

**PARKER
HANNIFIN
SUSTAINABILITY
REPORT**

2022



ENGINEERING YOUR SUCCESS.

Enabling Engineering Breakthroughs that Lead to a Better Tomorrow



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Company Overview

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.

About This Report

This report is aligned with the disclosure platform established by the Sustainability Accounting Standards Board (SASB) for the Industrial Machinery & Goods industry. All data corresponds to Parker's fiscal year 2022 (July 1, 2021 through June 30, 2022), unless otherwise noted. Emissions data in this report covers scopes I and II as part of Parker's carbon commitment.

The data presented is a compilation of information reported from Parker's global operations in which the company has a greater than 50% controlling interest or majority ownership. Data is checked for deviation from expected results. The scope does not include suppliers, customers, distributors, contractors or joint ventures where Parker has minority ownership.

The Win Strategy™ 3.0

The Win Strategy 3.0 is our business system which defines the goals and initiatives that create responsible, sustainable growth and enable Parker's long-term success. Our sustainability initiatives and targets are integrated into The Win Strategy and across multiple functional areas of the organization including operations, EHS, supply chain, innovation, human resources and compliance.

Parker completes an annual stakeholder engagement process which includes input from our team members, key investors, customers and partners, and benchmarking with our peer companies. Strategic priorities that align with our key stakeholders and Win Strategy goals include the following:

Strategic Priorities		
Environment	Social	Governance
<ul style="list-style-type: none">• Climate Action• Water Conservation• Product Stewardship	<ul style="list-style-type: none">• Safe Workplace• Diversity, Equity & Inclusion• Social Responsibility	<ul style="list-style-type: none">• Strategy, Purpose & Values• Board of Directors & Compensation• Enterprise Risk Management
Communications & Reporting		

Parker's Global EHS Policy also establishes a framework for our safety and environmental stewardship initiatives. This policy is available at parker.com/sustainability.

Leadership Message

Deeply embedded in our operations and guided by our purpose and values, the responsible use of our natural resources and the protection of the environment is central to Parker's global operations.

Despite an extraordinarily difficult year with the effects of inflation, supply chain constraints, labor shortages, the war in Ukraine, and the lasting effects of the COVID-19 pandemic, we made significant progress toward achieving our carbon reduction goals and safety performance.

We have also taken many steps forward on diversity, equity and inclusion within our company. Throughout our 105-year history, we have been committed to building a welcoming and inclusive workplace that respects every team member's unique perspective. In 2022, we continued to put the leadership, strategy and resources in place to continually build upon our global team to be reflective of the communities in which we do business.

Reinforcing our commitment to be transparent about our progress, this year's Sustainability Report is aligned with our fiscal year reporting cycle. We have also significantly

expanded the number of disclosures in our report to create a more complete picture of the impact of our operations and the progress we are making.

Importantly, the broader trend of public and private investment in clean technologies and renewable energy to achieve net zero carbon emissions creates an opportunity for Parker technologies to have an even greater impact on the world. These trends anticipate a staggering level of investment during the next two decades. Parker technologies play a critical role in helping the world achieve these clean energy goals.

We support a clean energy future through the development of new products and technologies and through acquisitions that add complementary capabilities. In August 2021, we reached an agreement on the terms of a recommended cash acquisition of Meggitt PLC, a global leader in aerospace and defense technologies. Meggitt will greatly expand our aerospace business and enhance our position in the development of next generation, sustainable aviation.

Guided by our purpose and values we have created a team of highly engaged team members, and our overall engagement score is in the top 8% of companies across all industries according to our survey supplier's benchmark. To better support their desire to give back to the communities we call home and build upon our social responsibility initiatives, this year we launched a global volunteer program that grants paid time off to serve our communities and matching donations from the Parker Foundation.

Our volunteer program is just one of many ways in which our team members and our company see our role as having much more impact in creating a better tomorrow for everyone. It's this great team of people that make our continued progress possible and we thank them for living up to our purpose.

Sincerely,



Thomas L. Williams

Chairman and Chief Executive Officer



Lee C. Banks

Vice Chairman and President

2022 AT-A-GLANCE

PARKER OVERVIEW

\$15.86 BILLION TOTAL NET SALES

55,090 TEAM MEMBERS

527,000 CUSTOMERS

305 MANUFACTURING PLANTS

ENVIRONMENT

Goals

REDUCE CARBON EMISSIONS 50% BY 2030
ACHIEVE CARBON NEUTRALITY BY 2040

117

SITES **CERTIFIED TO ISO 14001** ENVIRONMENTAL MANAGEMENT SYSTEM STANDARD

ENVIRONMENTAL FOOTPRINT

CARBON EMISSIONS (MT CO₂) **580,100**

REDUCTION TO BASELINE (FY19) **18%**

CDP CLIMATE ASSESSMENT **MANAGEMENT LEVEL**

WATER CONSUMPTION (MILLION M³) **4.2**

CDP WATER ASSESSMENT **AWARENESS LEVEL**

2/3

OF OUR PRODUCT PORTFOLIO ENABLES **CLEAN TECHNOLOGIES**

* Workforce diversity data is from fiscal year 2022. Our most recent U.S. Federal Employer Information Report Form EEO-1, which uses data from USA Parker Team Members' voluntary self-identification as of December 31, 2021, is available for download at: 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.

SAFETY

RECORDABLE INCIDENT RATE

0.39 **72% REDUCTION** SINCE 2015

LOST TIME INCIDENT RATE

0.15 **44% REDUCTION** SINCE 2015

RECORDABLE INCIDENTS **GOAL**

Zero BY **2030**

DIVERSITY, EQUITY & INCLUSION

OUR WORKFORCE DIVERSITY

SEGMENT	DEMOGRAPHIC	WORKFORCE
GLOBAL	WOMEN	31% OF TOTAL TEAM
		19% OF MANAGERS
USA*	PEOPLE OF COLOR	29% OF TOTAL TEAM
		15% OF MANAGERS

58%

OF PARKER'S **BOARD OF DIRECTORS** ARE DIVERSE BASED ON GENDER, RACE OR ETHNICITY

ENGAGEMENT

GLOBAL ENGAGEMENT SURVEY

91% RESPONSE RATE

73% ENGAGEMENT INDEX

ENGAGEMENT SCORE IS IN THE **TOP 8%** OF COMPANIES ACROSS ALL INDUSTRIES (PER SURVEY SUPPLIER'S BENCHMARK)

~90%

OF TEAM MEMBERS PARTICIPATE IN ONE OR MORE **HIGH PERFORMANCE TEAMS**

SOCIAL RESPONSIBILITY

\$7 MILLION

DONATED TO CHARITIES SUPPORTING STEM EDUCATION, SUSTAINABILITY AND THE NEEDS OF OUR COMMUNITIES

Environment

Innovation for a More Sustainable Future

Climate Action

Living up to our purpose means solving complex challenges for customers while minimizing environmental impact to help create a better world for future generations. Our climate action program addresses potential risks to our business with a series of key objectives.

Objective #1

Align technology solutions with changing customer expectations and requirements due to climate change.

As energy transitions to cleaner alternatives such as hydrogen, electrification and renewable aviation fuel, Parker must be responsive and focus innovation to best meet the needs of our customers and the markets we serve.

We are incorporating environmental impact assessment tools into our Simple by Design process. This will allow us to consider this important aspect during the product design phase of the project.

50%

Reduce Carbon Emissions 50% by **2030**

Objective #2

Reduce carbon from our operational footprint (scopes I and II).

Parker has chosen a science-based 1.5 degree ambition to achieve our Scope I & II carbon goals. To achieve these goals, our global operations have incorporated energy and carbon reduction targets into their business planning and execution process. These reduction plans may include energy efficiency assessments, lean kaizen events and climate life cycle analysis on new equipment purchases. These

activities will be carried out at each division location by leveraging High Performance Teams (HPTs) focused on environmental footprint reductions. Certain facilities will also be implementing on-site renewable power systems to reduce Parker's reliance on fuel-based energy purchases.



Parker's Querétaro, Mexico facility is saving approximately 60 MT CO₂ annually by using power from rooftop solar panels, and several locations worldwide are currently pursuing their own solar installations.

Carbon Goals

Scope	2030	2040
I and II	50%	100% (Carbon Neutral)
III	15%	25%

Carbon Goals are Science-Based Targets

100%

Achieve Carbon Neutrality
by **2040**

Carbon and Energy Use

Metric	FY19	FY20	FY21	FY22
Absolute Carbon (MT CO ₂)	703,100	617,700	600,300	580,100
Absolute Carbon Reduction vs. Baseline (FY19)	-	12%	15%	18%
Carbon Intensity (MT CO ₂ /Sales in Millions)	49	45	42	37
Scope I Energy (MWh)	634,200	543,200	551,900	544,400
Scope II Energy (MWh)	1,186,200	1,094,300	1,088,400	1,081,500
Energy Intensity (MWh/Sales in Millions)	127	120	114	104

Objective #3

Reduce carbon from our indirect footprint (scope III).

Parker’s goal is to reduce absolute emissions related to materials sourcing, logistics and services (indirect footprint) by 15% by 2030, and 25% by 2040. We have initiated the baseline step with our suppliers and logistics providers through the CDP Supply Chain program and incorporated these expectations into our supply chain requirements.

Objective #4

Reducing risk of operational disruption due to climate change.

Every Parker operational facility is required to have a business continuity plan that includes scenario planning for risks such as extreme weather events, and supply disruption contingency planning for suppliers in areas of high risk of operational disruption due to climate change.

Our planning process for new facilities also accounts for whether there is any significant climate risk associated with the proposed location.

Objective #5

Meeting customer expectations for carbon footprint reporting.

From customers that have elevated their own climate strategy, we see an increasing expectation to provide quantification of our carbon footprint, either in aggregate or by individual product. We are committed to providing the information necessary to address a customer-level inquiry.

Our 2021 CDP Climate Assessment resulted in a B- Management Level Classification.



Parker has 117 sites that are certified to ISO 14001 Environmental Management System Standard, resulting in more efficient use of resources and reduction of waste.

Water Conservation

We use and recycle water to cool and clean manufacturing equipment and components. We understand that water is a critical resource and is in short supply in certain parts of the world. Our water conservation initiative targets water use at manufacturing facilities with the highest water consumption or those located in geographic areas where water is scarce.

Parker currently operates 35 manufacturing facilities located in areas identified as having 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 include a complete water inventory and a focus on conservation projects with the intent of reducing raw water consumption and increasing recycled water use.

Water Consumption

Year	Use (Million M ³)
FY21	4.2
FY22	4.2

From Municipal Sources

Reducing operational risk due to water scarcity is a key factor in our site acquisition analysis and business continuity planning at all locations, and we require new facilities to be designed with adequate water conservation measures.

Our 2021 CDP Water Assessment resulted in a C Bandwidth Awareness Level Classification.

Waste & Material Management

Parker manages materials and waste responsibly and in accordance with applicable laws and regulations. Over time we have steadily reduced our hazardous waste production

and systematically upgraded our hazardous materials storage to minimize potential environmental exposure.

The majority of our waste is scrap metal from machining processes and this material is recycled locally, making for a small waste footprint relative to the scale of our operations.

Environmental Management Systems

Each Parker facility adheres to our EHS Policy and related environmental directives that dictate management practices and requirements for materials management, pollution control and waste minimization.

Parker has 117 sites that are certified to ISO 14001 Environmental Management System Standard, resulting in more efficient use of resources and reduction of waste. Conformance with this international standard reflect our commitment to continuous improvement and meeting the expectations of our valued customers.

Property Management

Parker responsibly remediates property that may have incurred pollution due to previous owners or activities. We often use remediation technologies that help to bring sites into compliance with applicable environmental clean-up standards and allow for property use that is safe. As of June 30, 2022, Parker has accrued a reserve of \$16.4 million for environmental matters.

Supplier Management

Parker has implemented several supply chain initiatives to reduce our environmental footprint. This includes leveraging sustainable transport methods to reduce emissions associated with air freight, as well as transitioning to electronic documentation to reduce paper waste. Through kaizen initiatives, our team

members continue to develop innovations to help achieve our environmental stewardship goals.

Parker is focused on reducing our carbon footprint with our supply chain and logistics. For the logistics footprint, Parker has been a member of the U.S. Environmental Protection Agency (EPA) SmartWay Transport Partnership since 2013.

Parker is using EcoTransIT World as the tool to calculate CO2 emissions related to our subcontracted motor, rail, sea and air transport services. This solution has been implemented globally and provides CO2 emissions for every shipment Parker is responsible for. The shipment level detail provides Parker the opportunity to quickly identify our CO2 reduction opportunities and to develop actions to improve our performance.

We recently partnered with the CDP Supply Chain program to begin the process of quantifying our supplier's carbon footprint. We have completed the first assessment with our top suppliers and will continue the process of gathering this information. Our goal is to determine our baseline footprint and then to work with our suppliers to achieve our Scope III targets.



We implement our commitment to responsible sourcing through our supplier qualification process and the terms and conditions in our supply agreements and purchase orders.

Parker suppliers are required to comply with all laws and regulations related to human rights, resource conservation and other environmental 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 environmental requirements such as Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) and the Restriction of Hazardous Substances Directive (RoHS). The Code of Conduct is available at: parker.com/aboutus.

Our global supply chain team employs dual sourcing and other risk management strategies to ensure the availability of materials needed for production. We are committed to the pursuit of responsible procurement practices.

Clean Technologies

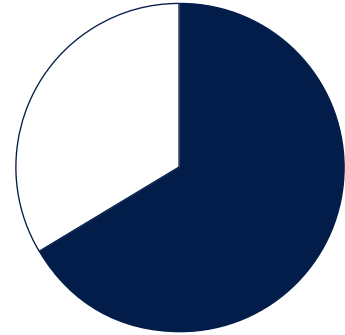
Our Clean Technologies Enable a More Sustainable World

Parker's interconnected portfolio of technologies features a broad range of highly efficient solutions that enable the success of our customers, many of which offer improved performance and efficiency to help end users reduce emissions and the consumption of natural resources.

We deliver components and systems that enable the adoption of cleaner and more efficient energy, electrification, lightweighting and other innovations with a positive, global environmental impact to hundreds of thousands of companies across industrial, mobile and aerospace markets. A global High Performance Team guided by engineering and innovation leaders

is positioned to address the rapidly evolving clean technology market through monitoring secular trends, listening closely to our customers and using their input to foster focused engineering breakthroughs through our Simple by Design process.

We are often called to the table for the collaborations that help to solve the most complex engineering challenges. Breakthroughs that make the world cleaner, smarter and safer would not be possible without Parker technologies.



Two-Thirds of Parker's Portfolio Enables Clean Technologies.

HYDRAULICS



PNEUMATICS



ELECTROMECHANICAL



FILTRATION





Off-Road Electric Tractor Technology

Parker Technology Applications

- Vehicle Powertrain
- Machine Implements
- Electrified Power-Takeoff (EPTO)
- Battery Pack & Housing
- Steering & Ride Control
- Charging & Power Electronics



Electrification Solutions for Advanced Air Mobility

Parker Technology Applications

- Thermal Management for Battery Packs
- Electric Motors and Controllers
- Cockpit Controls
- High-Voltage Power Architectures



Essential for Hydrogen Production, Storage & Dispensing

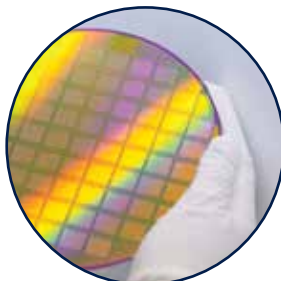
Parker Technology Applications

- Process Purification
- Water Separation
- Humidification & Gas Drying
- Fluid Conveyance & Filtration
- Cryogenic Instrumentation

FLUID & GAS HANDLING



PROCESS CONTROL



CLIMATE CONTROL



ENGINEERED MATERIALS



Social

Engaged Team Members Strengthen Parker and Our Communities

Safety

The safety and well-being of Parker team members is our highest priority and a central aspect of executing The Win Strategy. Since 2015, we have reduced our Recordable Incident Rate by 72% and our Lost Time Incident Rate by 44%.

Our key safety metrics during the past two fiscal years reflect the aggregation of performance data from two significant acquisitions, along with challenges from the COVID-19 pandemic. Parker's ability to maintain strong safety performance during this period, while continuing to serve our customers at a time of great demand, is a testament to our team members and their commitment to workplace safety.

We intend to reach our goal of achieving zero recordable incidents by 2030 through our continued focus on team member engagement and accountability, coupled with a strong framework of systems and procedures.

72%

Since 2015 We Have Reduced Our Recordable Incident Rate by 72%

Parker's safety management system is used across all locations and provides a range of specific tools and procedures. For leading indicator corrective action, we leverage a globally-deployed Gensuite® operating platform to proactively manage corrective action and employ data analytics to identify and address potential injury risk. More than 75,000 issues were analyzed for corrective action this year, including 16,000 identified during kaizen events and several thousand from the value stream HPTs, the balance coming from assorted team members submissions.

We will continue to encourage every team member to take action when needed to fulfill our shared responsibility to workplace safety.

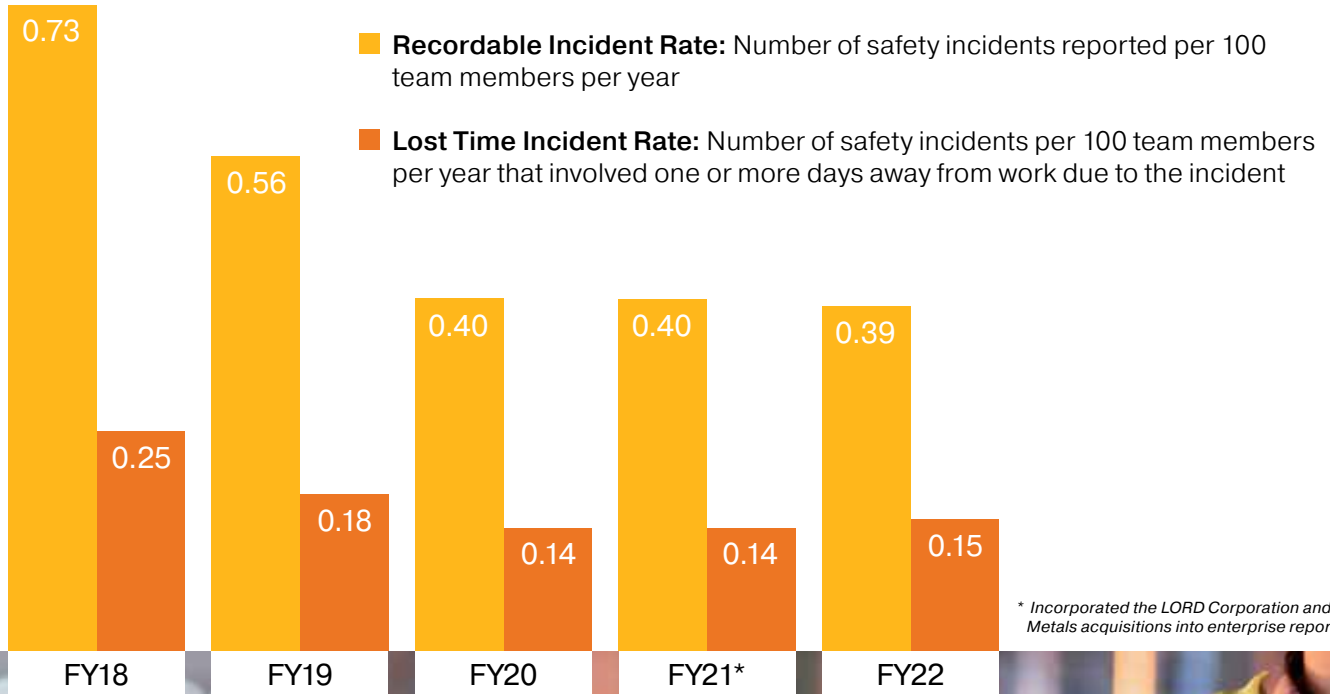
High Performance Teams (HPTs)

The foundation of Parker's engagement and empowerment strategy with our team members is centered on our High Performance Team concept. We are proud of how this has become ingrained in our culture and in the way we operate.

Approximately 90% of team members participate in one or more HPTs.

90%

Improved Safety Performance



Zero

Our goal is to achieve zero recordable incidents by 2030.

Social Responsibility

Parker’s social responsibility strategy empowers team members to make a difference in the communities we call home. With support from the Parker Foundation, team members maximize their impact through four key programs:

Volunteer Program

Parker team members have a long history of giving back to our communities through volunteerism. This year we launched a global Volunteer Program that included paid volunteer time off and grants for the charitable organizations Parker people support.

Grant Program

We have expanded our Grant Program in recent years to help strengthen communities in 29 countries. The program’s success is driven by our team members who are highly engaged in the process of selecting which organizations to support, helping to direct more than \$6 million to local charitable causes in 2022.

Matching Gifts Program

Team members can double the impact of their personal donations to eligible organizations through our Matching Gifts Program. In 2022, our team members extended their giving by requesting more than \$800,000 in matching funds for

organizations that help make the world a better place.

Disaster Relief Program

Our Disaster Relief Program provides support to our team members and communities following natural disasters and other catastrophic events. In these times of great need, we quickly mobilize support and contribute to Red Cross disaster relief campaigns.

We are proud of the support we extend to our local communities through Parker Foundation programs. In 2022, we donated more than \$7 million to charities around the world whose missions and programs align with our three focus areas.

PARKER FOUNDATION AREAS OF FOCUS



STEM EDUCATION

Supporting schools, universities and community agencies to ensure students of all backgrounds have access to science, technology, engineering and mathematics 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.



\$7 million

The Parker Foundation donated more than \$7 million to charities around the world in 2022.

Team Member Experience

Talent Development

Parker has a well-defined talent development program managed through our Talent Central system, which connects all business units globally on a common platform and provides team members with visibility to skill development, career planning and learning opportunities. This shared platform is the catalyst for talent management at Parker.

Our review process enables Parker to assess talent globally, from early-in-career roles through senior leaders. This review facilitates the identification of key talent and allows us to build meaningful development

plans and align career growth opportunities. This annual process contributes to robust succession planning for leadership roles. Our strategic approach to succession planning allows our executives to build the experiences and skills necessary to continue the transformation of our company. The talent process is also supported by Parker's Integrated Career System program which illustrates career paths for various roles and the steps to advance through the organization.

Supplementing the talent development process are Parker's learning offerings, which help team members expand their professional skills and take ownership of their learning and development.

Examples of center-led learning programs are our annual ethics and compliance training and cyber security training that all team members are required to complete, in addition to programs for developing supervisory and leadership skills. Functional-specific programs include High Performance Team training, lean boot camps and kaizen event orientations. Local and regional training includes site safety, equipment safety and site quality requirements.

In addition to formal training programs, there are a host of development tools available which include mentoring relationships, coaching and feedback, job shadowing, project bubble assignments and other stretch projects.

Team Member Total Rewards

Parker team members are afforded competitive pay and benefits guided by regular benchmarking studies in each country. In 2022 in the U.S., we improved our 401(k) match and enhanced paid time away policies. All hourly and non-exempt team members receive paid sick time and disability coverage. We also implemented paid parental leave for new parents and added Juneteenth to the holiday schedule at most U.S. locations.

Team Member Engagement

We gather team member feedback and closely track our progress toward a high performing work environment through our Global Engagement Survey. Our 2022 survey achieved a 91% response rate with an overall engagement score of 73%, placing us in the top 8% of companies across all industries according to our survey supplier's benchmark.

Human Rights & Labor Practices

Grounded in our purpose and values, Parker's commitment to human rights and fair labor practices is a fundamental tenant of our business and implemented through our Global Code of Business Conduct, our Supplier Code of Conduct and our Distributor Code of Conduct. Our commitment is framed by U.S. laws regarding human

rights and fair labor standards as well as the United Nations Guiding Principles on Business and Human Rights and the UK Modern Slavery Act of 2015.

Our policy on human rights and labor practices also applies to our third-party partners such as subsidiaries, distributors and suppliers. Parker complies with the letter and spirit of all applicable national and local laws in every country where we operate. In addition, we are committed to the following principles:

Forced & Compulsory Labor

- Parker prohibits forced or involuntary labor, including the recruitment, transport, harboring, receipt or utilization of a person by such means as threat or use of force, exploitation or other forms of coercion, abduction, fraud or deception for the purpose of exploitation. We do not condone child labor and are committed to supporting global efforts to eradicate modern slavery around the globe.

Discrimination & Harassment

- Parker is committed to creating and maintaining a working environment of respect, tolerance and trust. We take steps to prevent and correct discrimination and harassment in the workplace, including when based on age, race, color,

religion, sex, disability, national origin, ethnic group, sexual orientation and covered veteran status.

Fair Labor Practices

- Parker is committed to compliance with all applicable laws and regulations associated with hours worked, compensation, opportunity and overall working conditions.

Safe Workplace

- Parker is committed to maintaining a safe and clean workplace.

Data Privacy

- Parker is committed to maintaining personal data privacy in accordance with our public policy on this subject and available on our public website.

Supply Chain

- Parker requires its suppliers to respect human rights in their business activities in accordance with our Supplier Quality Manual and Supplier Code of Conduct.

We are dedicated to the resolution of alleged policy violations through our secure, 24-hour Integrity Line and other company reporting options. This process provides all Parker team members and key stakeholders with an effective grievance mechanism.

Responding with Purpose During COVID-19

The COVID-19 pandemic proved to be a significant and disruptive challenge. As a business-critical supplier of products and systems essential to the production and delivery of vaccines, medical equipment, food, water and other key goods, our team members stepped up to maintain global manufacturing operations and ensure the supply of essential goods.

This required Parker to rapidly establish and implement an extraordinary set of protocols for how to safely manufacture while managing active cases introduced into our workplace from external sources. We successfully navigated this crisis with strong leadership commitment to a safety-first environment, strict health and safety protocols and favorable pay policies for those exposed to the virus in the community.

We established a center-led crisis response team that provided protocols and guidelines for global deployment and sub-teams in each country to manage local implementation and ongoing response.

The actions of Parker team members throughout the pandemic embody our culture, values and purpose. Across countless critical applications, Parker technologies supported front-line efforts to combat the spread of the virus and advance its treatment around the world.

Diversity, Equity & Inclusion

Our DE&I Journey Continues

Throughout our history, we have been committed to building a welcoming and inclusive workplace that respects every team member's unique perspective. Our team members come from a diverse range of personal and professional backgrounds, and their collective talent and expertise is the driving force behind the growth and success we have achieved. Being an equal opportunity employer is core to Parker. We hire and promote the best talent and maintain a strong, cohesive work environment to further strengthen our organization for continued success.

Our leadership team is firmly committed to our DE&I vision. We have four global HPTs focused on DE&I. Each is led by a senior executive and tasked with rethinking the way we attract and develop diverse team members, design education and awareness opportunities, and define sustainable progress measures in fostering an inclusive culture.



We have three team member-led Business Resource Groups (BRGs) which are designed to enhance visibility, awareness and education for team members and support them in shaping their own career path.

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

Our supplier diversity program is committed to expanding opportunities for businesses owned, managed and controlled by women, physically impaired, veteran and ethnic minority Americans, as well as small businesses through the inclusion in our procurement process. The program also strives to increase awareness of supplier diversity and its importance to Parker's success. Qualified suppliers are encouraged to register via Parker's Diverse Supplier Registration process.

Parker's Diversity, Equity & Inclusion Vision

Diversity	Equity	Inclusion
Reflective of Society	Fairness	Know How Our People Feel
I Belong, I Matter, I Make a Difference		

Diversity, Equity & Inclusion:

“Continually build upon the diversity, equity and inclusion of our global team to be reflective of the communities in which we do business.”

Pay Equity:

“Parker is committed to equitable pay for all team members guided by regular pay equity reviews.”

- Tom Williams, Chairman and Chief Executive Officer

Our Workforce Diversity

Segment	Demographic	Workforce
Global	Women	31% of Total Team
		19% of Managers
USA	People of Color	29% of Total Team
		15% of Managers

Workforce diversity data is from fiscal year 2022. Our most recent U.S. Federal Employer Information Report Form EEO-1, which uses data from USA Parker Team Members' voluntary self-identification as of December 31, 2021, is available for download at: 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.

Governance

Our Commitment to the Highest Governance Standards is Key to Our Success

Corporate Governance

Rigorous, consistent corporate governance practices contribute to the creation of long-term shareholder value and require dedicated focus shared by our Board of Directors, executive leadership team and all team members.

Parker's Board of Directors is committed to good corporate governance, promoting the long-term interests of our shareholders and holding itself and our management team accountable for performance. The Board regularly evaluates Parker's strategies and operating plans, governance practices, legal and regulatory changes, shareholder feedback, financial and operational outlooks, capital allocation, balance sheet strength, debt portfolio, share repurchase activity and dividend history and strategies. The Board also oversees key risk areas such as management succession planning, cyber security, enterprise risk management and other environment, social and governance (ESG) matters.

58%

58% of Parker's Board of Directors is diverse based on gender, race or ethnicity.

Board of Directors Structure & Composition

Parker's Board is composed of 12 Directors and works under a highly effective dual leadership structure with a Chairman and Independent Lead Director. All Board committee members and 10 of the 12 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 at investors.parker.com/corporate-governance.

We are committed to Board inclusion and diversity, ensuring the skills and experiences of Directors align with our culture and values, support our long-term strategy and drive shareholder value creation. The Corporate Governance and Nominating Committee of the Board has a robust process for Board recruitment, succession and refreshment, which is focused on culture and values, diversity, and skills and qualifications.

Our Corporate Governance Guidelines require each director search to include individuals of diverse backgrounds, including

Corporate Governance Highlights

Annual election of all Directors	Average Director tenure is 7.8 years
Published Corporate Governance Guidelines	Published Global Code of Business Conduct applicable to our Board of Directors
Majority voting and resignation policy for uncontested Director elections	Board Committees are 100% comprised of independent Directors
Director retirement is mandatory after reaching age 72	Our Regulations permit proxy access for eligible shareholders
Each Committee of our Board of Directors has a published charter that is reviewed and evaluated at least annually	Robust stock ownership guidelines for our Directors and executive officers (all of whom are compliant with such guidelines)
Each of our Directors attended more than 94% of his or her meetings of our Board of Directors and his or her Committee meetings during fiscal year 2022	58% of the Board of Directors is diverse based on gender, race or ethnicity
None of our Directors are “overboarded”	Annual Board, Committee and individual Director evaluations
Our Chairman of the Board and Lead Director ensure the entire Board of Directors maintains regular oversight of key risk areas, such as corporate strategy, management succession planning, cyber security, enterprise risk management, and other environment, social and governance matters	Modified our Corporate Governance Guidelines and the charters of our Audit, Corporate Governance and Nominating and Human Resources and Compensation Committees to expressly identify the specific areas of ESG oversight responsibility of the full Board and each Committee.
Require each search for qualified director candidates to include individuals with diverse backgrounds, including diversity of gender, ethnicity and race	Independent Directors meet regularly and frequently (at least four times per year) without management
Annual review of our Chief Executive Officer by all independent Directors	

diversity of gender, ethnicity and race. Today, 58% of our Board is diverse based on gender (3), race (2) or ethnicity (3)*. The mandatory retirement age for Directors is 72 years and the average tenure of our Directors is currently 7.8 years.

Shareholder Engagement

We actively engage with our shareholders. In 2022, we provided management team access to shareholders representing ownership of more than 51% of our outstanding common stock, specifically on Parker’s ESG matters. We met with each shareholder that accepted our invitation. We use the feedback we receive, which is shared with the Board as well as leadership, to strengthen the disclosures in our proxy statement and Sustainability Report.

Risk Management

Our Integrated Risk Management Program, a disciplined approach to identifying and assessing risks and potential major impacts, helps protect our operations, team members and communities. The program receives oversight from Parker’s executive leadership team and the Board of Directors and its committees.

*One of our Directors is both racially and ethnically diverse.

Cyber Security

Parker maintains cyber security insurance and has a dedicated cyber security team that helps protect the company's data, data systems and digital assets. Ongoing cyber security awareness training is provided globally to help team members recognize and avoid malicious activity.

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 method of identifying areas of risk, benchmarking and implementing continuous improvements. The Board receives regular updates, along with an annual report on cyber security risks and the company's prevention initiatives from senior leadership.



Integrity, Ethics & Compliance

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 our Board of Directors are held to a standard that exceeds legal and regulatory requirements. The Code supports our belief that integrity is not just a corporate responsibility, but also a personal one.

The Code is translated into 24 languages and made available to team members worldwide, covering a broad range of topics including discrimination, harassment, conflicts of interest, insider trading, corruption, confidentiality and fair competition. It incorporates many Parker policies, including,

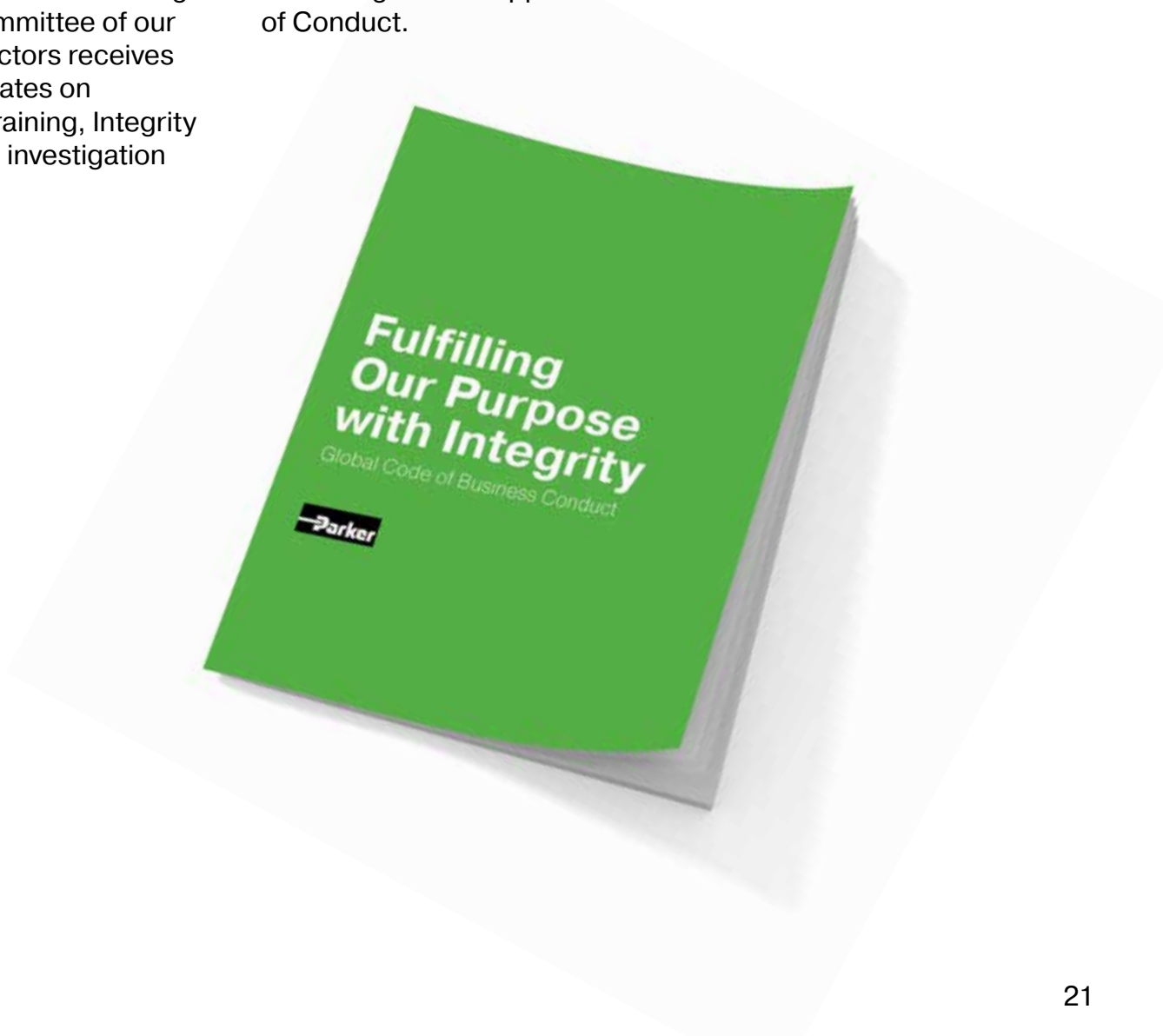
among others, our anti-bribery, antitrust and human rights policies. Parker conducts annual training on our Global Code of Business Conduct for all team members and the Board of Directors, requiring certification that each has read and will abide by the principles of the Code.

Additional training on compliance matters is provided to leaders at the corporate, regional and local levels. Our global network of Compliance Officers helps reinforce ethical conduct and compliance with applicable laws and regulations, including environmental matters. Throughout the year, compliance is also kept at the forefront with quarterly messages, printed brochures, newsletters and videos to create a culture of ethics and integrity.

Our programs urge any team member who observes conduct that is not aligned with Parker's policies, 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 multiple languages. Team members have the option of remaining anonymous where permitted by law, and Parker has strict policies against retaliation. All potential violations of our Global Code of Business Conduct 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, Integrity Line calls and investigation statistics.

Parker's commitment to integrity, ethics and compliance extends externally to our business partners, who are expected to collaborate with our team members in a way that upholds Parker's Values. Our Distributor Code of Conduct sets expectations and minimum requirements for compliance systems. Suppliers, who play an important role in our ability to meet customer needs, are required to meet all applicable specifications, environmental regulations and quality management requirements according to our Supplier Code of Conduct.



SASB Disclosure Data

The following table provides Parker data and information included in the Sustainability Accounting Standards Board (SASB) standard for the Industrial Machinery & Goods industry. All data corresponds to Parker's fiscal year 2022 (July 1, 2021, through June 30, 2022), unless otherwise noted.

Topic	Accounting Metric	Category	Unit Of Measure	Code
Energy Management	(1) Total energy consumed, (2) Percentage grid electricity, (3) Percentage renewable	Quantitative	Gigajoules (GJ), Percentage (%)	RT-IG-130a.1
Employee Health & Safety	(1) Total recordable incident rate (TRIR), (2) Fatality rate, (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	Gallons per 1,000 ton-miles	RT-IG-410a.1
	Sales-weighted fuel efficiency for non-road equipment	Quantitative	Gallons per hour	RT-IG-410a.2
	Sales-weighted fuel efficiency for stationary generators	Quantitative	Watts per gallon	RT-IG-410a.3
	Sales-weighted emissions of: (1) nitrogen oxides (NOx) and (2) particulate matter (PM) for: (a) marine diesel engines, (b) locomotive diesel engines, (c) on-road medium- and heavy-duty engines, (d) other non-road diesel engines	Quantitative	Grams per kilowatt-hour	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	Reporting currency	RT-IG-440b.1
Activity Metrics		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

Parker Data/Response – FY22	
	(1) Total Energy Consumed 6,084,240 GJ. (2) Grid Electricity 67%. (3) Renewable 0%.
	(1) Total recordable incident rate (TRIR) 0.39. (2) Fatality Rate 0.0018. (3) NMFR; Significant NM: 1.41.
	N/A. These SASB metrics relate to products sold. Parker Hannifin does not sell products with these characteristics.
	<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 & 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 it's products via it's 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 US Importer Self Assessment Program, as well as CTPAT certified to ensure compliance with US Customs.</p>
	\$1.0 billion
Parker Data/Response – FY22	
	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 883,036 total components and assembled systems. In fiscal year 2022, Parker sold in excess of 9 billion units to our customers, the vast majority of which are high-volume components sold in bulk.
	55,090

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NYSE



Contact Us

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

Learn More

parker.com/sustainability