



**Donaldson®**  
FILTRATION SOLUTIONS

FISCAL YEAR 2019

# Corporate Social Responsibility Report

Advancing Filtration for a Cleaner World

## Letter From Our Chairman, President & CEO



Donaldson Company is a world leader in technology-led filtration solutions. Since 1915, we have designed innovative products and solutions that help solve complex filtration challenges. This is integral to who we are as a company, and is at the core of Donaldson's purpose: Advancing Filtration for a Cleaner World.

In a rapidly changing world, the need for corporate responsibility and sustainability is becoming more urgent. At Donaldson we are continuing to build the infrastructure needed to advance our efforts.

In FY19, we created a dedicated role to develop a holistic global sustainability strategy. We also incorporated global safety performance metrics into our company priorities and are implementing Environmental, Health and Safety (EHS) standards across our U.S. plants.

In FY20, we plan to expand our EHS efforts globally, further develop our product stewardship program and define sustainability plans for the future. Specifically, we will identify which sustainability issues are the most critical to our business and stakeholders. From there, we will set goals, put programs into place and track our progress across the organization in support of these priorities.

We look forward to updating you along our journey. Thank you for your support.

A handwritten signature in blue ink that reads "Tod E. Carpenter". The signature is fluid and stylized, with a large initial "T" and "C".

Tod E. Carpenter  
Chairman, President and CEO





# About Donaldson Company

## At A Glance

Founded in 1915, with invention of first engine air filter

Based in Bloomington, Minnesota

Locations in 40 countries

A leading global provider of filtration solutions across a variety of end markets, including:

- Aerospace
- Agriculture
- Construction
- Disk Drive
- Ground Defense
- Industrial Air
- Mining
- On-Road Truck
- Power Generation
- Food & Beverage



## Fiscal Year 2019:

- Record sales of \$2.85 billion
- Record earnings per share of \$2.05
- Record level of investment of \$250 million

## Our Technology-Led Organization

For more than a century, generations of dedicated Donaldson employees have delivered differentiated products and breakthrough solutions. We have adapted to an ever-changing environment with a relentless drive to improve our products and exceed customer expectations within the markets we serve.

Our employees have a broad base of skills, capabilities and backgrounds. This increasingly diverse and inclusive culture helps us continue to innovate, invent and create new business opportunities to strengthen our leadership in the filtration industry. It also provides opportunities for our people to grow, build successful careers and make meaningful contributions.

To better support our global workforce in these endeavors, Donaldson recently launched a new global Human Resources Information Systems platform. For the first time ever, we have real-time global employee data in one central system.

With enhanced visibility and a deeper understanding of all our talented employees, this technology will help us standardize our HR processes and practices worldwide, including talent acquisition, learning, development and performance management. We will use this new data to gather insights and set goals, which will help improve decision-making and ultimately enhance the performance of our organization.

### Highlights:

- More than 1,800 active and international patents
- 100+ technical labs
- \$62 million in R&D investments in FY19
- New \$15 million Material Research Center investment (groundbreaking pictured below)







# LEADING WITH INTEGRITY

During FY19, we defined a new Purpose and Principles for the company. Our purpose statement builds upon our history and positions us for the future. It represents the change we want to bring about in the world and the reason we exist.

## Our Purpose: Advancing Filtration for a Cleaner World

This purpose is supported by a set of six principles (below) that guide our behaviors, relationships and interactions. They are at the heart of everything we do.

## Our Principles

**Act with Integrity:** We deliver on our commitments and are accountable for our actions — we do what we say we will do.

**Engage and Empower Our People:** We have a richly diverse and inclusive culture, and provide opportunities for our people to grow, build successful careers and make meaningful contributions.

**Deliver for Customers:** We understand, anticipate and prioritize customers' needs, delivering differentiated products and solutions that enable their success.

**Cultivate Innovation:** We pursue innovation in everything we do, from continuous improvement in our processes to breakthrough solutions that create value and competitive advantage.

**Operate Safely and Sustainably:** We are committed to safety in the workplace, being good stewards of natural resources and reducing our environmental impact.

**Enrich Our Communities:** We share our time, resources and talent to make a positive impact in the world.

## Corporate Governance

In support of our Purpose and Principles, we are committed to having a management and corporate governance structure that is informed, engaged and values-driven. These best practices have been adopted by Donaldson Company's Board of Directors as part of our Corporate Governance Guidelines.

Our Board, a group of 10 accomplished business leaders (pictured at right), is responsible for helping management make key decisions related to our business strategy and executive leadership, and is committed to representing the long-term interests of Donaldson's stockholders.



### Highlights:

- Nine out of ten directors on our Board are non-employees who meet the criteria for independence required by the New York Stock Exchange.
- Our Board of Directors met six times during FY19.
- Our Board of Directors is composed of 20% women and 20% people of color.

For more board governance information, visit [ir.donaldson.com](https://ir.donaldson.com).

## Code of Conduct

As part of Donaldson's long-standing commitment to integrity, our Code of Conduct outlines how we interact with customers, employees, shareholders, government authorities, suppliers, neighbors and the public.

We apply uniformly high standards of ethics and business conduct in every business relationship and every country in which we operate. The Code of Conduct (and its 25 policies) is an important tool that helps our employees do the right thing.

As a U.S.-based company operating around the world, it is critical that Donaldson employees in all of our facilities abide by applicable import and export laws, regulations and policies as part of our commitment to Global Trade Compliance. Donaldson employees have access to additional information and resources about our Trade Compliance practices and policies through the company's intranet.



In an effort to advance our Global Trade Compliance capability, Donaldson is embarking on a multi-year journey beginning in FY20 designed to standardize and automate our global export and trade. We plan to upgrade our trade agreements software platform to continue to capture duty savings in accordance with the World Trade Organization's recognized bilateral and multilateral trade agreements.

In addition, we will automate our transaction screening and export license determination to strengthen our export controls in accordance with our corporate compliance commitment set forth in our Code of Conduct and our Global Trade Compliance program.

With the Donaldson Code of Conduct, all employees are required to promptly report known or suspected Code of Conduct violations by contacting one of several communication channels, including Donaldson's Business Conduct Help Line, a confidential service managed by an independent third party. Investigations are then conducted or directed by our Compliance Committee. We strongly urge anyone who has a concern about the conduct of any Donaldson employee or anyone representing Donaldson to make a report.



## Highlights:

- Donaldson employees around the world receive annual training on our Code of Conduct and related policies, which are also posted on our website.
- Courses supporting our policies of Mutual Respect, Effective Trade Compliance and Global Anti-Corruption were part of the curriculum in FY19.
- Our Business Conduct Help Line, translated into 17 languages, is available 24/7 at [ethics.donaldson.com](https://ethics.donaldson.com).
- For more information about the Code of Conduct and Global Trade Compliance, visit [donaldson.com/en-us/about-us/ethics-compliance/](https://donaldson.com/en-us/about-us/ethics-compliance/).





# REDUCING OUR ENVIRONMENTAL IMPACT

Consistent with our commitment to integrity, we are committed to responsible operations that minimize our environmental impact wherever we do business.

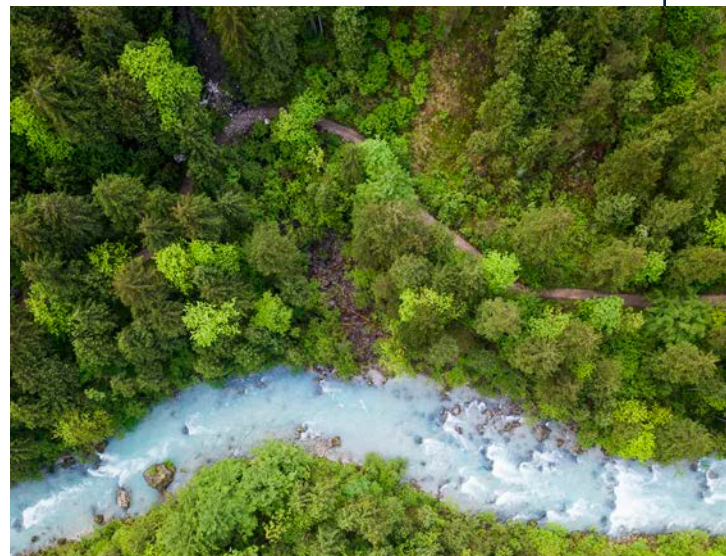
## Global Sustainability

In FY19 Donaldson invested in a dedicated function to focus on expanding our global sustainability initiatives and help us fulfill our core purpose of advancing filtration for a cleaner world.

“The world is changing faster than ever before. It is important for us to adapt to the changing expectations and needs of stakeholders, our business and the world around us,” said Laura Rutten, Donaldson’s new sustainability manager. “Sustainability is about meeting the needs of the present, adding value to the business and the communities where we operate, without depleting our resources for the future,” she said. “We will work to define how we accomplish that at Donaldson.”

In her role, Laura is working collaboratively with our internal operations, technology and business teams – as well as suppliers, customers, and non-government organizations externally – to create a holistic global sustainability strategy.

“It’s an exciting time for Donaldson; the beginning of a journey that will empower us to share some of the great things we’re already doing — while seizing opportunities to minimize our impact on the environment,” said Rich Lewis, senior vice president of global operations.





# Greenhouse Gas Emissions

Reducing greenhouse gas (GHG) emissions is a key priority for Donaldson. We established a standard to measure direct and indirect emissions for U.S. manufacturing and distribution operations. We report this figure as a ratio between GHG emissions and the total hours worked. We recently expanded this initiative to include our manufacturing and distribution operations outside of the U.S. to create a global operations GHG emissions baseline.

## U.S. Manufacturing & Distribution Operations

	Total GHG Emissions (mT CO <sub>2</sub> /e)	Hours worked	GHG intensity (mT CO <sub>2</sub> e / hours worked)	Change from baseline year
FY15*	71,889	8,049,861	.0089	n/a
FY16	64,750	7,079,511	.0091	2%
FY17	64,761	7,555,381	.0086	(3%)
FY18	66,705	8,335,990	.0080	(10%)
FY19	64,151	8,624,697	.0074	(16%)

\* Baseline year

## Outside U.S. Manufacturing & Distribution Operations

	Total GHG Emissions (mT CO <sub>2</sub> /e)	Hours worked	GHG intensity (mT CO <sub>2</sub> e / hours worked)	Change from baseline year
FY18*	57,944	15,636,782	.0037	n/a
FY19	57,755	16,526,326	.0035	(6%)

\* Baseline year

## Global Total Manufacturing & Distribution Operations

	Total GHG Emissions (mT CO <sub>2</sub> /e)	Hours worked	GHG intensity (mT CO <sub>2</sub> e / hours worked)	Change from baseline year
FY18*	124,649	23,972,772	.0052	n/a
FY19	121,906	25,151,023	.0048	(7%)

\* Baseline year

# Reducing Emissions by Going Solar

One example of how we are implementing programs to reduce our GHG emissions is our increasing use of solar power at various sites around the world.

In FY19, we installed solar rooftop panels at our distribution and manufacturing plant in Wyong, Australia, reducing GHG emissions by an estimated 450 tonnes each year. The 920-panel installation is putting an estimated 411,000kWh of green electricity back into the grid annually, while providing an estimated 17% of Donaldson Australia's energy needs for the manufacture, packing and shipping of our filters and parts.



## Also in FY19:

- At our manufacturing campus in Wuxi, China, we installed 342kW rooftop solar panels covering 4,000 square meters on a portion of our Engine Products plant. We are currently looking to expand the solar installation to the rest of that facility (667kW) and adjoining industrial filtration plant (833kW), which are located in a Green Energy Industrial Park.
- Our plant in New Delhi, India, has a new 50kW rooftop solar installation, which was built as part of a unique pyramid roof design to enhance air ventilation. Donaldson India is proudly contributing to the Indian government's Green India Initiative.

For over a decade, solar installations have also been providing renewable energy to our European Distribution Center in Brugge, Belgium. And, we have a partnership subscription for off-site solar at our U.S. headquarters in Bloomington, Minnesota, which provides nearly 30% of our campus' consumption needs.



# Saving Energy with LED Lighting

Several of our sites have proactively made the switch to energy-saving LED lighting to decrease our carbon footprint. One example is our sales office and manufacturing plant in Waterloo, Iowa, a facility that designs and manufactures sensors and indicators for monitoring filter performance on diesel engines.

Our team at this 14,000-square foot plant, which is an ISO 14001-certified location, completed an entire LED lighting retrofit in FY19. Not only is it conserving energy, it is saving money on energy costs.

This is just one example of our organization coming together in the spirit of continuous improvement and doing the right thing – for our planet and our business.



## Global EHS Framework

Part of sustainability is foundational excellence in Environmental, Health and Safety (EHS). At Donaldson, every member of our organization is responsible for identifying and managing exposure to health and safety hazards and harmful environmental impacts.

In FY19 we continued to implement our multi-phase EHS Framework. The Framework provides a common set of processes, activities and tools that help ensure our worksites are operationally compliant with applicable government regulations and third-party certifications (e.g., ISO 14001 and OHSAS 18001) and that any issues are identified and resolved. This includes standards relating to air quality, wastewater management and hazardous waste, among others.

The EHS Framework is designed to:

- Reduce exposure to our most significant risks;
- Enhance leadership accountability;
- Increase employee awareness and engagement; and
- Continue to execute and deliver on compliance assurance processes.



# PROVIDING SAFE WORKPLACES

Through the EHS Framework, we are working to provide safe workplaces for our people with transparent reporting to help our leaders track progress and make necessary changes. We are also giving employees robust safety training and tools to prevent incidents.

In FY19, there were 226 Donaldson employees who experienced an injury or illness that resulted in treatment beyond first aid. During the year, we improved reporting education and provided training in reporting requirements, along with other strategies designed to improve our safety performance. Even one incident is one too many.

## Total Recordable Incident Rate (TRIR)

Donaldson	FY17	FY18	FY19
Total Company	1.62	1.83	1.88

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.





# GIVING BACK TO THE COMMUNITY

Generations of Donaldson employees have established a long history of philanthropy by generously giving their time, talents and resources. We are proud to be a good corporate citizen through centralized corporate giving, as well as employee-led grassroots efforts.

## Donaldson Foundation

Since 1966, the Donaldson Foundation has sought to strengthen the communities in which we live and work by supporting education. In FY19, the foundation distributed \$1.2 million in grants and matching gifts to nearly 60 non-profit organizations across the U.S.

Our corporate philanthropy focuses on:

- Supporting educational opportunities for those in need in our U.S. communities
- Making scholarships available for children of U.S. employees at post-secondary institutions
- Providing an annual \$100,000 grant to a U.S. organization focused on education
- Offering U.S. employees matching grants to educational institutions

Donaldson Bloomington headquarters' most popular community outreach activity is the Science Museum of Minnesota's annual Science Fusion event. At the event, students connect with STEM professionals and educators from African American, American Indian, Latino and Hispanic, and Asian American communities through science experiments and activities. Associated with these events, Donaldson awards scholarships to four Minnesota high school students for their achievements and interests related to STEM.

For more information about our Donaldson Foundation and employee-led community activities, visit [donaldson.com](https://www.donaldson.com). There you will also find a link to the Donaldson Foundation Annual Report.

## Community Involvement

Donaldson employees at our corporate offices, plants and distribution centers all over the world are empowered to volunteer and raise money for local charitable causes and organizations.

We are proud of our decades-long legacy of U.S. employees and retirees who actively support and make a difference in our local communities.

Our single largest community outreach effort is the annual United Way campaign. Together with an employee matching gift program through the Donaldson Foundation, our employees and retirees donated more than \$500,000 to United Way programs in FY19.

Our employees are also active supporters of the annual Bike MS: MS 150 Ride, which raises funds to improve the lives of people with multiple sclerosis (MS). More than 280 Team Donaldson volunteers, donors and bicyclists raised nearly \$275,000 during this year's 150-mile ride from Proctor to White Bear Lake, Minnesota.









**Donaldson.**  
FILTRATION SOLUTIONS

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