity. Following the COVID-19 outbreak, the actions of the remarkable Parker team members embody the company's culture, values and purpose: Enabling Engineering Breakthroughs that Lead to a Better Tomorrow.

With a spirit of caring and compassion, Parker team members are stepping up to deliver technologies used in:

- Ventilators to treat those who are sick, using model-based engineering, additive manufacturing and other rapid product development processes to quickly increase output of crucial components needed by ventilator manufacturers;
- The operation of global manufacturing facilities, ensuring essential goods can be produced;
- Engine filters and transmission components for heavy-duty trucks to transport food, water and supplies;
- Aerospace rotorcraft products to support emergency transport of patients;
- Refrigeration technologies to help keep food fresh and medicine viable;

And many other technologies essential to people's daily lives. Across countless critical applications, Parker products and systems are helping with the front-line effort to combat the spread of COVID-19 and support its treatment around the world.



Ramping Up Ventilator Enabling Technologies for Pandemic Relief Effort

Precision Fluidics Division - Hollis, NH, USA

Precision Fluidics Division expanded production in response to significantly increased demand for solenoid and proportional valves used in critical ventilation equipment needed to treat patients with COVID-19. With more than 20 years of experience serving the medical device industry, the division was well positioned to respond to customer needs with technical expertise and lean operations to ensure product quality and reliability.

Parker's miniature solenoid valves are known for high-speed operation and extremely low leak rates for use in medical devices, and the company's proportional valve technology meets the most demanding precision flow applications in the industry. Several valves from the Precision Fluidics Division are used to support ventilator systems including the VSO Max HP, VSO, VSO Low Pro, x-Valve and S-11 valves.

Existing relationships with customers who serve several key global ventilator manufacturers led to a successful expansion of the division's operations to meet increasingly demanding production requests.

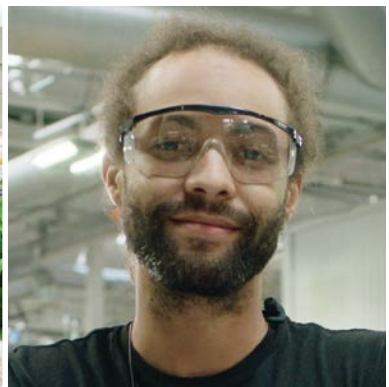
The division's 170 team members adopted rotating schedules and additional shifts, helping to onboard new hires and moving from the office to manufacturing cells to support the increased production. Their actions are a reflection of the work ethic and values shared by Parker team members everywhere, and the company's commitment to meet the needs of customers.



Ethical Business & Corporate Governance

A lasting commitment to the highest standards of ethics, integrity and governance defines Parker's history and is key to the company's continued success. It's the first step in living up to a greater purpose. For more than a century the company has maintained a culture where every team member is responsible and accountable for upholding its values and for conducting business with honesty, integrity and a strong sense of purpose. Parker builds strong, trusted partnerships with its stakeholders around the world and within the communities the company calls home.

Parker has built its success on the ability to leverage advancements in manufacturing technology, innovate in alignment with changing global trends and constantly adapt to meet the needs of customers. Insisting on honesty and integrity with customers, suppliers, all third parties and with one another is a core value that dates back to Parker's earliest days and continues more than one hundred years later.



Corporate Governance

Parker and its Board of Directors are committed to sound corporate governance practices that drive accountability and promote the long-term interests of shareholders. The Board maintains regular oversight of the development and execution of The Win Strategy, and in key areas such as management succession planning, cyber security and environmental, social and governance matters.

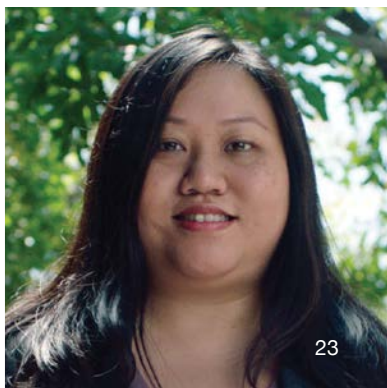
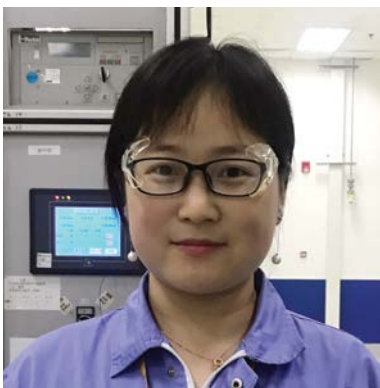
The Board maintains a persistent focus on director refreshment and succession and is highly independent, with nine of its 11 directors and all of its committee members “independent” based on New York Stock Exchange and Parker’s internal independence standards. The Board has a strong and independent lead director, and each of the directors must stand for election annually and be elected by a majority vote standard. Further, directors are subject to annual performance evaluations and appropriately restricted from serving on an excessive number of boards. 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.

Winning With Integrity

The strength of Parker is the dedication of its team members. The company takes a strength-based approach to culture and leadership and actively promotes understanding of individual contributions and competencies. This approach, known as Winning With Integrity, articulates an unyielding commitment to treat all stakeholders – shareholders, customers, suppliers, communities and, most importantly, Parker team members – with honesty and integrity. It’s a commitment which guides interactions with others and fosters individual leadership and accountability. It defines the character of Parker and what the corporation stands for. Parker’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 & Legal Compliance

Parker’s global compliance structure combines strong governance at the corporate level with a local presence of compliance officers helping to ensure compliance processes are implemented and operating effectively at all locations around the world. Compliance and ethics are deeply embedded in the business



strategy, and team members and directors are expected to follow both the spirit and written word of the Global Code of Business Conduct. The Code defines Parker's approach to doing things the right way and provides resources to thoroughly answer questions and address concerns. This approach also includes providing guidelines to put the Code into practice. The Code is available in multiple languages at 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 contacting Parker's Integrity Line. The company takes all such reports seriously and has robust investigation, reporting and remediation protocols.

Several channels are utilized to uphold this commitment to ethical behavior. For example, the Code is cascaded via mandatory Annual Compliance Training that requires an acknowledgment and commitment to its precepts. The Code is further reinforced with printed brochures, newsletters, video vignettes and other educational materials reminding team members of important laws, regulations and policies.

The scope of this commitment includes external partners. Distributors are expected to implement management systems to facilitate compliance with applicable laws, directives and regulations, as set forth in Parker's Distributor Code of Conduct. Additionally, Parker fully appreciates the important role of suppliers in creating value for customers. Parker expects its suppliers to provide material, products and services which meet all the requirements of Parker contracts, applicable specifications, environmental regulations and quality management requirements. Additional details are provided in the Supplier Quality Requirements Manual, which includes a Supplier Code of Conduct, available at www.parker.com/aboutus.

Parker's global compliance program spans the organization vertically and horizontally and supports the vision of an ownership culture by promoting team members' personal responsibility for compliance in their areas of focus. This comprehensive program includes a dynamic structured approach to risk management across Parker's operations and processes. The cooperation between Corporate Compliance and all global businesses strengthens the culture by providing continuous feedback from multiple touch points. In many different ways, Parker reinforces integrity as not just a corporate responsibility, but a personal one.





