



Donaldson®
FILTRATION SOLUTIONS

FISCAL YEAR 2018

Corporate Social Responsibility Report

Letter From Our Chairman, President & CEO

Founded in 1915, Donaldson Company has become a recognized leader in the global filtration industry. We provide technology-led filtration solutions and customer-centric service, and are deeply committed to our employees, integrity in our actions and relationships, and giving back to the communities where we live and work.

I believe that our century of success is due, in part, to Donaldson Company's continuous innovation and improvement efforts—identifying opportunities, increasing efficiencies and reducing waste – and these are ingrained in our culture and embraced across the world.



“ Donaldson is committed to operating with integrity, creating a safe and welcoming workplace for employees, and supporting environmental stewardship and sustainable operations. ”

Environmental, social and governance matters are an important part of these efforts. At Donaldson, we believe in doing the right thing in our business and community, and we continue to investigate and invest in opportunities to improve our sustainability efforts. That is why, in fiscal year 2018—after two years of planning and building measurable and sustainable frameworks—we began implementing several well-defined Environmental, Health and Safety (EHS) processes, including the publication of our first Corporate Social Responsibility Report.

I hope you enjoy reading about Donaldson, our people and our evolving environmental, social and governance efforts. We look forward to sharing our journey with you.

A handwritten signature in blue ink that reads "Tod E. Carpenter". The signature is fluid and cursive, with a long horizontal stroke at the beginning.

Tod E. Carpenter
Chairman, President and CEO

Table of Contents

| | |
|---|-----------|
| About Donaldson Company | 4 |
| Fiscal Year 2018 Sales | 5 |
| Financial Performance Highlights | 6 |
| Global Footprint | 7 |
| Customer Commitment | 8 |
| Exceeding Customer Expectations | 9 |
| Corporate Governance | 10 |
| Board of Directors | 11 |
| Management Team | 12 |
| Code of Conduct | 13 |
| Global Trade Compliance | 14 |
| Continuous Improvement in Operations | 15 |
| Environmental, Health and Safety | 16–21 |
| Outstanding People and Culture | 22 |
| Diversity and Inclusion | 23 |
| Community Involvement | 24–25 |
| Donaldson Foundation | 26 |

Front Cover: Community solar gardens (CSG) are centrally-located solar photovoltaic systems that provide electricity to participating subscribers, allowing people and organizations to support renewable energy. In 2018, Donaldson entered into a CSG subscription contract with SoCore Sherburne I, LLC Community Solar Garden. The CSG subscription will meet approximately 25% of our Bloomington campus headquarters' energy needs for the next 25 years.

Back Cover: Images of Donaldson's filtration technology, from left to right: LifeTec® Liquid Filter Elements; PowerCore® Filtration Technology

About Donaldson Company

Donaldson is a leading global provider of filtration solutions that help solve complex filtration and contamination control challenges, and protect equipment. As today's environmental standards, equipment and technologies advance, our state-of-the-art resources, century of experience and vast network of expert scientists and engineers help us create innovative solutions to anticipate and exceed these evolving requirements.

Over 14,000 team members support our customers at sales, manufacturing and distribution locations around the world. These customers employ our technology-led filtration solutions and products in industries such as agriculture, aerospace, automotive, construction, food & beverage, power generation, manufacturing and a variety of other industrial markets.

As Donaldson has grown and diversified, our technologies and products are utilized in increasing and ever-widening applications and environments; from bulldozers and airplanes to beverage bottling and power plants. We deliver these technologies and products through two distinct business units: Engine Products and Industrial Products.

The Engine Products segment consists of replacement filters for both air and liquid filtration applications; air filtration systems; liquid filtration systems for fuel, lube and hydraulic applications; and exhaust and emissions systems. This segment also sells to original equipment manufacturers (OEMs) in the construction, mining, agriculture, aerospace, defense and truck end markets and to independent distributors, OEM dealer networks, private label accounts and large equipment fleets.

The Industrial Products segment consists of dust, fume and mist collectors; compressed air systems; air filtration systems for gas turbines; ePTFE membrane-based products; and specialized air and gas filtration systems for applications including hard disk drives and semiconductor manufacturing. This segment sells new systems and replacement parts through various dealers, distributors and, in certain industries, OEM customers.

At A Glance

- Founded in 1915
- 43 manufacturing facilities, 8 distribution centers, 3 joint ventures
- Over 1,800 active patents
- Over 100 technical laboratories
- \$59.9M in R&D investments in fiscal year 2018
- \$1.2M in grants awarded by the Donaldson Foundation in fiscal year 2018

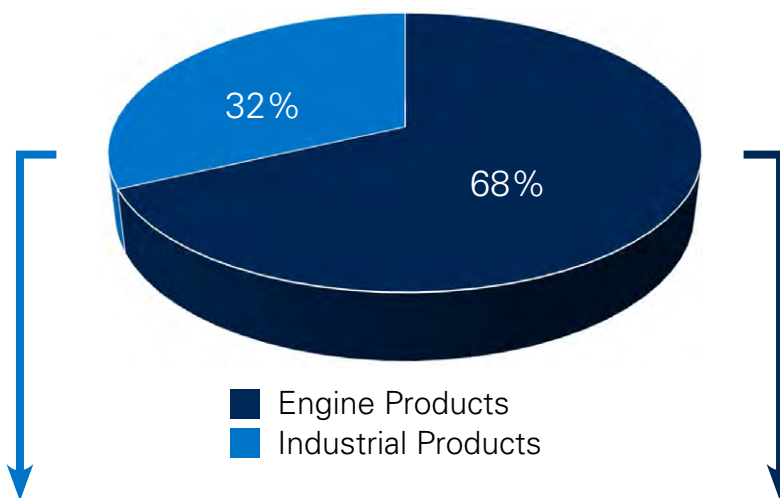


Fiscal Year 2018 Sales

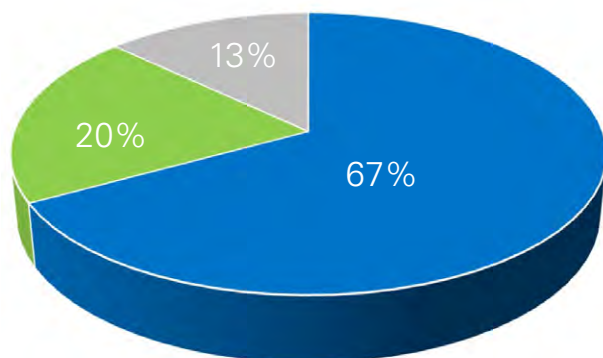
In fiscal year 2018 (FY18), Donaldson Company had total sales of \$2,734 million, with Engine Products comprising 68% and Industrial Products 32%.



Business Composition
Total Sales: \$2,734 million

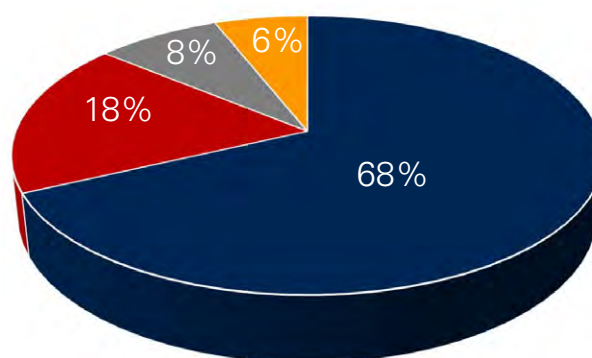


Industrial Products: +8.1%*
Total Sales: \$885 million



Industrial Filtration Solutions
Special Applications
Gas Turbine Systems

Engine Products: +19.0%*
Total Sales: \$1,849 million



Aftermarket
Off-Road
On-Road
Aerospace

*Represents percent change from prior fiscal year

Financial Performance Highlights

Donaldson Company has a long history of driving profitable growth and delivering strong return on investment. Our capital deployment priorities include making investments back into our company for organic and inorganic growth, paying a dividend and repurchasing our shares. We believe that these priorities, in this order, support our long-term goals and align with the interests of our shareholders.

Over the past five years, we have generated \$1.2 billion in net earnings, made capital expenditures of \$426 million and invested \$151 million in five acquisitions. During that same period, we returned nearly \$1.34 billion back to shareholders through dividends and share repurchase. Please visit ir.donaldson.com for additional financial information.

Donaldson has paid a dividend every quarter for over 60 years and has increased the dividend annually for more than 20 years.

| Select Financial Metrics (Dollars in millions, except per share data) | Fiscal Year Ended July 31 | | | | |
|--|---------------------------|----------|----------|----------|----------|
| | 2018 ¹ | 2017 | 2016 | 2015 | 2014 |
| Net Sales | \$ 2,734 | \$ 2,372 | \$ 2,220 | \$ 2,371 | \$ 2,473 |
| Gross Margin | 34.2% | 34.7% | 34.0% | 34.1% | 35.5% |
| Operating Margin | 13.9% | 13.9% | 12.3% | 12.2% | 14.4% |
| Net Earnings | \$180 | \$ 233 | \$ 191 | \$ 208 | \$ 260 |
| Diluted Earnings per Share | \$ 1.36 | \$ 1.74 | \$ 1.42 | \$ 1.49 | \$ 1.76 |
| Dividends Paid per Share | \$ 0.730 | \$ 0.700 | \$ 0.685 | \$ 0.665 | \$ 0.575 |
| Capital Expenditures | \$ 96 | \$ 64 | \$ 71 | \$ 94 | \$ 97 |
| Free Cash Flow | \$ 167 | \$ 247 | \$ 215 | \$ 119 | \$ 221 |
| After-Tax Return on Investment ² | 18.6% | 16.8% | 14.3% | 15.0% | 19.0% |

¹ The Federal Tax Cuts and Jobs Act (TCJA) enacted in December 2017 impacted certain metrics in Donaldson's FY18 performance, including a negative impact to net earnings of \$84.1 million. Details related to the impact from the TCJA are included in the annual report on Form 10-K for the fiscal year ended July 31, 2018.

² Return on Investment (ROI) is a ratio based on GAAP information and is calculated by: Net Earnings ÷ Average (Short-Term Borrowings and Long-Term Debt + Total Shareholders' Equity + Allowance for Doubtful Accounts - Net Deferred Tax Assets). FY18 ROI excludes the impact on net earnings from the TCIA.

Global Footprint

With substantial capabilities and locations, Donaldson can offer the extensive resources of an international company and the personalized service of a local firm.

Americas

Auburn, Alabama
Stockton, California
Valencia, California
Dixon, Illinois
Anderson, Indiana
Frankfort, Indiana
Cresco, Iowa
Waterloo, Iowa
Nicholasville, Kentucky
Bloomington, Minnesota
Chesterfield, Missouri
Chillicothe, Missouri
Harrisonville, Missouri
Philadelphia, Pennsylvania
Greeneville, Tennessee
Baldwin, Wisconsin
Stevens Point, Wisconsin
São Paulo, Brazil
Bucaramanga, Columbia
Aguascalientes, Mexico (2)
Monterrey, Mexico

Europe/Middle East/Africa

Kadaň, Czech Republic
Klášterec, Czech Republic
Domjean, France
Paris, France
Dülmen, Germany
Haan, Germany
Ostiglia, Italy
Skarbimierz, Poland
Cape Town, South Africa
Johannesburg, South Africa
Abu Dhabi, United Arab
Emirates

Europe/Middle East/Africa, cont.

Hull, United Kingdom
Leicester, United Kingdom

Asia Pacific

Wyong, Australia
Wuxi, China (4)
New Delhi, India
Gunma, Japan
Rayong, Thailand

Distribution Centers

Wyong, Australia
Brugge, Belgium
São Paulo, Brazil
Rensselaer,
Indiana
Jakarta,
Indonesia
Aguascalientes,
Mexico
Johannesburg,
South Africa
Seoul, South
Korea

Joint Venture Facilities

Most, Czech
Republic and
Champaign,
Illinois
Jakarta,
Indonesia
Dammam, Saudi Arabia

Third-Party Logistics Providers

Santiago, Chile
Wuxi, China
Bogotá, Colombia
Cartagena, Colombia
Chennai, India
Mumbai, India
Gunma, Japan
Auckland, New Zealand
Lima, Peru
Singapore
Greeneville, Tennessee
Laredo, Texas

Location data as of July 31, 2018



Customer Commitment

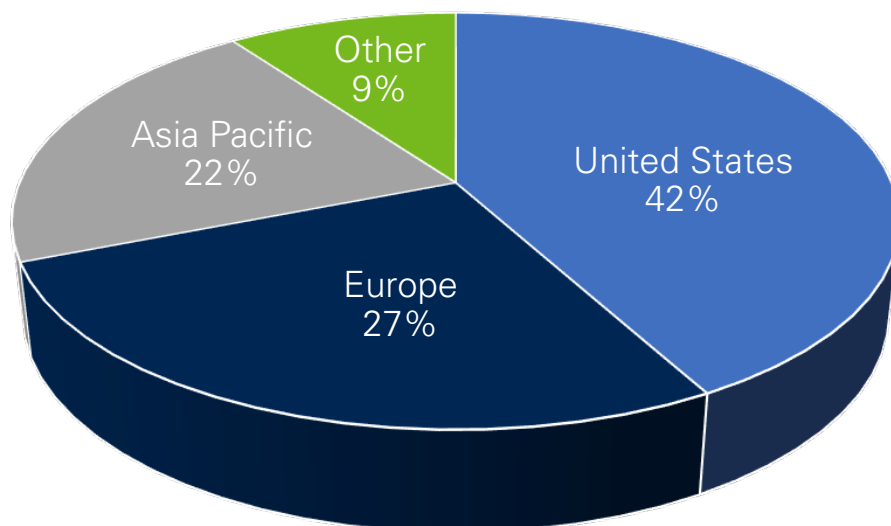
Over 14,000 dedicated Donaldson team members serve and support customers around the world.



In 1915, our company began with three employees and one location in St. Paul, Minnesota. Today we are a global business with a local presence, with more than 14,000 team members supporting multinational and local customers on six continents.

With Donaldson's worldwide sales, engineering, manufacturing and distribution capabilities, we are able to provide exceptional support to this global customer base. In FY18, international sales accounted for approximately 58% of our total revenue.

**FY18 Geographic
Diversification of Sales**



Exceeding Customer Expectations

Donaldson Company takes great pride in partnering with and providing filtration solutions for companies around the globe; some of these partnerships have spanned 50 years or more. Our employees make these productive relationships possible and their achievements have been acknowledged by our customers through several leadership and quality recognition awards we received over the past year.

Leadership and Quality Awards

| Customer Award | Donaldson Region | Date Received |
|---|------------------|---------------|
| Daimler Trucks North America 2017 Masters of Quality Supplier Award | U.S. | August 2018 |
| Daimler Trucks North America 2017 Masters of Quality Supplier Award | Latin America | August 2018 |
| HINO Contribution Award | Asia Pacific | March 2018 |
| John Deere 2017 Partner-level Supplier Award | Latin America | March 2018 |
| Navistar 2017 Diamond Supplier of the Year | U.S. | February 2018 |
| PACCAR 2017 10 PPM Supplier Quality Award | U.S. | July 2018 |
| PACCAR Supplier Performance Management Achiever Award | U.S. | December 2018 |
| TE Connectivity Long-Term Supplier Award | U.S. | October 2018 |

Corporate Governance

Donaldson is committed to informed, engaged and principle-driven corporate governance. We are guided by our values of Respect, Integrity and Commitment, maintaining best practices in management and board governance that demonstrate to our stakeholders that these values are integral to our success.

Our Corporate Governance Guidelines provide that a significant majority of our Directors will be non-employee Directors who meet the independence requirements of the New York Stock Exchange (NYSE). Currently, of our 10 Directors, all but our Chief Executive Officer meet these independence requirements. Additionally, the three committees of our Board of Directors—Corporate Governance, Audit and Human Resources—are comprised entirely of non-employee Directors.

Our Board of Directors met six times during FY18, and each Director attended at least 75% of the aggregate of all meetings of the Board and its committees on which she or he served during the year.

The company's compliance helpline, available on donaldson.com, allows our employees and others to direct their accounting, internal accounting controls and auditing matter concerns to the Audit Committee, on a confidential and anonymous basis.

Stockholders, employees and other interested parties can communicate directly with the Board of Directors. Written communications can be directed to the Chairman of the Board, the Chair of the Audit Committee, the Chair of the Corporate Governance Committee, the independent Directors as a group or the full Board, in the care of the office of the Secretary, Donaldson Company, Inc., MS 101, PO Box 1299, Minneapolis, MN 55440-1299.

Written communications about accounting, internal accounting controls and auditing matters should be addressed to the Chair of the Audit Committee. Requests for communications to be kept confidential from management should be indicated in the communication.

The procedures for communication with the Board of Directors are posted on our Investors Relations website, ir.donaldson.com, under Corporate Governance Documents.



Board of Directors

| | |
|-----------------|--|
| Tod Carpenter | Chairman, President and CEO Donaldson Company Joined the Board in 2014 |
| Andrew Cecere | Chairman, President and CEO U.S. Bancorp Joined the Board in 2013 |
| Pilar Cruz | President Cargill Inc. Compound Animal Feed and Nutrition Business Joined the Board in 2017 |
| Michael Hoffman | Retired Chairman and CEO The Toro Company Joined the Board in 2005 |
| Douglas Milroy | Former Chairman and CEO G&K Services, Inc. Joined the Board in 2016 |
| Willard Oberton | Chairman Fastenal Company Joined the Board in 2006, currently serves as Lead Independent Director |
| James Owens | President and CEO H.B. Fuller Company Joined the Board in 2013 |
| Ajita Rajendra | Executive Chairman A.O. Smith Corporation Joined the Board in 2010 |
| Trudy Rautio | Retired President and CEO Carlson Joined the Board in 2015 |
| John Wiehoff | Chairman and CEO C.H. Robinson Worldwide, Inc. Joined the Board in 2003 |

Donaldson Company Board Responsibilities

Our Board of Directors is made up of accomplished, independent external business leaders who we believe hold the highest personal and professional ethics, integrity and values. They are committed to representing the long-term interests of the company's stockholders.

They are responsible for evaluating and helping management address the various risks associated with our enterprise, CEO succession planning, setting corporate governance guidelines and approving executive compensation.



Management Team

| | |
|-------------------|--|
| Tod Carpenter | Chairman, President and Chief Executive Officer |
| Richard Lewis | Sr. Vice President, Global Operations |
| Scott Robinson | Sr. Vice President, Chief Financial Officer |
| Thomas Scalf | Sr. Vice President, Engine Products |
| Jeffrey Spethmann | Sr. Vice President, Industrial Products |
| Amy Becker | Vice President, General Counsel and Secretary |
| Jacquie Boyer | Vice President, Global Engine OEM Sales |
| Guillermo Briseño | Vice President, Latin America |
| Franklin Cardenas | Vice President, Asia Pacific |
| Andrew Dahlgren | Vice President, Gas Turbine Systems and Special Applications |
| Kathryn Freytag | Vice President, Chief Information Officer |
| Timothy Grafe | Vice President, New Business Development |
| Sheila Kramer | Vice President, Human Resources |
| Roger Miller | Vice President, Global Engine Aftermarket |
| Todd Smith | Vice President, Global Industrial Air Filtration |
| Wim Vermeersch | Vice President, Europe, Middle East and Africa |
| Michael Wynblatt | Vice President and Chief Technology Officer |



Code of Conduct

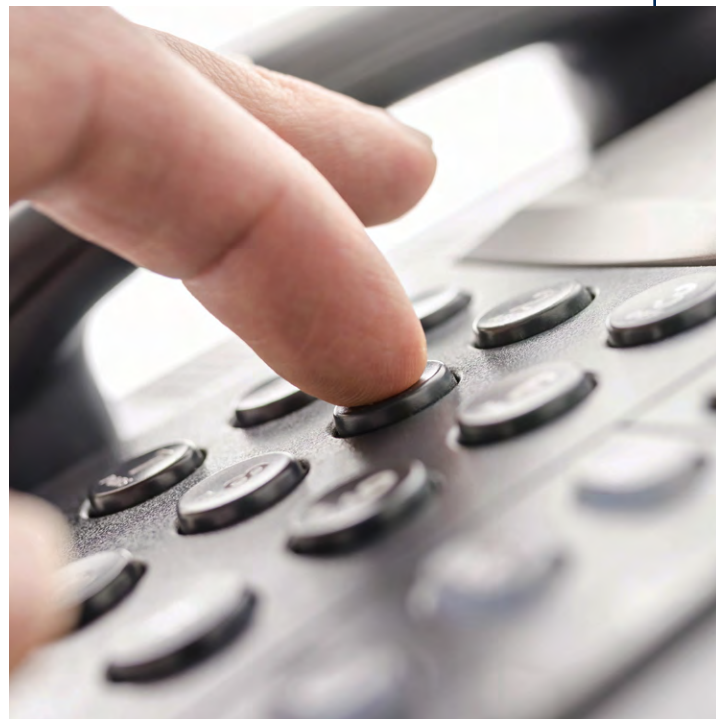
At Donaldson, we believe that a key to our success is our long-standing commitment to integrity in our dealings with our customers, employees, shareholders, government authorities, suppliers, neighbors and the public. We are committed to preventing ethical violations and conflicts and quickly correcting any that may occur.

The Donaldson Code of Conduct communicates our shared values of Integrity, Respect and Commitment and the policies that guide our efforts. This Code is available to all employees and the public at <https://secure.ethicspoint.com/domain/media/en/gui/19744/code.pdf>.

Donaldson employees receive annual training on our Code of Conduct and related policies, including e-learning and in-person instruction. Answers to common ethics and compliance questions and guidance for responses to potential work-related situations are also available on the company intranet.

Our employees are encouraged to discuss any concerns with their manager, human resources representative, legal representative or the company's Compliance Committee. Employees are required to promptly report known or suspected violations. Any employee, who in good faith reports wrongdoing to management, will not be the subject of reprisals or other punishment based on making a report.

Our Business Conduct Help Line offers employees an easy way to report actual or suspected activities that may involve improper conduct or violations of our Code of Conduct. The Help Line is managed by EthicsPoint, a secure and independent third-party reporting source, ensuring confidentiality and access by telephone or the internet at all times, at all locations across our Donaldson global footprint. Access to the Help Line is available online, in 17 languages, at <http://ethics.donaldson.com>. Investigations are conducted under the oversight of our Compliance Committee.



Global Trade Compliance

Our company's commitment to global trade compliance extends from senior management to all employees involved in the import/export of Donaldson items.



To successfully import and export products around the world, it is imperative for Donaldson Company and its subsidiaries to comply with all applicable import and export laws, regulations and policies. We work with global government agencies and act in accordance with our Code of Conduct as well as our values of Integrity, Respect and Commitment.

As a U.S. headquartered company, all Donaldson facilities must abide by U.S. export and re-export controls in addition to local regulations. This commitment extends from senior management to all employees involved in the import/export of Donaldson items.

Under our Code of Conduct, employees are required to promptly report known or suspected violations. If any employee becomes aware of a potential violation or inconsistency with our policy, we urge them to immediately contact and inform: (1) Donaldson's Global Trade Compliance department, (2) our Corporate Legal Department and (3) a member of their local senior leadership team.

Donaldson employees have access to additional information about our Trade Compliance practices and policies on the company intranet, providing immediate answers and resources about Global Trade Compliance matters.

Donaldson Company's Global Trade Compliance policy is available on Donaldson.com (<https://www.donaldson.com/en-us/about-us/ethics-compliance.html>) and addresses our corporate commitment to comply with all applicable import and export laws, regulations and policies that govern our global business.

Continuous Improvement in Operations

The Donaldson Production System (DPS) is a standardized operating philosophy aligning our *Continuous Improvement* efforts and company strategy within our manufacturing and distribution operations.

The focus of the DPS is identification and elimination of waste in all areas. Operational Excellence Centers, made up of teams of Donaldson experts who work within regions, plants or departments, and who share best DPS practices or solve common challenges, help us provide customers with exceptional support and value.

Operational Excellence Center leaders manage DPS deployment, teach DPS principles, facilitate *Continuous Improvement* events and perform annual on-site assessments. DPS leader knowledge and skills are reflected through three individual certification levels Bronze (learning/knowledge), Silver (doing/knowledge applications) and Gold (teaching/ knowledge sharing).



6S Program Leads to Operational Excellence at Partmo

Following the acquisition of Partmo in 2016, Donaldson introduced and implemented a robust 6S (Sort; Set in Order; Shine; Standardize; Sustain; and Safety) program and continues to reinforce a safety, quality, delivery and cost mindset and message.



The result: Partmo's on-time delivery of product improved from 70–97% and has increased customer satisfaction in this important region. The 6S program is being integrated across the location's manufacturing and warehousing areas, and the Partmo team is working to imbed these principles into the culture of the entire organization.

Environmental, Health and Safety

EHS Framework

Consistent with our commitment to uniformly apply high standards of ethics and conduct wherever we do business, we are committed to efficiently and effectively reducing the environmental impacts of our operations while providing safe, healthy and compliant workplaces for our employees, visitors and neighbors.

At Donaldson Company, Environmental, Health and Safety (EHS) excellence refers to the actions that every member of our organization collectively undertakes on a daily basis to identify and manage exposures to health and safety hazards and environmental impacts that can result in harm to people, the environment or our ability to serve our customers. We are guided by an EHS Framework which builds upon our existing ISO 14001 and OHSAS 18001 certifications by providing more robust processes and tools designed to:

- Reduce exposure to our most significant environmental aspects and health and safety risks;
- Enhance leadership visibility in exposure reduction activities;
- Increase employee involvement in value-added EHS activities; and
- Provide robust compliance assurance processes.

Implementation of our EHS Framework began in FY17 at our U.S. locations. Annual improvement priorities outlining specific activities to support effective deployment of the EHS Framework have been developed as part of a multi-phase implementation strategy.

To support deployment of the EHS Framework for our U.S. operations in FY18, we began the process of recruiting and onboarding experienced site-level EHS professionals at our largest facilities. These roles are supported by two new EHS regional managers who will lead deployment of the Framework and provide compliance oversight for their assigned region. Developing global EHS organizational capability will be a key focus of our operations teams in FY19.



Environmental, Health and Safety, cont.

Global EHS Policy

Our EHS Framework is supported by a global EHS policy which was introduced in February 2017. Our policy includes the following critical expectations:

- We will establish accountability to ensure that management provides the leadership, processes and resources necessary to foster conditions and behaviors that result in continuous, measurable EHS improvement.
- We will actively involve our employees and welcome their participation in activities that continuously reduce exposure to health and safety hazards and environmental impacts.
- We will establish systems to meet or exceed applicable environmental, health and safety laws and regulations in the countries where we do business.
- We will establish environmental, health and safety targets and objectives, and publicly report our progress in protecting employees while continuously reducing environmental impacts through pollution prevention, energy conservation and waste minimization.
- We will partner with our suppliers, service providers and customers to promote the safe, compliant and sustainable use of our products and services.

Donaldson's EHS Policy: The full version of Donaldson Company's Environmental, Health and Safety Policy can be viewed at <https://www.donaldson.com/en-us/about-us/ethics-compliance.html>.

Stockton's Focus on Safety Speaks Louder Than Words

Using the EHS Framework as their playbook, our Stockton, California, plant places environmental health and safety at the forefront of all business decisions and processes. The result? More than two-and-a-half years* without a medical treatment injury or environmental incident.



Each morning, plant employees and leadership team members meet to review the day's workload and available resources, then develop a plan for how the work will be conducted without injury or undue impact to the environment.

"Incident-free performance is not possible without the involvement of the entire organization," said Feleshia Meyer, Stockton Plant Manager. "Ultimately, it is not our words but our actions that demonstrate the importance of a safe and healthy workplace." Stockton encourages employee participation in EHS activities; during the last quarter, over 80% of employees logged at least one EHS activity beyond the normal job requirements.

*As of July 31, 2018

Environmental, Health and Safety, cont.

Safety Performance

In FY18, 223 Donaldson employees experienced an injury or illness that resulted in treatment beyond first aid. While we did not achieve measurable progress in reducing injuries, we continued our focus on the management of exposures to hazards that can result in injury or illness. This represents a paradigm shift in our approach to managing safety and will take time to become fully embedded in our practices.

An example of an activity undertaken to support this approach in FY18 includes the deployment of regional exposure reduction campaigns to address the management of common EHS hazards and impacts. Completion of these campaigns, along with compliance-related activities, are now tracked and reported as leading indicators of EHS performance for our U.S. operations.

Total Recordable Incident Rate (TRIR)¹

| Donaldson | FY16 | FY17 | FY18 |
|---------------|------|------|------|
| Total Company | 1.92 | 1.62 | 1.83 |

¹ A recordable incident is a work-related injury or illness that results in death, loss of consciousness, lost workdays, restricted work or medical treatment. Total Recordable Incident Rate (TRIR) refers to the number of recordable incidents per 200,000 work hours.

Environmental, Health and Safety, cont.

ISO 14001 and OHSAS 18001 Registration

Thirty-five (35) of our sites manage their environmental performance through third-party certified ISO 14001 processes while fourteen (14) of our sites manage their health and safety hazards through OHSAS 18001 certified processes.

| ISO 14001 | | OHSAS 18001 | |
|---|------|---|------|
| Site | Year | Site | Year |
| Leicester, United Kingdom | 1999 | Rayong, Thailand | 2007 |
| Frankfort, Indiana | 2001 | Hull, United Kingdom | 2008 |
| Stevens Point, Wisconsin | 2003 | Wuxi, China (Disk Drive Filter Plant) | 2012 |
| Waterloo, Iowa | 2003 | Wuxi, China (Engine Products Plant) | 2012 |
| Cresco, Iowa | 2004 | Wuxi, China (Industrial Filtration Plant) | 2012 |
| Wuxi, China (Disk Drive Filter Plant) | 2004 | Wuxi, China (Membranes Plant) | 2012 |
| Kláštorec, Czech Republic | 2005 | Kláštorec, Czech Republic | 2013 |
| Gunma, Japan | 2006 | Nicholasville, Kentucky | 2013 |
| Hull, United Kingdom | 2006 | New Delhi, Gurgaon, Haryana, India | 2013 |
| Ostiglia, Italy | 2006 | Domjean, France | 2014 |
| Seongnam, Korea | 2006 | Cape Town, South Africa | 2015 |
| Auburn, Alabama | 2007 | Kadaň, Czech Republic | 2015 |
| Rayong, Thailand | 2007 | Leicester, United Kingdom | 2015 |
| Wuxi, China (Engine Products Plant) | 2007 | Abu Dhabi, United Arab Emirates | 2017 |
| Wuxi, China (Industrial Filtration Solutions Plant) | 2007 | | |
| Wuxi, China (Membranes Plant) | 2007 | | |
| Dülmen, Germany | 2008 | | |
| Baldwin, Wisconsin | 2009 | | |
| Greeneville, Tennessee | 2009 | | |
| Aguascalientes, Mexico (Liquid Filter Plant) | 2010 | | |
| Gurgaon, India | 2010 | | |
| Nicholasville, Kentucky | 2010 | | |
| Ivyland, Pennsylvania | 2011 | | |
| Kadaň, Czech Republic | 2011 | | |
| Cape Town, South Africa | 2012 | | |
| Aguascalientes, Mexico (Distribution Center) | 2012 | | |
| Dixon, Illinois | 2012 | | |
| Domjean, France | 2012 | | |
| Rensselaer, Indiana (Distribution Center) | 2012 | | |
| Aguascalientes, Mexico (Air Filter Plant) | 2013 | | |
| Chillicothe, Missouri | 2013 | | |
| Monterrey, Mexico | 2013 | | |
| Itatiba City, Brazil | 2015 | | |
| Skarbimierz, Poland | 2016 | | |
| Abu Dhabi, United Arab Emirates | 2017 | | |

Environmental, Health and Safety, cont.

Energy Usage

Greenhouse Gas (GHG) Emissions

As part of our EHS Framework, we established a standard to annually calculate GHG emissions for Scope 1 (direct emissions) and Scope 2 (indirect emissions) for U.S. manufacturing and distribution operations.

Protocols established by the World Resources Institute (WRI) and World Business Council on Sustainable Development (WBCSD) are utilized to calculate GHG emissions. We intend to utilize our learnings from this work to establish processes for calculating GHG emissions for our global operations. Data collection efforts will begin in FY19.

Donaldson has chosen to report GHG emissions intensity as a ratio between GHG emissions and the annual hours worked by our U.S. manufacturing and distribution operations. Hours worked is also used for calculating injury and illness rates. In FY18, total Scope 1 & 2 GHG emissions in the U.S. decreased by 7% compared to FY15. Over this same time period, the hours worked by our U.S. operations increased by 4% resulting in a 10% decrease in GHG emissions intensity.

GHG Emissions

| | FY15 | FY16 | FY17* | FY18 |
|---|-----------|-----------|-----------|-----------|
| Total GHG Emissions (mT CO ₂ e) | 71,889 | 64,750 | 64,761 | 66,705 |
| Hours Worked | 8,049,861 | 7,079,511 | 7,555,381 | 8,335,990 |
| GHG Emissions Intensity (mT CO ₂ e / Hours Worked) | 0.0089 | 0.0091 | 0.0086 | 0.0080 |
| Change from FY15 Baseline (%) | --- | 2% | (3%) | (10%) |

Brugge Shifts to Renewable Sources, Reduces Carbon Emissions

Shifting some energy consumption to renewable sources can have immediate rewards.



Donaldson's Brugge, Belgium, facility has used solar panels on its building since 2009, but recently the location completely eliminated the use of natural gas and now uses residual hot water from a waste incineration oven for heating and hot water production. The entire system is zero-emission and reduces the Brugge location's carbon emissions by 780 tons per year.

Environmental, Health and Safety, cont.

Scope 1

Scope 1 are also referred to as Direct GHG Emissions and are defined as emissions from sources that are under operational control by Donaldson, such as:

- Generation of electricity
- Physical and chemical processing emissions resulting from the use of CO₂ and emissions in process related activities
- Transportation in company controlled vehicles, excluding business travel in leased cars and delivery of raw materials or finished goods in leased trucks
- Fugitive emissions from cooling and refrigeration equipment

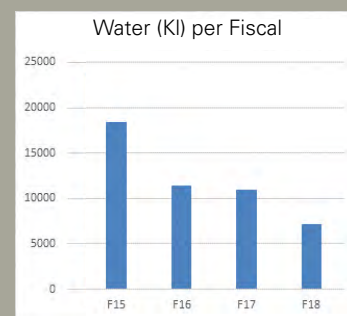
Scope 2

Scope 2 are also referred to as Indirect GHG Emissions and are defined as sources that are not under the operational control of Donaldson but are a consequence of Donaldson conducting business, and include electricity that is purchased or otherwise brought into the organization.

Cape Town Team Significantly Reduces Water Usage

Even before Cape Town imposed industrial limits on water use due to crisis-level shortages, our Epping, Cape Town, South Africa, plant had already found ways to reduce its water use. Willem Combrinck, Engineering Service Manager, IE and EHS and his Epping team:

- Closed two running taps in the rinse tanks on pre-treatment and degreasing processes after noting continuous replenishment was not required to maintain a high-quality level.
- Implemented a rainwater harvest and treatment system, using it to flush toilets.
- Placed waterless hand sanitizers in all bathrooms, installed metered dispense taps on bathroom basins and now harvest air conditioner condensation run-off.
- Employed an information and awareness campaign to encourage staff to report leaks, use hand sanitizers and implement a “waterless Wednesday” with water-reducing hampers.



The result was a drop in kiloliters of water consumption from a high of more than 18,000 in FY15 to approximately 7,000 in FY18.

Outstanding People and Culture

Key to our success, our employees draw from a broad base of capabilities, cultures, backgrounds and perspectives, reflecting the diverse communities we serve; they help us better understand, meet and exceed our customers' needs.

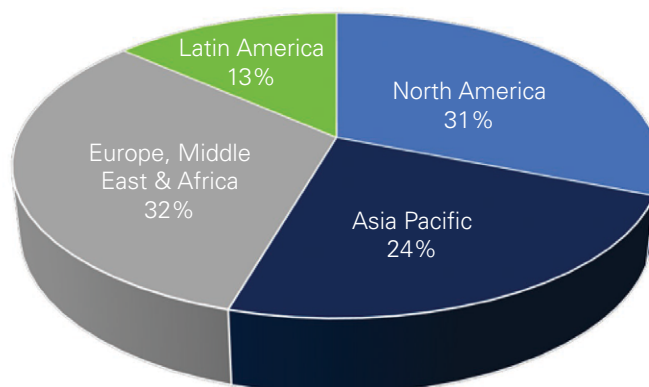


Donaldson's vision is to be a leader in filtration solutions, and for over 100 years, generations of dedicated employees have helped solve some of the world's most complex filtration challenges. Our people are critical to our continued global leadership in filtration, and we offer our employees interesting and challenging work, growth and learning opportunities, and a successful future.

We recognize the importance of attracting, rewarding and inspiring employees, and we encourage team members to gain new experiences, rise to challenges, take advantage of educational opportunities and support our communities. To help guide careers and advancement, employee performance and needs are reviewed on a regular basis as part of our talent planning process, ensuring that Donaldson team members can succeed and advance within our company.

“When you spend time at Donaldson, you quickly notice our strong sense of community, belonging and inclusion. This is a place where we truly enjoy the work we do with our colleagues and customers.” – Sheila Kramer, Vice President, Human Resources

Our Global Team Population*



*As of July 31, 2018

Diversity and Inclusion

Donaldson believes that our efforts to incorporate a broad base of skills, cultures and knowledge is critical to our continued global leadership. We feel that different points of view lead to new and innovative ideas.

To promote and integrate diversity and inclusion throughout our organization, we have established several initiatives. These include mentoring, leadership development, succession planning, global meetings and cultural awareness events. Through the combination of our employees' unique talents and perspectives, we will continue to create new business opportunities around the world.

We provide equal employment opportunities without regard to race, color, age, religion, sex, pregnancy, national origin, genetic information, sexual orientation, gender identity, veteran status, the presence of mental, physical, or sensory disability or any other legally protected status. At the end of FY18*, approximately 14% of our U.S. workforce is considered minority as described by the Equal Employment Opportunity Commission (EEOC), and approximately 32% of our U.S. workforce and 25% of corporate officers are female.

*As of July 31, 2018



Community Involvement

Donaldson Company and our employees are committed to making a difference and strengthening the communities of which we are a part. Examples of Donaldson's employee-led volunteer activities and causes include:

- **Children's Hospice South West Sponsor-A-Nurse:** Donaldson UK Aftermarket Sales Manager, Stuart Viney, was part of a team cycling 300 km overnight around Sweden's Lake Vattern to raise funds for the Charlton Farm Hospice in the UK. The team surpassed their £1000 target; the funds will go to the Wraxall hospice branch that provides care and support to children with life-limiting illness and their families.
- **Children's Rehabilitation Institute of TeletonUSA (CRIT):** Aguascalientes, Mexico, employees raised nearly MXN \$85,000 which helps children with neurological, muscular and skeletal disabilities. CRIT uses integrated and state-of-the-art rehabilitation to empower patients to reach their full potential and inclusion into society regardless of their ability to pay.
- **Family Partnership:** Through holiday sponsorship and backpack events, approximately 350 Bloomington, Minnesota, employees and their families participated and helped raise \$25,000. The funds helped provide holiday gifts to 75 families (257 people) and 128 supply-filled backpacks for children and families in need.
- **Junior Achievement (JA):** Fifty-two Bloomington campus volunteers helped raise \$47,000 and impacted nearly 1,000 students. Volunteers and monies raised help support JA's mission of inspiring and preparing students to succeed in a global economy, and providing financial literacy education and mentors to community youth.
- **Lincoln High School Engineering and Construction Academy Grant:** The Academy received \$15,534 in grants to purchase a new machinist lathe and three new welders. Stockton, California, employees helped organize, write and present the Donaldson Foundation grants which will be used to help local students learn the skills they need to enter the manufacturing and construction workforces.
- **MS Sydney to the Gong Ride:** In 2017, Donaldson Australia's Peter Evans and Steffan Malek participated in the annual MS Sydney to the Gong Ride, a challenging 80-km race from Sydney to Wollongong, to raise funds for people living with multiple sclerosis. Peter and Steffan, cycling through rain and challenging elevations, raised \$500 for the cause.





Community Involvement, cont.

- **MS150 Bike Ride:** The largest fundraising bike series in the world, Bike MS raises funds to help change the world for people with MS. Two hundred and sixty-eight Bloomington Team Donaldson volunteers, donors and bicyclists raised over \$250,000 during this year's annual 150-mile ride across Minnesota.
- **Research Run:** Thirty-nine Donaldson Leuven, Belgium, employees ran one, two or three tours of three kilometers. The event, held at the Research Park in Leuven, donates funds for the rehabilitation of cancer patients.
- **Salvation Army Women and Children's Shelter:** Waterloo, Iowa, employees held a drive to collect basic household items, paper products, sheets, coloring books, children's socks, etc. for the local shelter. Waterloo employees generously donated, collected and delivered the items to the shelter that provides emergency assistance, shelter and housing services for women and children.
- **St. Vincent's Anderson Cancer Run/Walk:** Anderson, Indiana, team members sponsored a Cancer Center Run/Walk drink station during the race, raising money for cancer outreach programs and provision of services. Event proceeds helped purchase a transport vehicle allowing cancer patients to get to appointments for their required care.
- **United Way:** Every fall, employees at the Bloomington campus volunteer and participate in events to raise funds for the Greater Twin Cities United Way organization. Together with an employee matching gift program through the Donaldson Foundation, Bloomington employees and retirees donated over \$550,000 to United Way. Funds help the organization ensure a better future for every community member.



Donaldson Foundation

The Donaldson Foundation is the primary instrument for our company's charitable contribution efforts.



Led by a Board comprised of employee volunteers, the mission of the Foundation is to positively impact the communities in which we live and work by supporting education.

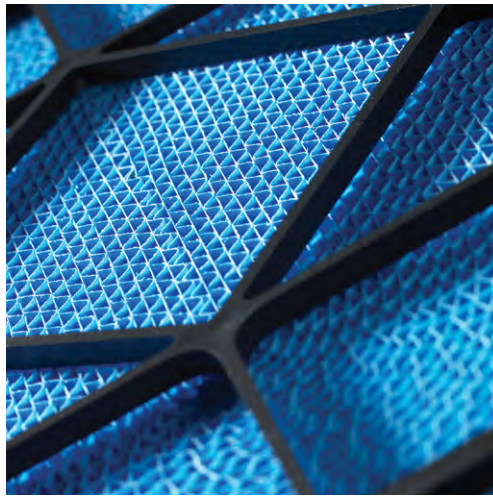
In FY18, the Foundation distributed grants and matching gifts totaling \$1.2 million to over 50 nonprofit organizations. Foundation philanthropy focuses on:

- Supporting educational opportunities for those who otherwise would not have them
- Matching grants to educational institutions
- Providing scholarships for post-secondary institutions
- Partnering with our plant communities to address local education needs

In FY17, the Donaldson Foundation focused on growing its impact, engagement and awareness globally, partnering with plant communities across the globe.

Beginning in Latin America—with an objective to expand to other locations—the development of this global giving initiative continued in FY18, and is a step toward our One Donaldson vision. This reaffirms the company's commitment to strengthening our communities across the world.

For more information, visit the Company subsection of About Us at www.Donaldson.com.



Donaldson Company, Inc.
Global Headquarters
1400 West 94th Street
Bloomington, MN 55431

www.donaldson.com

YouTube: <https://www.youtube.com/user/donaldsonfilters>

LinkedIn: <https://www.linkedin.com/company/donaldson/>

Merchandise & Apparel: www.donaldsonmerchandise.com