



# GUIDED BY PURPOSE



2023 Sustainability Report



# Enabling Engineering Breakthroughs that Lead to a Better Tomorrow

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# ABOUT THIS REPORT



Parker's sustainability journey is intrinsically linked to our purpose: Enabling Engineering Breakthroughs that Lead to a Better Tomorrow. It guides our ongoing pursuit of a cleaner, more sustainable future and ensures that we keep – and continuously strengthen – our sustainability promise in the communities we serve. Parker people and technologies play a vital role in making the world a better place.

This sustainability report details our progress in the areas of environmental stewardship, social impact and responsible governance. It is aligned with the disclosure framework established by the Sustainability Accounting Standards Board (SASB) for the Industrial Machinery & Goods industry. All data corresponds to Parker's fiscal year 2023 (FY23), July 1, 2022 through June 30, 2023, unless otherwise noted. Environmental data in this report covers FY22 and includes data from Parker's acquisition of Meggitt PLC.

## About Parker Hannifin

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

# Leadership Message

Parker has built a legacy of enabling engineering breakthroughs that make our world safer, smarter and cleaner. Our unwavering commitment to help create a more promising future is reflected in our purpose and the actions we are taking on behalf of all our stakeholders.

This year we continued to support our customers and make great progress toward our goals backed by the strength and resiliency of our team members. We believe our culture, values and purpose are the foundation for our success in achieving consistent, sustainable long-term growth.

As our business has grown following the acquisition of aerospace technology company Meggitt PLC, so too has our capacity for affecting positive change in the places we live and work. We are proud of the significant steps that we have taken to protect the environment, advance clean technologies and strengthen our communities.

Our commitment to environmental stewardship carries a responsibility to minimize our impact and conserve natural resources. Our goal is to reduce emissions from our operations by at least 50% by 2030 and achieve carbon neutral operations by 2040. In support of these targets we have installed rooftop solar power systems, initiated supply chain reporting and implemented hundreds of carbon reduction projects at various locations globally. We also continue to prioritize minimizing waste sent to landfill and conserving water across our manufacturing sites.

More importantly, Parker's technology plays a very large role in protecting the environment far beyond improving our own operations. Our technology supports the goals of our customers all over the world to develop clean technologies that contribute to a more sustainable future. Approximately two-thirds of our global technology portfolio are solutions that enable electrification, lightweighting, the adoption of cleaner and more efficient energy sources such as batteries, fuel cells and hydrogen, and other innovations with a positive environmental impact.

We believe that a strong, engaged and supported workforce is the primary catalyst for realizing our sustainability objectives. In FY23, we focused on increasing diversity across our business and particularly in positions of leadership, placed among the top quartile of industrial peer companies for overall safety performance, and donated more than \$9 million to causes and charitable organizations most important to our people and most essential to our communities.

The progress outlined in this report is made possible by the dedication of Parker's 60,000+ team members and the support of our stakeholders. As we take the next steps on our journey, we remain Guided by Purpose to fulfill our obligation as responsible corporate citizens driven to support a more sustainable tomorrow.

Sincerely,



Jennifer A. Parmentier  
Chief Executive Officer



Lee C. Banks  
Vice Chairman and President



Andrew D. Ross  
Chief Operating Officer

September 2023



# 2023 At-a-Glance

## PARKER OVERVIEW

**\$19.1 Billion** Total Net Sales

**62,730** Team Members

**~335** Manufacturing Plants

## ENVIRONMENT

### Goals

Reduce Scope 1 and 2 Carbon Emissions 50% By 2030  
Achieve Carbon Neutrality By 2040

**160**

Sites **Certified to ISO 14001** Environmental Management System Standard

### Environmental Footprint<sup>1</sup>

Carbon Emissions (MT CO<sub>2</sub>): **660,000**

Reduction to Baseline (FY19): **20%**

CDP Climate Assessment: **Management Level**

Water Consumption (Million m<sup>3</sup>): **5.2**

CDP Water Assessment: **Awareness Level**

**79**

Carbon Reduction Projects Completed

**Two-thirds**

of Our Product Portfolio Enables Clean Technologies

<sup>1</sup> Environmental data in this report covers FY22 and includes data from Parker's acquisition of Meggitt PLC.

## SAFETY

Recordable Incident Rate: **0.31**

**45% Reduction** Since FY19

Lost Time Incident Rate: **0.12**

**33% Reduction** Since FY19

Recordable Incidents Goal

**Zero by 2030**

## DIVERSITY, EQUITY AND INCLUSION

### Our Workforce Diversity

Segment	Demographic	FY23 Workforce
Global	Women	31% of Total Workforce
		20% of Managers
U.S.	People of Color	31% of Total Workforce
		16% of Managers

**62%** of Parker's **Board of Directors** is Diverse Based on Gender, Race or Ethnicity

## ENGAGEMENT AND DEVELOPMENT

**7,100** High Performance Teams (HPTs) Established Globally

**93%** of Team Members Participate in One or More HPTs

**~400** Team Members Have Joined Parker in a Functional Leadership Development Associate Program in the Past Two Years

## SOCIAL RESPONSIBILITY

**More than \$9 Million**

Donated to Charities That Help Strengthen Communities Around The World



# Sustainability at Parker: A Better Tomorrow

Parker is solving the world's greatest challenges, enabling a cleaner and more sustainable future. From wind turbines and solar panels to the world's smartest all-electric tractor, we partner with customers to protect the environment and help improve the lives of people everywhere.

Our view of sustainability is focused on the needs and interests of people, and we measure success by our capacity to foster a safe and engaging workplace for our team members, empower the communities we serve and deliver innovative solutions that make people's lives better. We take this responsibility seriously and rely on our highly engaged team members, who are taking action every day to deliver on our purpose.

Our longstanding commitment to corporate responsibility is deeply ingrained within Parker's history and is reflected in our products and solutions that are designed to optimize performance as well as reduce carbon emissions, conserve natural resources and enable the adoption of renewable energy. We are proud to be at the forefront of this effort and will continue to lead by example. By aligning around our purpose today, Parker is better positioned for the challenges and opportunities of tomorrow.

## The Win Strategy™

The Win Strategy™ is our business system that defines the goals and initiatives that enable Parker's long-term success. It includes four overarching goals – Engaged People, Customer Experience, Profitable Growth and Financial Performance.

Our sustainability initiatives and targets are integrated into The Win Strategy™ and across multiple functional areas of the organization including operations, environmental, health and safety (EHS), supply chain, innovation, human resources and compliance.

**In FY23, we invited shareholders representing ownership of more than 53% of our outstanding common stock to meet with us on Parker's ESG topics.**

## Engaging Our Stakeholders

Sustainability is a complex and multifaceted topic that requires collaboration and input from a wide range of stakeholders. We recognize the importance of engaging with our stakeholders on sustainability matters, particularly given the evolving environmental, social and governance (ESG) landscape.

Through our year-round process, we actively seek opportunities to share our sustainability initiatives and gain valuable insights from our stakeholders. We use a variety of channels to facilitate these conversations, including online platforms, in-person meetings, phone calls and community events.

Our annual stakeholder engagement process includes:

- Collecting input from team members, investors, customers and partners.
- Benchmarking against peer companies.
- Staying informed of upcoming global regulations that could affect our business, sustainability initiatives or reporting and disclosure practices.

Ongoing engagement is important to our success. We listen to the perspectives of our stakeholders and seek to better understand the sustainability challenges facing our industry and our communities. Through these engagements, we use stakeholder feedback to inform our sustainability strategy, prioritize our actions and measure our progress. In collaboration with our stakeholders, we are doing our part to build a more sustainable future.



**Our Board of Directors maintains oversight of our ESG program, and senior management monitors relevant programs on a day-to-day basis with the support of our internal ESG Steering Committee. Read more about ESG oversight and management on [page 31](#).**



## Parker Aerospace and Meggitt: Stronger Together

### Combination Strengthens Legacy of Engineering Breakthroughs

Parker's acquisition of Meggitt PLC in September 2022 forged a compelling strategic and cultural combination.

From airframes to engines, Parker Aerospace's proprietary products and technologies are found, nose to tail, on aircraft across the world. Our core offerings include braking systems, advanced engine sensors, safety systems, engine valve and actuation, electric power and thermal management.

Parker Aerospace supports customers through the full life cycle of their aircraft. As a combined organization, our leadership in aerospace systems enables us to better serve customers and solve their challenges through innovation, enhanced research and development, and a complementary portfolio of advanced technologies.

#### A Match Made in Aerospace

Parker and Meggitt are strong organizations with rich histories, passionate team members and winning cultures. This combination has strengthened our position as a global leader in aerospace and defense technologies.

Along with the complementary nature of product lines, the addition of Meggitt brings the skills and talents of our new team members. Joining our teams together has proven a natural fit, as we share a focus on safety, engagement, integrity, operational excellence, innovation and sustainability.

Our people are creative and passionate experts in their field who serve as long-term partners to our aerospace customers, enabling them to achieve their goals.

#### The Next Generation of Aircraft

Parker Aerospace enables the world to fly smarter and more sustainably. We design and develop new technologies and adapt current ones to enable the next generation of aircraft by creating lighter-weight components and investing in the advancement of all-electric technologies and systems.

As part of our ongoing business integration, we are strengthening Parker's sustainability efforts by incorporating elements of Meggitt's program, including the knowledge and best practices we have learned from one another. We share a commitment to contribute to a more sustainable future through strategic initiatives designed to achieve meaningful progress toward our ESG objectives. Operations that joined the Aerospace Group via the Meggitt acquisition adopted Parker's enterprise climate commitments effective July 1, 2023. Together, we are upholding our sustainability commitments, including the 50% absolute reduction of carbon emission by 2030.



# ENVIRONMENT



## Enabling a Cleaner, More Sustainable Future

Operating our business with minimal environmental impact is inherent in Parker's purpose. We proactively take steps to protect and preserve the natural environment we all share. While pursuing measured and meaningful progress on our own sustainability journey, Parker is driven to help customers adopt and adapt clean technologies to enable a better tomorrow.

### Environment

#### Clear Expectations, Effective Management

All Parker facilities adhere to our [Environmental, Health & Safety \(EHS\) Policy](#), which codifies our commitment to environmental stewardship, and related directives that specify requirements for materials management, pollution control and waste minimization.

Parker has 160 sites – 47% of our manufacturing footprint – that are certified to the ISO 14001 environmental management system standard, resulting in more efficient use of resources and reduction of waste. Conformance with this international standard reflects our commitment to continuous improvement and meeting the expectations of our valued customers.

Our manufacturing operations all follow an EHS management system structure that is organized into five management directives and 14 operational directives. These directives span the full extent of requirements for maintaining a safe workplace as well as effective environmental management. Each directive has supplemental guidelines, standards and best practices, which provide the necessary framework and criteria for our operating facilities. All facilities then adopt and develop site specific procedures and programs to meet these requirements. This allows our facilities the flexibility to have effective programs as we have variability in our products and processes around the world. A list of our EHS directives is available on [parker.com/sustainability](https://parker.com/sustainability).

## Climate Action: Pursuing Carbon Neutral Operations By 2040

We are dedicated to decreasing our carbon emissions and lowering our energy consumption. Our targets were developed as science-based targets in 2021 and are aligned with the 1.5°C ambition for our Scope 1 and 2 commitment.

- Reduce absolute emissions directly from the company's operations and indirect emissions from purchased energy (Scopes 1 and 2) by 50% by 2030.
- Reduce other indirect absolute emissions related to materials sourcing, logistics and services (Scope 3) by 15% by 2030 and by 25% by 2040.
- Achieve carbon neutral operations (Scopes 1 and 2) by 2040.

Since beginning our carbon reduction program in 2019, we have taken significant steps to cut emissions from our operations to reach these goals. As of the end of FY22, we have reduced our absolute carbon (Scope 1 and 2) emissions from our operations by 171,000 metric tons CO<sub>2</sub>, a 20% decrease. Although we have made significant progress toward achieving our carbon reduction goals, we recognize the pressing need to sustain and enhance our positive momentum and further enhance our efforts.

### Parker's Carbon Reduction Goals

#### 2030 TARGETS

Reduce Scope 1 and 2 emissions by

**50%**

and Scope 3 emissions by

**15%**

#### 2040 TARGETS

Reduce Scope 1 and 2 emissions by

**100%**  
(carbon neutral)

and Scope 3 emissions by

**25%**

### Leadership Oversight of Climate-Related Risks and Opportunities

Our Board of Directors maintains oversight of our ESG program, which includes climate-related matters. Our carbon neutral goals are cascaded to our global operations through our strategy deployment process. Performance to our goals is achieved through annual planning and implementation by our operating facilities. Performance is reported quarterly to the leadership team and published externally each year.

### Climate Program Integration

As part of integrating Meggitt into Parker's Aerospace Group, we are consolidating two separate but complementary sustainability programs. The Parker Science Based Targets initiative (SBTi) commitment is being updated to include Meggitt operations, and the combined commitment will be submitted for validation by December 2023. Starting with the 2023 reporting cycle, Parker's CDP response will be inclusive of Meggitt operations. This sustainability report contains combined Parker and Meggitt environmental data from FY19 through FY22 (our financial reporting period ending June 30, 2022).

We have made progress in estimating our Scope 3 supply chain carbon footprint for Category 1 and Category 4. We have estimated our supply chain footprint for FY19 at 4.4 million metric tons CO<sub>2</sub>. For FY22, our estimate includes a larger portion of reporting from our supply chain and is estimated to be 4.0 million metric tons CO<sub>2</sub>, an 8% reduction from our FY19 baseline year. These estimates include Meggitt's supply chain estimate.

#### Carbon and Energy Use

	Unit	FY19 (baseline)	FY20	FY21	FY22
Absolute Carbon Emissions (Scope 1 + Scope 2 Market-Based)	Metric Tons CO <sub>2</sub>	831	688	669	660
Scope 1 Emissions	Metric Tons CO <sub>2</sub>	173	138	136	137
Scope 2 Emissions (Market-Based)	Metric Tons CO <sub>2</sub>	658	550	533	523
Carbon Emissions Intensity	Absolute Carbon/\$M Sales	48	43	41	40
Total Energy Consumption	MWh	2,240	1,979	1,925	2,019
Energy Consumption: Electric	MWh	1,408	1,280	1,165	1,152
Energy Consumption: Natural Gas	MWh	831	699	679	767
Energy Consumption: Renewable Energy	MWh	-	-	80	101
Energy Intensity	MWh/\$M Sales	127	120	114	104

All emissions data is represented in thousand metric tons CO<sub>2</sub>. All energy consumption is represented in thousand MWh. Scope 3 emissions data is estimated based on known data gathered from the CDP Supply Chain program.

## Identifying Climate-Related Risks and Opportunities

Parker leverages our Integrated Risk Management Program (IRMP) to model scenarios and understand climate-related risks and opportunities. Our ESG Steering Committee routinely reviews and adds new physical and transitional risks to our enterprise scenario analysis process. This process includes collecting and reviewing quantitative and qualitative inputs on physical and transition climate risks; analysis by multiple functions within the company; identifying opportunities; and risk mitigation approaches. The Committee decides how and when insights and ideas are integrated into our corporate planning and strategy.

### Parker's Climate Strategy

Parker's climate strategy is based on evaluating the risks and opportunities identified through our IRMP. We perform this assessment annually to calibrate and adjust our strategic objectives as necessary. The first strategic objective is to ensure that our products are aligned to the ever-changing needs of our customers as they adapt their products to address climate-related risks. As a motion control company, there are numerous opportunities for us to capture new and emerging markets that are created by climate change. The second strategic objective is to ensure our manufacturing operations are resilient to climate-related restrictions, taxes or surcharges associated with carbon-based energy as well as to demonstrate our commitment to reducing our carbon footprint. This strategy is addressed through our successful fulfillment of our carbon neutral commitment. The third strategic objective is to strengthen the resilience of our supply chain through a Scope 3 carbon commitment requirement as well as building supplier alternatives for adverse climate-related scenarios. Our final strategic objective is centered on our operational footprint and ensuring it is resilient to climate-related impacts through the use of good business continuity planning and incorporating those impacts into our new facility selection process.

These four objectives address the primary risks and opportunities we have identified as part of our climate strategy and our actions associated with each are detailed below.

#### OBJECTIVE 1

##### **Provide technology solutions to meet customer expectations related to climate.**

The push for more sustainable fuels, equipment and systems is influencing today's global clean energy transformation. Parker is evolving in parallel by innovating technology solutions across all our platforms, which enable greater efficiency and productivity as well as longer product life cycles for our customers.

As our customers continue to elevate their own climate strategies, we recognize the increasing need to provide quantification of our carbon footprint – either in aggregate or by individual product – to help customers accurately determine the impact of their total footprint. We are committed to providing the information needed to address customer-level inquiries.

#### OBJECTIVE 2

##### **Reduce carbon from our operational footprint.**

The strategy to achieve our carbon neutral target starts with reducing the energy footprint in our facilities. We initiated an energy reduction program in 2010, which continues to be the primary mechanism for achieving our goal, especially for our Scope 2 footprint. The second initiative involves securing a steady source of renewable energy through clean energy producing alternatives that include rooftop solar, third-party wind farms and green energy contracts. We are confident that we will achieve our interim target of 50% reduction by 2030 with this strategy as 80% of our carbon footprint is associated with electricity use (Scope 2 emissions). The next phase of our strategy will involve focusing on our Scope 1 emissions and seeking alternatives such as electrification and clean fuel options. The final phase will be to identify carbon offsets for any remaining footprint that we are unable to eliminate through implementation of the previous phases of our strategy.

Each Parker division nominates an “energy leader” who guides engagement on climate and energy topics. Engagement includes leveraging cross-functional High Performance Teams (HPTs) focused on environmental footprint reductions to perform a variety of activities, including energy efficiency assessments, lean Kaizen events and climate life cycle analysis on new equipment purchases. To support these efforts, we offer training to all Parker team members and require leaders to complete advanced training to properly lead and deploy our climate and energy initiatives.

Since 2019, our teams have initiated 318 projects to reduce Parker’s environmental footprint. Examples include:

Type	Estimated Annual Carbon Savings (MT CO <sub>2</sub> )
50 lighting upgrades	2,000
31 compressed air units	2,000
22 HVAC systems	1,000

We have more than 20 on-site solar installation projects in the pipeline, and collectively these projects will reduce our carbon emissions by more than 10,000 metrics tons CO<sub>2</sub> annually. In addition to solar installations, we recently signed a purchase agreement with three wind farms in the U.S. that will provide Parker with 250,000 renewable energy credits (RECs) per year.

## Reporting Our Carbon Impact

Parker has voluntarily participated in the CDP Climate survey since 2008. We are pleased with our progress and have maintained a high CDP Climate rating in the analysis of more than 5,000 companies that support a sustainable economy, earning a B (Management Level Classification) for our 2022 CDP Climate Report. As a CDP Supply Chain partner since 2021, we have engaged our supply chain to reduce their environmental footprint.

# 79

carbon reduction projects  
completed in FY23

## OBJECTIVE 3

### Improve supplier engagement.

Our Logistics Sustainability HPT implements practices that minimize carbon emissions while providing solutions for the economical transportation of raw materials and finished goods.

Recognizing that our carriers drive a large portion of emissions reductions, we urge our logistics suppliers to join us in pursuing CO<sub>2</sub> improvements. Equipped with credible emissions data for all shipments, we collaborate with carriers, customers and suppliers to develop and implement innovative solutions. For more information about how we engage our suppliers to address climate-related risks and opportunities, please see the [Supply Chain](#) section.

## OBJECTIVE 4

### Reduce risk of climate-related operational disruption.

Every Parker operational facility has a business continuity plan that includes scenario planning for risks such as extreme weather events, and supply disruption contingency planning for suppliers in areas at risk for climate-related operational disruption. Our planning process for new facilities also accounts for whether there is significant climate-related risk associated with the proposed location.

**Learn more about Parker’s climate-related risks and opportunities in our CDP Climate Report available on [parker.com/sustainability](https://parker.com/sustainability).**



## Case Studies

### On-site Solar Installations Reduce Environmental Impact

Four Parker plants in India recently completed on-site solar power installations, which will provide 31% of the power, replacing grid consumption, for all four sites. The installations will collectively save more than 2,200 tons of coal and 100 liters of water while reducing CO<sub>2</sub> emissions by 4,550 metric tons per year. As more successful projects are implemented, we expect to see additional Parker sites invest in renewable energy to drive progress toward our carbon neutral target.



### Roofing Innovation Significantly Reduces Temperature

At the Parker Meggitt facility in Archamps, France, an innovative roofing solution that uses oyster shell-based paint has significantly lowered the surface temperature.

Cool roofs play a vital role in mitigating urban heat islands, improving indoor comfort and reducing energy demands. Given the facility's production processes depend on air conditioning, the environmentally friendly roof will yield substantial energy savings and shrink its carbon footprint. The new roof is approximately 30% more efficient than the previous roof, with an estimated savings of 150 metric tons CO<sub>2</sub> annually.



## Water Conservation: Managing Our Impact

Water, a critical natural resource, is used at Parker to cool and clean manufacturing equipment and components.

To ensure responsible water use and recycling, our conservation initiative targets water use at manufacturing facilities with the highest consumption or those located in geographic areas where water is scarce.

Parker currently operates 40 manufacturing facilities in locations identified as having extremely high water stress by the World Resources Institute's (WRI) Aqueduct 3.0 tool. Our goal is to implement water management best practices at 100% of these sites, which includes a complete water inventory and a focus on conservation projects with the intent of reducing raw water consumption and increasing recycled water use.

The water withdrawal data presented in this report differs from that of the previous report for the same years due to the inclusion of additional site data and updated mathematical calculations aimed at providing more complete and detailed information about Parker's water usage. The methodologies used for calculating water withdrawal were refined to better reflect the actual water usage patterns of the company. Specifically, the updated calculations account for the average water withdrawal per square footage of the facility. These changes were made to improve the company's water management practices, promote transparency and accountability and comply with regulatory reporting requirements.

We evaluate water resource impacts at our existing sites and implement improvements whenever possible. Additionally, we require new facilities to be designed with adequate water conservation measures. Our 2022 CDP Water Assessment resulted in a C (Awareness Level Classification).



### Water Consumption<sup>1,2</sup>

Year	Use (Million m <sup>3</sup> )
FY21	5.2
FY22	5.2

<sup>1</sup> From municipal sources.

<sup>2</sup> Water reporting coverage includes Meggitt data for FY21 and FY22.

## Case Studies

### Water Conservation and Awareness in Mexico

Ten of the 40 Parker facilities in locations identified as having high water stress by the WRI's Aqueduct 3.0 tool are in Mexico. This year, all Parker facilities in Mexico joined together to promote awareness and conserve water across the country.

Over the course of three days, 14 sites implemented 17 water conservation activities and planned an

additional four actions that will create a water savings of 12,000 cubic meters per year, which represents 9% of water usage of all Parker manufacturing plants in Mexico. Additional awareness activities included the creation of a series of educational videos and a logo competition.

### Flying Hope: Safeguarding the Spoon-billed Sandpiper

Parker team members in Shanghai, China, implemented an awareness campaign aimed at protecting the spoon-billed sandpiper, a migratory shorebird on the brink of extinction within 10 years. The bird depends on China's coastal mudflats, which are rapidly depleting, as a place to stop, rest, replenish and change feathers during their migration.

The Flying Hope conservation project includes education elements as well as the opportunity to participate in a field study. This initiative, supported by Parker's Grant & Volunteer Programs, empowers team members to raise awareness about the urgent need for biodiversity conservation and to raise funds for the Spoon-billed Sandpiper Institute.



## Waste and Materials Management: Systematic Approach to Steady Reduction

Parker manages materials and waste responsibly and in accordance with applicable laws and regulations. The three pillars of our waste reduction strategy include:

- Using Kaizen exercises to reduce waste in our processes.
- Leveraging Simple by Design™ to reduce waste in our product development.
- Managing end-of-pipe waste.

Most of our waste is scrap metal from machine processes, which we recycle locally, making for a small waste footprint relative to the scale of our operations. We are working to further reduce the volume of waste sent to landfills and are currently improving the measurement of our waste generation as an initial step.

Operating responsibly includes eliminating the use of materials that are hazardous to the environment. Over time, we have steadily reduced our hazardous waste production and invested in alternatives.

## Case Study

### Lead Forward Participants Focus on Waste Reduction

As part of Parker's seven-month Lead Forward development program, the 23 team members collectively completed two sustainability-related capstone projects, both focused on waste.

One team examined end-of-pipe waste, exploring external pressures as well as its operational and financial impacts through a current state analysis, benchmarking best practices and a pilot project. The pilot led to recommendations to address waste management opportunities at each level of the organization.

Another team examined trends related specifically to packaging waste and Parker's prioritization of creating less waste and off-site recycling. To highlight the importance to our business strategy, the team shared the impressive results of the Engineered Materials Group's Kaizen



activities at our Dayton, Ohio, facility focused on returnable packaging. By reusing packaging several times per part, the team demonstrated the potential to reduce CO<sub>2</sub> emissions by 10.9 metric tons per year, which is equal to the operation of six cars annually. Additionally, the use of the returnable packaging would result in an estimated annual cost savings of \$8,630.



## Supply Chain

### Delivering for Our Customers Starts with a Robust Supply Chain

As a global leader in motion and control technologies, we are aware of the critical role our engineering solutions play in creating a more sustainable future. Our suppliers are vital partners in our global sustainability initiatives, and we collaborate closely with them to achieve our shared goals.

Parker's [Supplier Code of Conduct](#) includes labor, environment, workplace, product safety and other requirements to ensure our suppliers meet sustainability expectations. Suppliers play a key role in our global initiatives, and we rely on each supplier to capture and share credible data related to their carbon emissions as we work toward achieving our environmental commitments. Both are highlighted in the Code and require that our suppliers join us in proactively pursuing steps to reduce carbon emissions as we work together to create a better tomorrow for all.

As part of our enterprise goal to achieve carbon neutral operations by 2040, we are striving to reduce our absolute indirect emissions related to materials sourcing, logistics and services (Scope 3) by 15% by 2030 and 25% by 2040.

We leverage sustainable transport methods to reduce emissions associated with air freight and electronic documentation to reduce paper waste. Parker has been a member of the U.S. Environmental Protection Agency (EPA) SmartWay Transport Partnership since 2012. In 2022, Parker achieved a Level 3 SmartWay Shipper certification.

We implemented industry-leading software throughout our global operations to calculate carbon emissions related to our subcontracted motor, rail, sea and air transport services. This software provides carbon emissions data for every shipment Parker is responsible for, enabling us to quickly identify carbon reduction opportunities and develop actions to improve our performance.

We partner with CDP, an industry leader for collecting data and rating company practices, to support quantifying our suppliers' carbon footprint. We have completed the baseline assessment with our key suppliers and are

**Parker earned an A- rating for our 2022 CDP Supplier Engagement Rating, placing us in the “Leadership” band. Parker ranked among the top 23% of companies of similar sectors.**

collaborating with them to achieve our Scope 3 targets. We are increasing our data transparency by implementing a CO<sub>2</sub> emissions calculator to be used before shipment and robust transportation analytics tools that can be used post-shipment for reporting and continuous improvement efforts.

#### Responsible Sourcing

Our commitment to responsible sourcing is demonstrated through our supplier qualification process and the terms and conditions in our supply agreements and purchase orders. Furthermore, Parker suppliers are required to comply with all laws and regulations related to human rights, resource conservation and other environmental, compliance and legal requirements. These are identified in our Supplier Code of Conduct and include anti-corruption, environmental, health and safety laws, non-discrimination, fair labor, product safety, [conflict minerals](#) and other material compliance requirements such as the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) and the Restriction of Hazardous Substances Directive (RoHS).

Our global supply chain team employs dual sourcing and other risk management strategies to ensure the resilience of our operations and uphold our commitment to the pursuit of responsible procurement practices.

#### Promoting Diversity in Our Supply Chain

Through our supplier diversity program, Parker is committed to expanding opportunities for businesses owned, managed and controlled by women, physically disabled, veteran and ethnic minority Americans, as well as small businesses through inclusion in our procurement process.

The program also strives to increase awareness of supplier diversity and its importance to the company's success. Qualified suppliers are encouraged to register via [Parker's Diverse Supplier Registration process](#).

# CLEAN TECHNOLOGIES



## Creating a Better Tomorrow by Innovating Today

We believe that a better tomorrow means creating cleaner, more efficient technology today. Approximately two-thirds of our product portfolio enables clean technologies. We enable more efficient, lighter weight and reduced emissions systems for companies all over the world.

We are increasing investment in solutions for a focused set of clean technologies including electrification, hydrogen and alternative fuels. From early design to component supply and service, we are helping our customers create value and achieve their sustainability goals.

The interconnected nature of our technology portfolio uniquely positions Parker as a strategic partner to our customers during this global transformation to a more sustainable future. Breakthroughs that make the world cleaner, smarter and safer would not be possible without Parker technologies.

**two-thirds**  
of our product portfolio enables  
clean technology solutions

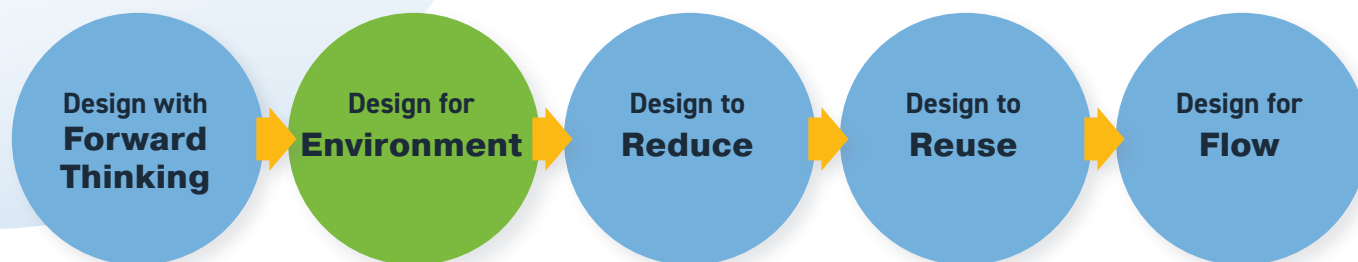
### Embracing Sustainable Product Development

Simple by Design™, Parker's technology simplification initiative, prioritizes reducing complexity and increasing efficiency across our product portfolio. By focusing early in the design phase, where approximately 70% of key cost decisions are made, we are able to achieve benefits in product cost and manufacturing efficiency while incorporating Design for Environment principles.

Fully embedded into Parker's operating cadence since FY21, Simple by Design™ enables us to deliver an even more cost-effective product with additional value to customers. We leverage digital tools to compare designs and parts as well as to model the best-cost manufacturing methods.

The methodology is consistent with the Parker Lean System (PLS), which incorporates the Kaizen concept – a focus on rapid improvement processes – as we continually strive to eliminate waste, improve productivity and achieve sustained progress. The implementation of Simple by Design™ enables us to enhance the performance of our products and do so in a more efficient and sustainable way.

## The Five Guiding Principles of Simple by Design™ enable speed and growth:

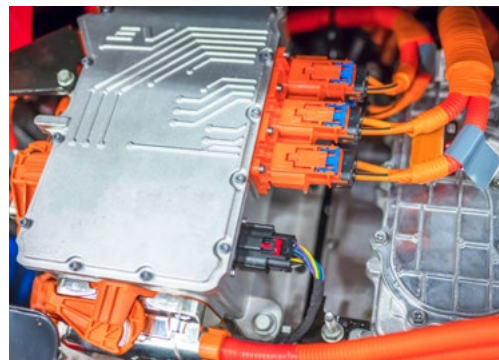


### Developing Clean Technology

In FY23, more than 40% of our research and development was related to advancing Parker's clean technology portfolio, focused on electrification and the emergence of alternative fuels such as hydrogen and sustainable aviation fuels.

Examples of clean technologies currently in production or development include:

- Thermal insulation materials critical to the safe operation and driving range of battery electric vehicles (BEVs).
- Motor controllers, electric motors and ePumps, which are key components enabling the transformation of electro-hydraulics in both on- and off-road equipment.
- Electro-hydraulic and electro-mechanical technologies enabling more efficient and smarter approaches to critical aircraft operating systems.



## Design for Environment

Aligned with our commitment to helping our customers advance their sustainability efforts, Parker's Design for Environment philosophy strives to reduce our own products' impact on the environment. The stages considered span each product's entire life cycle and include the following:

- Raw materials extraction
- Material processing
- Product manufacturing and assembly
- Distribution
- Product use and application
- Impact of end-of-life product being remanufactured, recycled or disposed

The methodology aligns with the world's secular trend toward clean technologies and is one way that Parker lives its purpose of enabling engineering breakthroughs that lead to a better tomorrow.

In FY22, we chartered a team of our Engineering, Manufacturing Engineering and EHS Leadership Development Associates (LDAs) to research and benchmark best practices related to Design for Environment. Their efforts led to the development of an assessment tool that characterizes the relative environmental impact of various design choices. In FY23, another team of LDAs advanced the concept by developing a method and tool to quantify CO<sub>2</sub> equivalent emissions for specific product designs. The results of the most recent pilot project will be used to further enhance the quality of results we obtain through our Simple by Design™ and Design for Environment processes.





## Case Studies

### Hybrid-Powered Concrete Trucks Driving Down CO<sub>2</sub> Emissions

Parker partnered with longtime customer Saraka Oy, the Nordics' leading manufacturer of concrete mixers and pumps and telescopic drop chutes, to design and implement full system solutions for its hybrid drive concrete trucks.

Our team members provided consultation from the design stage, taking responsibility for calculating the size of the electric motor based on customer specification and determined the needed components.

Saraka's electric hybrid drive superstructure for concrete is powered by a lithium battery system that enables the vehicle's on-board combustion engine to be shut down when it reaches the construction site. The work is carried out on a quiet electric drive that uses Parker's electric motor and IQAN control systems, achieving reduced emissions and compliance with site emission and noise requirements. Additionally, the battery lasts the entire workday without charging.

The first 20 trucks are in use and feedback from the worksites has been extremely positive.



### Parker and Valio Work Toward Carbon Neutral Milk

Valio, a Finnish manufacturer owned by a collective of dairy farmers, is one of the most innovative and sustainable companies in the world, with over 300 registered patents. The company produces 85% of Finland's milk and distributes to 60 countries.

Valio originally engaged Parker seven years ago to design and implement a better way to pump milk from the farm tanks to the company's own truck fleet and from its trucks to the dairy, which resulted in Parker team members designing a hydraulic pump system that was implemented on the company's 80-truck fleet.

When it was time to renew its truck fleet operation in 2022, Valio requested a solution that would provide more precise measurement since the farmers are paid per liter. We upgraded the system with Parker's IQAN software to improve communication between the dairy and the farm and make invoicing more efficient.

The company's new Parker ePump System uses an electric motor to rotate the pump, which functions as a generator, using waste energy for pumping and to power the batteries. Aligned with Valio's ambitious goal to provide carbon neutral milk by 2035, it is zero consumption and power source independent.

## Case Study

### Heating Homes with Zero Carbon Emissions

Parker's Heatric Heat Exchanger (PCHE) is a key component in Electro-Thermal Energy Storage (ETES) systems. This technology is being used to decarbonize the heat supply of Esbjerg, Denmark, where the port city's thriving offshore wind infrastructure enables the use of renewable power as a source for the generation of heating energy.

Due to the location of Port of Esbjerg, renewable power from nearby wind farms and seawater will be used as a heat source for the generation of heating energy, guaranteeing an emission-free alternative to the city's current coal-fired power plant. Featuring two ETES heat-pump systems, it will supply around 100,000 residences with approximately 235,000 MWh of heat annually.

Parker's Heatric PCHE enables commercial-scale, sustainable clean energy systems by maximizing the output generated by renewables. Compared to energy-related coal burning each year, it eliminates  $\text{NO}_x/\text{SO}_x$  pollutants and 100,000 metric tons of  $\text{CO}_2$  from the atmosphere.



# SOCIAL



## Engaging Team Members and Strengthening Communities

Operating safely, attracting and engaging people with diverse ideas and experiences, and supporting our communities enables Parker to better serve our customers and accelerate progress toward a better tomorrow.

### Safety

#### Valuing Health and Safety

The health and safety of all team members is Parker's highest priority. Parker's goal is to achieve zero recordable incidents by 2030. Our commitment is codified within Parker's [Environmental, Health and Safety \(EHS\) Policy](#), which establishes key obligations related to health and safety and environmental stewardship and compliance.

We are guided by our Global EHS Directives, which set expectations for management and operational performance designed to protect the environment and the health and safety of our team members. We also employ process standards that provide specific requirements and technical tools to support compliance with the directives. Our EHS strategy and measures provide a clear vision and set high standards for the company.

Since FY19, we have reduced our Recordable Incident Rate by

**45%** and our Lost Time Incident Rate by **33%**

#### Our Shared Commitment to Safety Excellence

Our exceptional safety performance reflects the commitment to safety as a foundational element of our winning culture. Through our global Safety 360 initiative, everyone is empowered and accountable for contributing to a safe workplace. We have made great progress toward our goal of achieving zero recordable incidents by 2030 through a continued focus on team member engagement and accountability, coupled with a strong framework of systems and procedures. Since FY19, we have reduced our Recordable Incident Rate by 45% and our Lost Time Incident Rate by 33%. Parker's safety performance ranks in the top quartile among our peer industrial companies.



Parker team members engage in improving safety performance through High Performance Teams (HPTs). All Parker manufacturing locations have an active and chartered safety HPT, and every value stream has a representative who is responsible for safety within their area of the business.

### Creating the Safest Industrial Workplace

Our aspiration is to create the safest industrial workplace in the world. Our safety culture is focused on prevention and continuous improvement. We train team members how to perform their jobs safely, efficiently and in accordance with applicable regulations. This is accomplished throughout the team member's career at Parker, beginning with the new hire onboarding process and reinforced through annual training and certification.

### Parker's safety performance ranks in the top quartile among peer industrial companies.

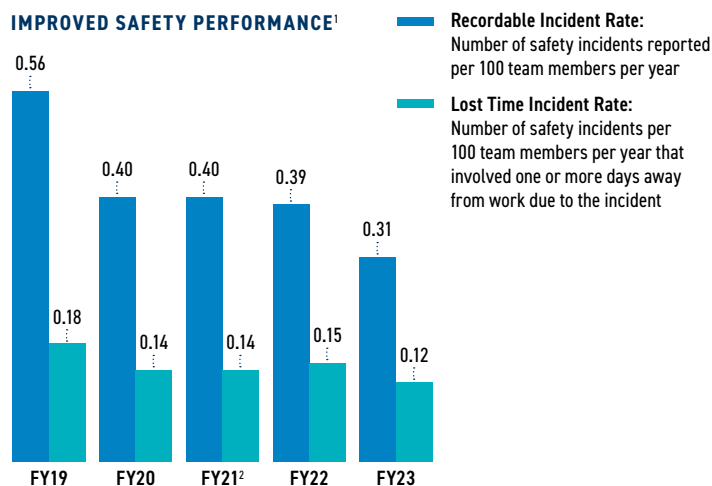
We employ audits to keep our operations safe and sustainable. Led by local leadership teams, the audits include a combination of assessments conducted by internal staff and third-party experts to identify opportunities to improve safety performance. On an annual basis, all Parker locations complete a comprehensive EHS self-audit using digital enterprise-wide compliance tools. The process is conducted with up-to-date regulatory standards available in local languages and applicable to local regulations. Findings are documented within the digital platform, which is also used to manage and track corrective actions.

Parker has a strong focus on continuous improvement as a key element of our safety program. We use an EHS operating platform to proactively record and manage corrective action events. More than 110,000 events were analyzed for corrective action across the enterprise during the fiscal year, including more than 11,000 safety issues identified during Kaizen events and several thousand from the value stream HPTs. These safety events and issues identified in our continuous improvement program are addressed quickly, with over 85% of them closed within 30 days of the initial report. Data analytics are also used to identify patterns and trends that can then direct us to making system and process improvements in a proactive manner.

Another aspect of our continuous improvement focus is high-risk-specific programs, which include maintenance safety, an ergonomics program, machine guarding and material handling requirements. We use a global third-party system for managing workplace evaluations for motion and strain, which allows us to properly design work cell activities and minimize ergonomic impact.

We continually strive to improve the ergonomics of our operations to reduce the risk of work-related injuries and improve the well-being of our team members. To achieve this, we conduct regular ergonomic assessments, provide training programs and implement ergonomic solutions, such as adjustable workstations, ergonomic tools and lifting equipment, to create a more comfortable and safe working environment.

#### IMPROVED SAFETY PERFORMANCE<sup>1</sup>



<sup>1</sup> Meggitt data is not included in our safety data. We will begin including Meggitt in our safety reporting in our next sustainability report.

<sup>2</sup> Incorporated the Lord Corporation and Exotic Metals acquisitions into enterprise report.



## Engaged People

### High Performance Teams

Engaged team members are foundational to The Win Strategy, Parker's business system. Our shared values shape our culture as well as our engagement with stakeholders and commitment to the communities where we live and work.

Parker's extensive use of HPTs enables team members who are closest to making our products and serving our customers to apply their expertise and perspectives. We believe in empowering our team members to think as owners and give them the ability to take action to improve their area of the business.

HPTs are fundamental to how work is completed within Parker. This framework ensures our team members have the capability and resources to make decisions that support the success of their work. The impact of HPTs is widespread within Parker and seen through improved performance in safety, quality, delivery, cost and engagement.

**93%** of Parker team members globally participate in one or more of our 7,100 HPTs

### Attracting and Developing a Strong Talent Pipeline

The collective talent and expertise of our team members is the driving force behind the growth and success of our business. Living up to our purpose is intrinsically linked to the professional development of Parker people.

Our talent management strategies are designed to foster a culture that attracts, develops and retains high-performing and engaged team members. Through our inclusive recruitment practices, we seek talented individuals who embrace a growth mindset and thrive in a collaborative environment. Parker's culture fosters innovative ideas and solutions, inspiring a meaningful sense of accomplishment for our team members.

More than

**150,000**

learning activities were completed by team members in FY23

We seek top global talent, beginning with internship and apprentice opportunities through experienced hires. We encourage innovation by empowering our teams to pursue ideas and leverage their expertise to best meet our customers' evolving needs. We recognize and reward performance and provide opportunities for career growth and advancement.

Parker has a rigorous talent management process facilitated globally through Talent Central, our enterprise human capital management system that connects all business units on a common platform in real time. The system provides team members with visibility into skill development, career planning and learning opportunities.

The talent development process is also supported by Parker's Integrated Career System, which illustrates career paths for various roles and the road map to advance within the enterprise. Our strategic approach to succession planning focuses on building the skills and acquiring the experience needed to enable seamless transitions at all levels. We are fortunate to have such a strong, talented pipeline of future leaders who will contribute to Parker's ongoing transformation.

Career Days are another strategy Parker uses to help our team members advance their careers. Celebrated annually at each of our locations, Career Days are opportunities to recognize the contributions of our team members, provide career coaching and support their development planning – especially for our manufacturing team members. The goal is to give Parker people a vision for what their career path might look like as well as build awareness of the programs and opportunities that are available.

Our team members expand their professional skills and take ownership of their career path by leveraging a host of developmental solutions that include formal instruction, on-demand learning and social and experiential learning. We offer various learning modalities so team members can choose the option that best fits their needs.

Parker's performance management systems evaluate and reward team members based on their contribution to our goals.

### Developing Leaders at Every Level

We are committed to identifying and fostering development of the next generation of talent through our Leadership Development Associates programs. These programs offer team members the opportunity to focus on specific skills in preparation for leadership positions in specific functional areas such as EHS, Human Resources, Engineering, Supply Chain, Finance, IT, Quality, Lean, Operations, Technical Sales and Pricing.

Globally, more than

**400** team members have joined Parker in a functional Leadership Development Associate program in the past two years

Parker provides comprehensive development programs for all leadership roles that balance formal instruction, feedback and coaching with meaningful on-the-job experiences. Each program offers opportunities for social and experiential learning, networking, exposure to executives, project work and hands-on practice applying key lessons. Our leadership training opportunities span all career stages to position Parker and our team members for sustained growth. More than 350 leaders attended one of our global leadership development programs in the past year.

Our talent review process enables us to assess our global talent pipeline on an ongoing basis to facilitate meaningful development plans and align career growth opportunities. We empower team members to grow and develop as leaders throughout their career with Parker. Some of the development programs Parker offers include the following:

- **Lead Forward:** Accelerates the development of high-potential, early-in-career talent to strengthen Parker's leadership pipeline.
- **Taking Charge of Change:** Geared toward functional and division leaders with a focus on translating strategy into action, leading change and motivating teams.
- **Win Immersion:** Supports new functional and business leaders in understanding Parker's operating model and provides networking with peers and senior leaders in the organization.
- **Art of Parker Management:** High-potential team members learn from our executive leaders in an open, collaborative environment. After a strategic review of key company functions and operations, real Parker case studies help reinforce decision-making and management best practices.
- **Leading and Managing Change in Parker:** Executive development program designed to help leaders strategically grow their business, drive performance and help talented people grow within the organization.
- **Front Line Leader Development:** Foundational learning comprised of seven modules related to successful leadership at Parker.

**Through our global learning management system, Parker offers more than 40,000 courses to our team members on topics such as leadership development, professional development and functional and technical development.**

Our leadership development programs are designed to support the growth and development of our global team, and managers are invited to nominate team members to participate.

### Listening to and Engaging Our Team

Engagement directly influences business performance and is deeply ingrained in our culture. We solicit feedback from every team member and track our progress toward a high-performing work environment through our Global Engagement Survey.

The survey data we gather is communicated to our team members, and we seek additional clarity and understanding through focus group sessions. We then identify strengths to build on and opportunities for improvement and incorporate those into action plans at all levels in the enterprise.

## Supporting and Rewarding Team Members

Parker is committed to a basic principle – that all team members are paid competitively based on their responsibilities, experience and achievements and supported by regular pay equity reviews. As a global employer, Parker offers competitive compensation and benefits, benchmarked to geography and industry. Our programs are designed to attract team members, motivate performance, reward experience, drive growth and support retention.

As an equal opportunity employer, we hire and promote the best talent, and our people-focused culture strives to ensure each team member is empowered, has the ability to grow and develop and is recognized for their contributions.

### Promoting the Well-Being of Our Team Members

Parker offers a wide variety of benefits to support team members and their families. Our programs are designed to promote physical, mental and financial wellness.

We regularly review and update our benefits offerings in every country where we operate to best meet the evolving needs of our team members.



## Protecting Human Rights

Parker's commitment to human rights and fair labor practices is implemented through our [Global Code of Business Conduct](#), [Supplier Code of Conduct](#) and [Distributor Code of Conduct](#). Our commitment is framed by U.S. laws regarding human rights and fair labor standards and guided by the United Nations Guiding Principles on Business and Human Rights and the UK Modern Slavery Act of 2015.

Our [Human Rights and Labor Standards Statement](#) reinforces our dedication to upholding human rights and covers commonly held principles that include:

- Prohibiting Forced and Compulsory Labor
- Preventing Child Labor
- Addressing Harassment and Discrimination in the Workplace
- A Commitment to Diversity, Equity and Inclusion
- Compliance with Labor Conditions and Workplace Safety
- Respecting Freedom of Association
- Protecting Data Privacy
- Extending Our Expectations to Suppliers



## Diversity, Equity & Inclusion

### Empowering Parker People

Parker is committed to maintaining a welcoming and inclusive workplace that respects the unique perspectives of all team members. We believe our differences strengthen us. Every day, team members from a diverse range of personal and professional backgrounds leverage their creativity and unique skills to solve problems and improve processes.

#### Progressing Our DE&I Journey

Our leadership team is firmly committed to our diversity, equity and inclusion (DE&I) vision, which aims to ensure the diversity of our workforce promotes fairness and cultivates an authentic sense of belonging.

There are many ways to define DE&I. At Parker, we define **diversity** as being reflective of society. We understand that this is different around the globe in all the communities in which we live and work.

We strive for our team members to understand that Parker is committed to being **fair (equity)**. Each team member has an opportunity to achieve their potential.



**WE BELIEVE THAT BY WORKING TOGETHER AS TEAM MEMBERS AND BUILDING UPON THE DIVERSITY, EQUITY AND INCLUSION OF OUR GLOBAL TEAM, PARKER CAN SUSTAIN INDUSTRY-LEADING PERFORMANCE AND HELP CREATE A BETTER TOMORROW.**

– Jennifer A. Parmentier  
Chief Executive Officer

#### Our Workforce Diversity

Segment	Demographic	FY22 Workforce	FY23 Workforce
Global	Women	31% of Total Workforce	31% of Total Workforce
		19% of Managers	20% of Managers
U.S.	People of Color	29% of Total Workforce	31% of Total Workforce
		15% of Managers	16% of Managers

Workforce diversity data is from FY23. Our most recent U.S. Federal Employer Information Report Form EEO-1, which uses data from USA Parker Team Members' voluntary self-identification, is available for download at: [parker.com/sustainability/social](https://parker.com/sustainability/social). The EEO-1 Report uses specific categories, definitions and methodologies, which differ from our internal data management processes and may not reflect the full diversity of our workforce.

Our focus on **inclusion** encourages us to understand how our team members feel and then respond to their feedback. Understanding our current state will help us make sustainable progress over time. The engagement of our team members reinforces the fact that they belong, that they matter and that they make a difference.

To operationalize DE&I, we defined focus areas as part of our three-year road map to achieve meaningful progress through action. Our global HPTs are tasked with challenging the status quo by rethinking how we:

- Attract and develop diverse team members.
- Design education and awareness opportunities.
- Define sustainable progress measures in fostering an inclusive culture.



**I Belong, I Matter, I Make a Difference**



These HPTs are helping to lead several enterprise-wide initiatives designed to enrich the experiences of all Parker team members through shared learning while developing the next generation of leaders:

- **Career Dialogue:** This program focuses on team member engagement, aspiration, ability and interest in seeking new job opportunities.
- **DE&I Leadership Series:** Launched in 2022, this program is designed to enhance inclusive leadership skills across the enterprise. Through a phased approach, our goal is to empower all Parker leaders to apply key learnings in their roles.

Parker's three Business Resource Groups (BRGs) are open to all team members. They champion the power of our collective diversity and serve as a hub for shared experiences. The BRGs continue to enhance visibility, awareness and education for team members and support them in shaping their own career path.

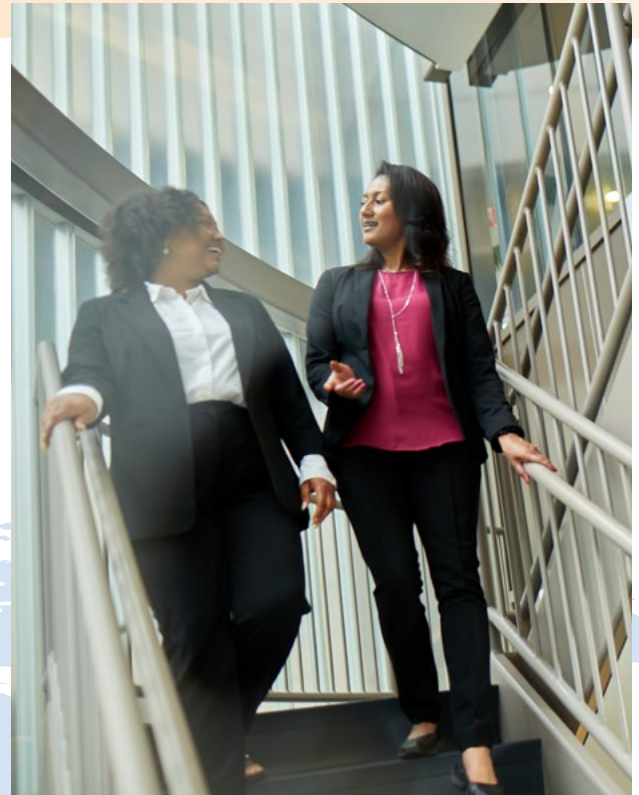
Peer W	Nia Network	Parker Next
Global	U.S.	Global
Supporting the attraction, development and engagement of women.	Supporting the attraction, development, and retention of Black team members.	Empowering all team members to share, learn and develop skills for what comes next in their careers.

## Mentoring Circles Program Connects Future Leaders

Peer W's Mentoring Circles Program convenes groups of Parker team members committed to helping each other learn and grow. The program features peer-based mentoring and shared learning in a small-group setting. Each Circle's six to eight members meet monthly to discuss topics of interest such as building trust within teams, career paths and leading with purpose.

The program's framework includes education, exploration and canvassed mentor meetings as well as quarterly events for current and legacy Circle members.

More than 700 team members in 100+ cities participated in Mentoring Circles last year.



## Social Responsibility

### Positively Impacting Our Communities

Parker's social responsibility strategy empowers team members to make a difference in their communities. Parker and the Parker Foundation provided more than \$9 million to charities that help strengthen communities around the world in FY23. We align our collective efforts with the Parker Foundation's three areas of focus:

- **STEM Education:** Supporting schools, universities and community agencies to help ensure students of all backgrounds have access to science, technology, engineering and mathematics (STEM) education, and the resources and support needed to thrive in the classroom.
- **Community Needs:** Supporting our team members, families and neighbors by contributing to the advancement and well-being of our communities.
- **Sustainability:** Supporting long-term efforts to build sustainable communities, address key societal issues and create a better tomorrow.

We execute our strategy through four key programs:

#### Team Member Volunteerism

Parker team members across the globe continue the company's tradition of supporting our communities by volunteering their time to support local charitable causes. Throughout FY23, our team members collectively performed approximately 10,000 hours of community service. Through our new Volunteer Program, these efforts are rewarded through volunteer time off (VTO) for participating team members and volunteer grants for the benefitting organizations. More than 2,500 team members in 18 countries utilized this benefit to serve their communities.

#### Global Grants

The reach of our grant program expanded in 2023, strengthening communities in 39 countries. Team members helped select which organizations to support, directing more than \$7 million to local charitable causes this year.

More than

**\$7 million**

donated to local charitable causes through grant program in FY23

#### Maximizing Impact Through Matching Gifts

Through our Matching Gifts program, team members can double the impact of their personal donations to eligible charitable organizations and educational institutions. In FY23, Parker extended team member giving by awarding approximately \$1 million in matching gifts.

#### Supporting Disaster Recovery

Our Disaster Relief Program provides support to our team members and communities following natural disasters and other catastrophic events. In response to the earthquake that devastated parts of Turkey and Syria, Parker contributed more than \$120,000 through team member contributions, matching gifts and foundation grants.



## Case Studies

### Team Members in Baja, Mexico, Support Local Orphanage

In a heartwarming display of empathy and solidarity, more than 20 Parker team members in Baja, Mexico, volunteered at the “Ciudad de los Niños” orphanage. The visit included maintenance help and time spent with children living in the orphanage. The Parker team in Baja, Mexico, is committed to forging meaningful connections and deepening impact in the local community.



### Water Works: Turning Team Building into Tangible Impact

According to the United Nations World Water Development Report 2023, approximately 2 billion people around the world do not have access to clean and safe drinking water. To help combat this crisis, 125 team members from Parker's Bioscience and Water Filtration Division in California assembled water filtration kits that were subsequently donated to remote African villages. This volunteer activity fostered teamwork, a sense of pride and helped others in need.



### Parker Lord China: Fueling Dreams with “Potatoes for Lunch”

In collaboration with the Hainan World United Public Welfare Foundation, Parker Lord China introduced a “Potatoes for Lunch” initiative aimed at feeding young minds in Yunnan’s underprivileged mountain regions. In support of the cause, a passionate group of 60 team members embarked on a collective 8.08-kilometer journey, handing out mountain-grown potatoes and raising awareness of the program to rally broader community support.

With the funds raised from this campaign, the team was able to provide more than 1,600 hot meals for school students, increasing the project’s total to approximately 12,780 meals. This endeavor demonstrates our belief that small gestures can pave the way for monumental change and brighter futures.



# GOVERNANCE



## Strong Governance Guides Our Success

Parker has thoughtfully and intentionally defined a structure and approach that promote robust corporate governance, starting at the highest level of our organization with the Board of Directors. Strong governance is integral to our business and enables us to live up to our purpose.

### Board of Directors

Our Board of Directors is a highly skilled, experienced, diverse and independent team that ensures effective oversight over our business. Parker's Board is composed of 13 Directors who work under a very effective dual-leadership structure comprised of a Chairman and Independent Lead Director. All Board committee members and 10 of the 13 Directors are "independent" based on the New York Stock Exchange listing standards and Parker's internal independence standards.

Board members are required to stand for election annually by a majority vote standard, are subject to annual performance reviews and are restricted from serving on an excessive number of boards. The Board is guided by Parker's Global Code of Business Conduct, Corporate Governance Guidelines, Independence Standards for Directors and Charters for each Board committee, which are available on our [investor website](#). We believe that the

comprehensive policies and standards that govern the Board, and the continuous assessment of its Directors, help strengthen our governance and ensure Parker continues to operate in alignment with our values.

### Board Diversity

We believe that the varied backgrounds, perspectives and skills of those serving on our Board make us a stronger and more dynamic organization. The Board's Corporate Governance and Nominating Committee is responsible for overseeing and enacting the recruitment, succession and refreshment of our Directors. Chief among criteria the committee considers in assessing Directors for nomination to the Board are alignment with our company culture and values, diversity of background and experience, and skills and qualifications. Our Corporate Governance Guidelines require that each Director search includes individuals of diverse backgrounds, including diversity of gender, ethnicity and race.



In January 2023, we elected Parker CEO Jenny Parmentier as a member of the Board. Today, 62% of our Board is diverse based on gender (5), race (2) or ethnicity (3)<sup>1</sup>. The mandatory retirement age for Directors is 72 years, and the average tenure of our Directors is currently 7.8 years.

### Board Responsibilities

The Board is responsible for overseeing key risk areas such as management succession planning, cyber security, enterprise risk management and ESG matters.

As ESG is an issue of ongoing importance – and opportunity – for both our internal and external stakeholders, the Board's responsibilities continue to include ensuring Parker operates in alignment with the expectations of our shareholders, team members, customers and communities. Our Board maintains oversight of our ESG program at the full Board level as well as through relevant committees. Our [Corporate Governance Guidelines](#) and the charters of each of our Board committees expressly identify the specific areas of ESG oversight responsibility for the full Board and its committees. These include areas such as workplace health and safety; climate risk; water conservation; human capital management; diversity, equity and inclusion; cyber security; and business ethics and compliance.

Senior management monitors relevant programs on a day-to-day basis with the support of our internal ESG Steering Committee, which is composed of our Chief Operating Officer and other members of our leadership team. The full Board reviews our ESG program at least annually to assess its ongoing alignment with our organizational objectives.

## Corporate Governance

Our commitment to strong corporate governance helps enhance our business and create long-term shareholder value. Our comprehensive approach to governance is reflected in the shared responsibility of the Board of Directors, executive leadership team and all team members to demonstrate Parker's values in all that we do.

Parker's Board regularly evaluates our strategies and operating plans, governance practices, legal and regulatory developments, shareholder feedback, financial and operational results and outlooks, capital allocation,

## Parker's Board of Directors At a Glance

### BOARD TENURE

**7.8** years

Average Tenure



### INDEPENDENCE

**77%**

Independent



### AGE

**60.4** years

Average Age



### DIVERSITY

**62%**

Gender/Racially/Ethnically Diverse



balance sheet strength, debt portfolio, share repurchase activity and dividend history and strategies to ensure comprehensive risk oversight while allowing us to capitalize on opportunities to drive and continuously improve our performance.

### Shareholder Engagement

We actively engage with our shareholders to communicate our business strategy, operational objectives and progress, and to enhance transparency and trust. In FY23, we invited shareholders representing ownership of more than 53% of our outstanding common stock to meet with our management team to discuss our approach to our business and our ESG efforts. The feedback we received from these engagements was shared with the Board and company leadership to strengthen the disclosures in our proxy statement and sustainability report.

Read more about the Board, Board committees, responsibilities and membership in our [2023 Proxy Statement](#).

<sup>1</sup> One of our Directors is both racially and ethnically diverse. Ethnicity is defined as country of birth or citizenship other than the United States.

## Risk Management

Our Integrated Risk Management Program is designed to protect our business, team members and communities. This program reinforces a disciplined approach to identifying and assessing significant business risks and their potential impacts. Parker's Board of Directors, its committees and our executive leadership team oversee the program to help effectively track potential threats to our business and devise strategies to appropriately address them.

## Integrity, Ethics and Compliance

Our commitment to integrity, ethics and compliance is shared by all team members and reinforced through the ways we demonstrate our values. Our policies and standards help ensure that we abide by the laws and regulations in the places in which we operate, and we frequently go above these requirements to fulfill the expectations of internal and external stakeholders.

Our [Global Code of Business Conduct](#) defines how integrity, ethics, respect and fairness are practiced throughout our business. The Code is designed to ensure that our team members, consultants, independent contractors, suppliers, agents, representatives and Board of Directors reflect expected standards of behavior. The Code also supports our belief that integrity is not just a corporate responsibility, but also a personal one that our team members put into action every day.

The Code, which incorporates many of Parker's existing policies, including our anti-bribery, antitrust and human rights policies, is translated into 24 languages and made available to team members worldwide. It covers a broad range of topics, including discrimination, harassment, conflicts of interest, insider trading, corruption, confidentiality and fair competition. We conduct annual training on the Code for all team members and members of our Board of Directors, requiring certification that each individual has read and will abide by the Code.

Additional compliance training is provided to leaders at the corporate, regional and local levels. Compliance Officer Forums are conducted twice a year to provide our global network of Compliance Officers with training and updates related to their roles as Compliance Officers. Topics include conflicts of interest, gift giving and receiving, anti-bribery, antitrust and anti-retaliation. Compliance Officers help reinforce ethical conduct and compliance with applicable laws and regulations, including those relating to environmental matters. Throughout the year, compliance is also kept at the forefront through the dissemination of monthly communications, printed brochures and videos to help reinforce our culture of ethics and integrity throughout our footprint.

Our programs and policies urge any team member who observes conduct that is not aligned with Parker's guidelines, applicable laws or regulations to raise their concern with local leadership, the Corporate Compliance Office or through Parker's secure, 24-hour [Integrity Line](#), which is staffed by representatives fluent in more than 150 languages. Team members have the option of remaining anonymous where permitted by law, and Parker has strict policies against retaliation for concerns raised in good faith. All potential violations of the Code or other company policies are investigated, and appropriate action is taken on the findings. The Audit Committee of our Board of Directors receives quarterly updates on compliance training, submissions into our Integrity Line and investigation statistics.

Parker's commitment to integrity, ethics and compliance extends externally to our business partners, who are expected to conduct their businesses in a way that upholds Parker's values. Our [Distributor Code of Conduct](#) sets expectations and minimum requirements for conduct and compliance for our third-party distribution partners. Suppliers, who play an important role in our ability to meet customer needs, are required to abide by all applicable specifications, expectations, regulations and requirements as outlined by our [Supplier Code of Conduct](#).

## Cyber Security

We believe robust cyber security is central to effective governance. Parker is committed to the protection of the company's data, data systems and digital assets while in storage, use or transit. Our dedicated Cyber Security team helps to secure our data assets and those entrusted to us by our stakeholders. This is achieved through the use of enhanced security storage repositories, data classification labeling, team member training and enforcement of our Data Classification Policy. Parker also maintains cyber security insurance to protect against any attacks or threats to our business.

### Programs and Policies

We proactively work to address potential risk through our formalized programs and policies. Our Digital & IT Risk Management Program led by our internal Risk Council focuses on identifying, assessing, responding to, monitoring and remediating all cyber security-related risks. Parker's Board of Directors receives regular updates on potential and identified risks, including an annual report on cyber security threats and the company's prevention initiatives from senior leadership.

In addition to other third-party resources, Parker's dedicated Cyber Security team references the National Institute of Standards and Technology (NIST) Cyber Security Framework as the primary resource for identifying areas of risk and benchmarking and implementing continuous improvements. Our Cyber Security team assists with regulatory and privacy compliance, including facilitating alignment with the General Data Protection Regulation (GDPR), as part of our Data Privacy and IT Assurance initiatives.

### Continuous Improvement

In 2022, we created a dedicated Cyber Governance and Risk Assurance function, within the Cyber Security team. The Cyber Operations team implemented additional cyber security controls to augment our existing initiatives and offerings. This included enhanced security measures for operational technologies and updates to account management. We introduced a secondary anti-malware solution to our existing software to bolster our companywide defenses. Additionally, we implemented a third-party security monitoring service to further improve our 24/7 monitoring capabilities.

We also continue to provide ongoing cyber security awareness training globally to help team members recognize, avoid and report malicious activity. This includes monthly phishing simulations to engage team members in identifying phishing risks and their appropriate response. Furthermore, in accordance with our Risk Management program, our Cyber Security team ensures penetration testing is conducted on a regular basis and that our policies and standards governing cyber security are current.

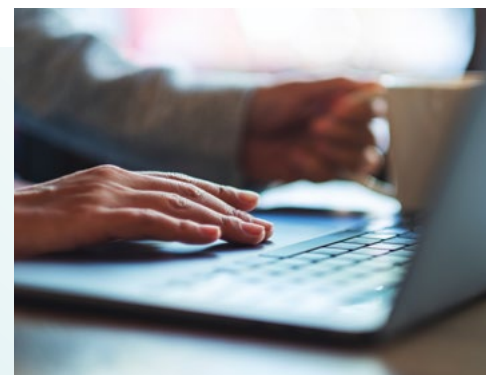
Continuous improvement is a critical aspect of Parker's cyber security program, which is why we integrate security intelligence from internal and external sources to help identify areas for improvement and gap remediation. Over the past year, we have undergone a third-party risk assessment and a third-party purple team adversarial engagement to strengthen our security profile. We have also conducted internal tabletop exercises to fortify our readiness for potential cyber security events.

### Giving Back Through PCs for People

Parker gives back to our communities by donating computers and other electronic devices no longer in use at our facilities to PCs for People, a national nonprofit that provides the refurbished equipment to individuals, families and other charitable organizations in need.

In 2023, Parker continued to donate computers across our global locations. Since 2020, we have donated thousands of computers to those in our communities to improve the lives of our neighbors.

Donations to PCs for People also help provide internet access that unlocks educational and professional opportunities, while reducing the amount of electronic waste sent to landfills.



# SASB INDEX

## Sustainability Disclosure Topics & Metrics

Topic	Accounting Metric	Category	Unit of Measure	Code
Energy Management	(1) Total energy consumed, (2) percentage grid electricity and (3) percentage renewable	Quantitative	Gigajoules (GJ), Percentage (%)	RT-IG-130a.1
Employee Health & Safety	(1) Total recordable incident rate (TRIR), (2) fatality rate, and (3) near miss frequency rate (NMFR)	Quantitative	Rate	RT-IG-320a.1
Fuel Economy & Emissions in Use-phase	Sales-weighted fleet fuel efficiency for medium- and heavy-duty vehicles	Quantitative	"Litres per 100 tonnekilometres"	RT-IG-410a.1
	Sales-weighted fuel efficiency for non-road equipment	Quantitative	Litres per hour	RT-IG-410a.2
	Sales-weighted fuel efficiency for stationary generators	Quantitative	Kilojoules per litre	RT-IG-410a.3
	Sales-weighted emissions of: (2) particulate matter (PM) for: (a) marine diesel engines	Quantitative	Grammes per kilojoule	RT-IG-410a.4
	Sales-weighted emissions of: (2) particulate matter (PM) for: (b) locomotive diesel engines	Quantitative	Grammes per kilojoule	RT-IG-410a.4
	Sales-weighted emissions of: Sales-weighted emissions of: (2) particulate matter (PM) for: (c) on-road medium- and heavy-duty engines	Quantitative	Grammes per kilojoule	RT-IG-410a.4
	Sales-weighted emissions of: (2) particulate matter (PM) for: (d) other non-road diesel engines	Quantitative	Grammes per kilojoule	RT-IG-410a.4
Materials Sourcing	Description of the management of risks associated with the use of critical materials	Discussion and Analysis	n/a	RT-IG-440a.1
Remanufacturing Design & Services	Revenue from remanufactured products and remanufacturing services	Quantitative	Presentation currency	RT-IG-440b.1

## Activity Metrics

Activity Metric	Category	Unit of Measure	Code
Number of units produced by product category	Quantitative	Number	RT-IG-000.A
Number of employees	Quantitative	Number	RT-IG-000.B



	<b>Parker Data Response – FY23</b>
	<p>(1) Total energy consumed: 8,392,622 GJ</p> <p>(2) Percentage grid electricity: 58%</p> <p>(3) Percentage renewable: 5%</p>
	<p>(1) Total recordable incident rate: 0.31</p> <p>(2) Fatality rate: 0.0018</p> <p>(3) Near miss frequency rate: 28.9</p> <p>Near miss is defined in our operating system as an activity classified by the team member as a near miss per a concern report or an event or classified as a significant near miss as an event. A significant miss is an event which requires a full corrective action review.</p>
	Parker Hannifin does not manufacture medium- or heavy-duty vehicles.
	Parker Hannifin does not manufacture non-road equipment that is powered by a fuel-based engine.
	Parker Hannifin does not manufacture stationary generators.
	Parker Hannifin does not manufacture marine diesel engines.
	Parker Hannifin does not manufacture locomotive diesel engines.
	Parker Hannifin does not manufacture on-road medium- and heavy-duty engines.
	Parker Hannifin does not manufacture other non-road diesel engines.
	<p>Parker manages the risk associated with the use of critical materials in a number of ways including during the supplier selection process, ongoing supplier management and during the transportation of the goods to Parker. As we look to select key suppliers for our critical materials, our process guides us toward existing Parker suppliers who have a history of meeting and exceeding our expectations regarding their performance. All Parker suppliers who provide critical goods will undergo an exhaustive qualification process to ensure they have the manufacturing process capability and are compliant with all laws and regulations.</p> <p>Parker expects all suppliers to adhere to our Supplier Code of Conduct, which includes conformance to ethics, laws and regulations, environmental, health and safety laws, non-discrimination and fair labor practices, confidentiality and data privacy. We manage our suppliers real time with metrics and processes to ensure they are meeting our high expectations. Our preferred suppliers sign long term agreements that define strict criteria that needs to be adhered to in order to maintain their status. Processes are also in place to continually update and affirm that our suppliers continue to be up to date and compliant with all legal requirements, including human rights and environmental requirements. Parker identifies critical suppliers and follows business continuation plans to support continuous flow of product and material.</p> <p>Parker also has processes in place to transport its products via its preferred carrier network. This ensures we work with carriers who have the highest standards of quality and delivery service. Parker is also one of the largest participants in the U.S. Importer Self Assessment Program, as well as CTPAT certified to ensure compliance with U.S. Customs.</p>
	Greater than \$1.0 Billion in revenue from manufacturing overhaul and repair.
	<b>Parker Data Response – FY23</b>
	<p>Parker does not manufacture or sell complete (1) vehicles and agricultural and construction equipment, or (2) engines and power generation equipment. (3) Parts and components: Parker's technology portfolio includes more than 850,000 total components and assembled systems. In FY23, Parker sold in excess of 9 billion units to our customers, the vast majority of which are products like elastomer O-rings, fittings, valves and connectors.</p>
	62,730 (FY2023 10K – includes Meggitt acquisition)

## Contact Us

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

## Learn More

[parker.com/sustainability](https://parker.com/sustainability)



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