



Policy on Contracting with the United States Government

Parker Hannifin Corporation

February 2022



ENGINEERING YOUR SUCCESS.



LEADERSHIP MESSAGE

Parker is often called to the table for the collaborations that help solve the most complex engineering challenges. Our customers across the globe rely on our interconnected portfolio of motion and control technologies, and together we enable engineering breakthroughs that lead to a better tomorrow.

Many of Parker's locations, primarily in the United States, perform work for the U.S. Government. These contracts contribute to modernizing our country's infrastructure, expanding access to clean water, protecting the environment, strengthening critical defense systems and countless other programs.

As a contractor to the U.S. Government, we recognize Parker's responsibilities for compliance, transparency and accountability. We hold ourselves to a standard for fair and ethical business practices that goes beyond legal and regulatory requirements, and our team members are committed to demonstrating integrity and respect in all that we do.

The trust that we enjoy today was built throughout the course of Parker's long history, but could be undermined in an instant with just one lapse in judgment.

Parker team members engaged in projects funded by the U.S. Government must perform with unwavering diligence and care, closely following our Policy on Contracting with the U.S. Government and our Global Code of Business Conduct.

If you observe conduct that falls short of these standards, speak up and raise your concerns to local leadership, the Corporate Compliance Office or by contacting Parker's Integrity Line. We have a policy of Anti-Retaliation to protect any team member who reports an issue or concern in good faith.

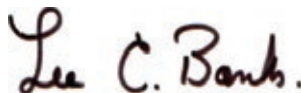
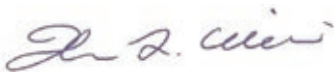
Thank you to all of our team members for leading with purpose and setting a positive example for our colleagues and partners. Let's work together to build on Parker's long-standing reputation for excellence and integrity.

Sincerely,

Thomas L. Williams
Chairman and Chief Executive Officer

Lee C. Banks
Vice Chairman and President

Jennifer Parmentier
Chief Operating Officer



February 2022



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*Chairman and
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The Purpose of Parker's Government Contracts Policy

Parker has implemented a Global Code of Business Conduct that requires that all its team members, consultants, and representatives observe the highest standards of honesty, fairness, and integrity in dealing with fellow team members, customers, visitors and suppliers, shareholders, and the general public.

The Code sets non-negotiable global expectations for our behaviors, decisions, and actions and is applicable to conduct in all our business segments. Every Parker team member, consultant, and other representative is expected to exercise good judgment and initiative in applying the general concepts of the Code to specific situations in their workplace. A variety of online resources located on the Office of Audit, Compliance and Enterprise Risk Management (OACE) website, the advice of supervisors, and the Integrity Line are all available to help team members make ethical decisions in specific situations.

The U.S. Government (at all customer tiers) is an important and valued customer for Parker. In the Government contracts area, specific guidance is necessary to ensure effective observance of the company's Global Code of Business Conduct. To protect the public interest, a number of laws and regulations prescribe requirements that must be met by those doing business with the Government. Many of these requirements apply not only in our direct contracts with the Government, but in our subcontracts with prime contractors, Original Equipment Manufacturers (OEMs), subcontractors, and distributors with contracts that are funded (directly or indirectly) by the U.S. Government.

Laws and regulations affecting Government contractors continue to change and have expanded in scope and complexity over the years. It's important for Parker team members, consultants, and other representatives involved in Government contracting to understand how these laws and regulations affect their business conduct. This Parker Policy sets forth requirements for complying with such laws and regulations. Strict compliance with these provisions is essential.



Consultants, agents, and other representatives of the company involved in Government contracts have the same obligation to observe federal procurement laws and regulations, as do team members of the company. Such persons are expected to become familiar with and to observe the principles described in this booklet. Thus, all references to team members in the material that follows should be read to include not only those on Parker's regular payroll, but also temporary team members, agents, consultants, or any other persons retained by Parker as a representative to perform services on its behalf.

This Policy is intended to serve as a general framework for an understanding of the nature of certain key Government procurement practices and conflict of interest regulations. The matters reviewed in this Policy do not, in any sense, encompass all the statutes, regulations, directives, and contract provisions applicable to Government funded contracts and subcontracts. Each supervisor is cautioned to carefully determine all requirements of Government contracts bid and/or awarded, and to be aware that other requirements may have equally serious consequences and penalties for noncompliance beyond those as set forth herein.

Division General Managers are responsible for ensuring that the individuals assigned to senior leadership positions possess the necessary competence and knowledge to satisfactorily drive systems, processes, and procedures that will fulfill customer contract requirements. Division senior leadership is responsible for ensuring that assigned managers, supervisors, and team members possess the necessary know-how, knowledge, and education to achieve all customer contract requirements. The division senior leadership team is also responsible for ensuring the existence of a working environment that promotes compliance during all business transactions.

Each team member and representative should carefully review this Policy, consider its applicability to his or her activities within the company, and discuss any questions he or she may have with local leadership, the division's Compliance Officer, the Corporate Compliance Office, or a member of the Legal Department as appropriate.

Team members involved in Government contracting are expected to be familiar with and observe this Policy. Violations of the Policy may be grounds for immediate discharge or other disciplinary action. Team members should also be aware that criminal prosecution may result from violation of federal law. Supervisors and managers are responsible for monitoring and enforcing this Policy within their areas.

Question-and-answer inserts are inserted throughout this policy. These Q&A inserts are provided to answer common questions that arise and to illustrate how the Policy's topics can apply in real-world settings.





Policy Statement

Parker is fully committed to establishing and sustaining its compliance and business ethics standards with respect to transactions with the U.S. Government and with prime contractors and subcontractors on Government programs. Parker will strictly observe laws, rules, directives, and regulations that govern the acquisition of goods and services by the U.S. Government and will compete fairly and ethically for all such business opportunities. To further that objective, no team member shall, in connection with any transaction with the U.S. Government, engage in any conduct in violation of such laws, rules, directives, and regulations or act in a manner that is otherwise inconsistent with Parker's high standards of honesty and integrity. The company is committed to full and timely disclosure of any violation. This includes violations of the civil False Claims Act, Contractor Code of Business Ethics and Conduct, or Anti-Kickback Procedures.

This disclosure responsibility also applies to the occurrence of any significant overpayment(s) on any contract (excluding overpayments resulting from contract financing payments in accordance with FAR 32.001, Definitions). Any such matters will be immediately brought to the attention of the Corporate Compliance

Office for assessment in determining (in consultation with the Legal Department as necessary) whether credible evidence exists necessitating disclosure to the Government. Any such disclosures will be made to the cognizant agency (Office of the Inspector General) with a copy to the Contracting Officer. Refer to Global Policy Manual (GPM) GB 01-04, entitled "U.S. Government Contract Compliance - Mandatory Disclosure of Violation of Law to the Government," for further guidance in this area.

Parker is fully committed to supporting any inquiries from U.S. Government authorities related to all disclosures of violations that may be made.



Such support will entail full cooperation with Government authorities to provide timely and complete responses to auditors' and investigators' requests for documents and access to company team members with information in accordance with applicable laws.

Policy Media and Online Systems

The Company maintains specific policy media applicable to all divisions that perform work pursuant to U.S. Government funded prime contracts and/or subcontracts.

These policies are contained in Parker's Global Policies and the Government Practices Manuals included within Parker's Policy & Guidelines website. These policies contain guidance, provide direction, and set parameters that each team member should recognize and use as the basis for his or her business decisions. Divisions doing Government business involving U.S. Government funding (direct or indirect) with a customer or supplier must conduct business in accordance with all Global Policies as well as the Government Practices Manuals GPMs.

The Global Policies and GPMs can be accessed electronically via the Corporate Compliance site on Parker Online (POL). The company also maintains various Government contracting, import-and-export-related regulatory databases and procedures for use by company operations. These searchable databases are contained within the Parker Online System. Divisions are encouraged to use these resources as necessary to ensure that both pre-award and post-award contract activity is consistent with applicable regulatory and policy requirements.



Q

Who should be notified when a violation of law appears to be committed in connection with a customer contract?



A

Notify both the Corporate Compliance Office and the Legal Department.

Contract Review and Flow Down



Our customer satisfaction commitments are predicated on the proper identification and execution of all requirements we accept on our negotiated customer contracts, including any applicable U.S. Government regulations.

When we perform as agreed, our efforts foster a climate of trust and competency that our customers and the U.S. Government rely on.

Further, as a high priority, customer contract compliance includes the sustaining of robust divisional procedures and processes to ensure that key team members participate in the Request for Proposal and Contract Review processes. Where appropriate, we're obligated to flow down customer requirements and applicable regulations to affected departments within each division, to other impacted supporting divisions, and throughout the entire supply chain.

All team members involved, either directly or indirectly, in proposal, contract review and/or flow down efforts must ensure: (1) full understanding of customer product, technical, administrative, and other requirements; (2) pre-award resolution of customer requirements that may not be achievable or necessitate modification (including resultant contractual resolution/documentation of the same); (3) timely communication and planning of agreed-to customer requirements to ensure that they're fulfilled; (4) flow down of all contract requirements within a division, including

extension of these practices to other supporting divisions that are involved in contract performance, and to our suppliers; which includes flowing down the additional Terms and Conditions of Purchase - Government Supplement (TCP-GS); and (5) verification that all customer requirements have been met in accordance with contract terms, conditions, specifications, drawings, standards, and any other identified and agreed-to customer requirements, before product shipment.

Our Global and Government Practices Manual Policies provide guidance, support, and direction to help divisions meet the goal of comprehensive and robust customer contract review and flow down. At a minimum, each division engaged in U.S. Government funded business (at any customer tier), must also adopt a local procedure to ensure that adequate processes are in place to successfully fulfill customer contract review and flow down objectives. A generic procedure is available on the Corporate Compliance site that can be customized by the team member's division to meet this requirement. Any questions or concerns relating to these processes and expectations should be directed to the team member's division's Compliance Officer or the Corporate Compliance Office. Through each team member's dedication, teamwork, sound communications, and continuous commitment to detail and quality, we can ensure customer requirements are met. This foundation is the basis for sustainment and growth of our business and our customers' confidence in Parker as their supplier of choice.

Q

I'm conducting a customer review and discovered the contract terms are not aligned with the proposal we sent to the customer. Is this acceptable?

A

No, it's not. If during the review of the contract, you determined the contract received is not aligned with the proposal you submitted to the customer, you must contact the customer to resolve any discrepancies. This must be done prior to accepting the contract.



Promises and Commitments



Our values stress the importance of keeping promises and commitments to each other, our suppliers, and most importantly our customers who are the lifeblood of our business. Meeting contractual commitments to our customers is essential to preserve and enhance the confidence our customers have placed in our company to satisfy their needs. By keeping promises and commitments, every team member performs a role in satisfying customers and ultimately achieving contract compliance.



Standards for Particular Situations

Design, Manufacture, Testing, and Inspection of Products

Strict product integrity is necessary for Parker to achieve its quality objectives and maintain its reputation for quality systems and products. Furthermore, Parker recognizes its contractual and legal responsibility to make sure business/quality management systems exist to ensure that division processes and products meet relevant, applicable standards. Parker is committed to strict compliance with all requirements and specifications contained within every customer contract we accept.

The U.S. Government and its prime contractors often require Parker to certify compliance with quality control specifications, inspection, and testing requirements for products they receive. The customer has a right to expect, and Parker has an obligation to take reasonable steps to

ensure, that all delivered products meet contract requirements and regulations. Actions such as the failure to properly conform products, conduct required testing or manipulation of test procedures, or falsification of data will not be tolerated.

All Parker team members and representatives should be aware that the knowing nondisclosure of a deviation from the requirements of a contract, including product substitution, may be considered criminal fraud. Failure to adhere to contract requirements is contrary to acceptable business conduct, and our values. Intentional deviation from applicable specification requirements can have serious consequences and may represent product substitution.

Product substitution includes, but is not limited to:

- Substituting equivalent (or even superior) materials without notifying and/or obtaining authorization from the customer as required by the contract
- Delivering similar goods that have been made from lower quality materials (unless a waiver, deviation, or other contractual relief has been obtained from the customer)
- Providing foreign-made material when domestic materials are required by the contract (unless use of such foreign-made materials or parts is authorized by contract clauses)
- Unauthorized repair of even a minor defect in a production part

The intentional substitution of products required under contract or the intentional failure to perform the required inspections, tests, or quality control may constitute a false statement or false claim allegation by the Government. Accordingly, no changes to contract requirements should be made without the written approval of an authorized customer representative. In some cases, depending on the magnitude of the change, the U.S. Government's approval may be required.

Proper documentation is essential to allow certification of product and ensure premier customer service. Performance of the necessary operations, inspections, and tests, in and of themselves, is insufficient. They all must be properly documented. In addition to receiving a quality product, the customer requires and pays for accurate, quality documentation that supports our claims of product conformance.

Divisions must ensure the perpetual deployment of adequate business/product management systems, processes, procedures, and assignment of trained, knowledgeable team members to ensure that accepted customer contract requirements are satisfied.

It is the responsibility of the Division General Manager and his or her leadership team to ensure continuous product integrity and awareness of the overall efficacy of the business/quality management system for their location(s).

Specific guidance and requirements relating to these areas can be found within the Quality Assurance and Engineering GPMs.



Q

I'm a new team member and was assigned to inspect product, but I haven't received any training on the tools I should use. What should I do?



A

Contact your supervisor, manager, or HR Department if you haven't received training or if you're not comfortable performing your duties.



Technical
Department



Accuracy of Accounts

Parker's Global Code of Business Conduct places responsibility on each team member to ensure the accuracy and reliability of the company's accounts. In the Government contracts area, this responsibility requires proper cost estimating and pricing at the bid and proposal stage, and when appropriate and applicable, allocation and charging of costs after a contract has been awarded.

Preparation and Negotiation of Bids and Proposals

During negotiation of contracts with the U.S. Government or with other customers where the source of funding is the U.S. Government, when certified cost and pricing data in accordance with FAR Part 15.403 is required to be submitted to the Government or customer, it must be current, accurate, and complete.

The Truthful Cost or Pricing Data Act (formerly the Truth in Negotiations Act [TINA]) requires that a responsible division team member certify that submitted information is current, accurate, and complete. The data that must be disclosed is broad and includes not only facts, such as supplier quotations or prices, but also other information that a reasonable person would expect to affect the negotiations, such as the ordering of more efficient equipment to be utilized on the contract. Also included in such data that must be reported is information that can reasonably be expected to affect the soundness of estimates of future costs, such as changes in production manufacturing location or purchasing volume, make or buy

decisions, and labor efficiency. The information submitted must be current as of the time of the final agreement on price.

A claim of defective pricing may arise out of a failure to provide current, accurate and complete data and can result in a reduction in the contract price by the amount of any overstatement, along with possible penalties. In some cases, a failure to provide current, accurate, and complete data may give rise to civil and criminal charges.

Frequent review of pricing, estimating, and negotiating procedures should be conducted by responsible division leadership to ensure continuing compliance with applicable laws and regulations. Such procedures should provide for effective coordination of information within a contracting division so that any data that may affect the contract price is known to the division's estimating and negotiating personnel. This will help ensure that all cost or pricing data is current, accurate, and complete





and is properly disclosed to the customer. Such coordination is the responsibility of the Division General Manager. Divisions are encouraged to claim an exemption from the requirement to submit certified cost or pricing data if circumstances warrant (e.g., commercial item, adequate price competition, or under dollar threshold). Division commercial item claims and related pricing must be fully supported with the appropriate data.

Questions concerning commerciality determinations should be directed to your Division Compliance Officer or the Corporate Compliance Office.

Q

I just finished negotiating a contract that must comply with the Truthful Cost or Pricing Data Act. The customer asked me to sign the current cost certificate before I've conducted the cost sweep to validate that the costs are current, accurate, and complete. What should I do?

A

Because this is a Truthful Cost or Pricing Data compliant contract, you must ensure that the costs you're certifying are current, accurate, and complete. You must conduct the cost sweep after negotiations to validate current costs. If you do not conduct a cost sweep and only provide the current cost certification you'd be exposing Parker and yourself to defective pricing claims where there may be civil and criminal liability.

Pre-Award Review of Customer Requirements

Careful review and analysis of contemplated customer contract requirements embodied within statements of work, specifications, drawings, terms and conditions, and other product definition documents are essential to successful performance and premier customer service. To the extent any customer requirement cannot be achieved as specified, responsible division personnel should properly identify and resolve such matters with the

customer prior to contract acceptance. The resultant contract/subcontract should reflect this resolution and will serve as the baseline to flow down customer requirements within division facilities, at other supporting divisions, and throughout the supply chain. Any questions concerning this process should be directed to the Corporate Compliance Office or the Legal Department.



Allocation of Costs to Government Contracts

Only costs properly chargeable to a contract may be billed to or reimbursed by the Government or by contractors and subcontractors under Government funded contracts. Improper charging of costs may arise from various causes, including incorrect entries on time records, incorrect subcontract charges, incorrect classification of costs as direct or indirect, incorrect expense accounts, false or otherwise incorrect charging of time or materials to work orders or other cost accounts, or requests for reimbursement of unallowable costs. The mischarging of costs is a serious offense and can result in criminal and civil penalties to both Parker and the individuals involved.

It is Parker's policy that the allocation of indirect costs to a Government contract or subcontract conform to the contract provisions and related laws and regulations; that the intentional use of informal or interim accounts not properly authorized for receipt of particular charges be avoided; and that all transfers of costs be supported by adequate documentation. Of more significant concern is the proper charging

of costs to appropriate direct and indirect accounts based upon the causal or beneficial relationship between the cost in question and its final cost objective. Cost overruns on a Government contract must be charged to that contract. Such costs must not be charged to an overhead account.

Care should also be given to defining and clearly communicating to team members the proper charge numbers to be used on work activities that have multiple customer contract applications.

Parker submits proposals for reimbursement of indirect costs to the U.S. Government or to contractors under Government contracts. The law provides that certain designated company officials certify that the proposal does not contain unallowable costs, such as costs for advertising, alcoholic beverages, donations, entertainment, fines and penalties, lobbying,

defense of fraud proceedings, and goodwill. It is Parker's policy to request reimbursement only for those indirect costs that are allowable and reasonable in amount.

Proper classification and allocation of costs can also affect cost estimates used in pricing Government work during the pre-award phase. To avoid defective pricing claims and other liability that can result, it is essential that all costs be accurately reported, classified, and properly allocated.

Responsible supervisors and managers throughout the company should ensure that all costs allocable to Government contracts are accurately recorded and properly charged as required by this and other policies. Specific requirements in the area of allocability and allowability of costs charged to U.S. Government funded prime contracts and subcontracts are available within the Finance & Accounting GPM. Any questions concerning this GPM and/or current regulations relating to cost allocability or allowability shall be directed to the team member's Division Controller/Compliance Officer or the Corporate Compliance Office for resolution.



Q

I'm currently working on a U.S. Government funded contract or subcontract developing the product design. The engineering charge number has not been approved and released. Can I charge my time related to this work to another charge number until the approved charge number is released?

A

No, you can't. All of us have the responsibility to accurately report our time, which would include proper charging to the contract you're working on. Mischarging your labor/time is a liability for fraud and represents unethical behavior for the individual and Parker.



Labor Charging and Reporting

Accurate labor charging and reporting is an essential element of our responsibility as a Government contractor. Each team member and supervisor is responsible for ensuring that time performed on a customer job or other activity is reported correctly. The team member knows best how much time has been worked on each customer job or other authorized activity. The team members are the primary authority in this regard.

Improper labor reporting (charging too much, charging too little, or other inaccuracies) will hurt the customer and/or Parker. Also, if a team member deliberately falsifies anything, it can hurt the team member. Proper labor reporting is a simple matter of integrity and ethics; as such, each team member shall always accurately report his or her time worked.

When a team member signs/approves his or her timecard or reports his or her time through a computerized system, or whatever method is used, the team member certifies that the time he or she recorded on each job is accurate. The team member's supervisor will verify the accuracy of the team member's time charges and certify that they comply with applicable procedures and policies. A team member who fails to charge his or her time accurately and correctly may be subject to disciplinary action, including dismissal and may be subject to civil and/or criminal liability. Supervisors/managers have the same obligation to comply with all applicable policies and requirements.



Fraud, Waste, and Abuse

As a successful, competent supplier of product used by the U.S. Government and our customers, it's incumbent on each team member to ensure they he or she is performing his or her duties in a compliant and effective manner.

When these objectives are not met, it may result in the creation of waste or misuse of Parker's resources. It could also increase our costs, introduce unanticipated work/rework, create productivity losses, negatively impact our future, and impair our ability to meet our customer contract requirements and internal commitments.

Should conditions exist that result in the creation of unanticipated waste or non-value-added effort, or if the team member has concerns about Parker's processes, practices, procedures, efforts, or efficiencies, the team member should contact his or her supervisor, manager, Human Resources or Compliance Officer. They can provide the team member with guidance and direction for his or her concerns.

Examples

Scenario 1:

I'm a test technician, and my procedures require the recording of my test results. I've been testing this product line for many years, and all the readings are within the acceptable range. Can I just enter an approximate number on the test data sheets instead of testing each item individually to speed up the process?

Response:

No. The purpose of testing is to ensure that each article meets applicable performance requirements. Not performing testing as required may lead to false certification concerns and product nonconformance. If opportunities for improvement exist, contact your Quality and Engineering departments and share your observations.

Scenario 2:

I observed an inspector recording acceptance of product on their route sheet, but no inspection was performed. Should I tell anyone?

Response:

Yes. If you suspect someone has missed, skipped, or failed to perform an operation, please contact your supervisor, manager, Human Resources, or Quality Department representative so the product can be evaluated for compliance.

Payments and Gratuities Involving Suppliers

Payments will only be made to suppliers for services or products properly provided to the company, and no Parker team member or representative is to receive any direct or indirect payment in the nature of a bribe, payoff, kickback, or similar scheme. Parker is committed to exposing such conduct whenever encountered. Furthermore, Parker is required to represent and warrant compliance, in any proposals submitted directly to the Government or to any of our customers operating under a Government funded contract, that Parker has not made, solicited, or accepted any payments in violation of the Anti-Kickback Enforcement Act of 1986. In addition, Parker may be required to indemnify its customers against any such violation. Gifts and entertainment from suppliers raise the appearance of dishonest or unfair dealings. Team members or representatives are prohibited from soliciting or receiving gifts or favors from any supplier. Because of the applicable regulatory requirements, Parker team members must adhere to the stringent requirements set forth in this section when dealing with vendors or suppliers under Government funded contracts.

Parker team members or representatives may not accept any gifts, gratuities, or form of entertainment from such suppliers, or from entities seeking to become a supplier for any division that performs work pursuant to a U.S. Government funded prime contract or subcontract (including all intercompany efforts in support of such business).

This prohibition includes payment for meals by such a vendor or supplier, except when such meals are of a reasonable nature and provided at the facility of the vendor or supplier as a continuation of a business meeting.



Business Entertainment and Gifts Offered to Customers

Government Employees and Representatives

Business decisions by Parker's customers must be made solely on the basis of Parker's quality, service, price, and other competitive factors. Gifts and entertainment that make a customer feel obligated to offer any special consideration to Parker are unacceptable. The Anti-Kickback Act of 1986, as well as the Global Code of Business Conduct, Policy 1.29, Gifts and Entertainment, and Policy 1.25, Anti-Bribery Compliance, make it unlawful for a contractor or subcontractor to offer or provide any money, gifts, gratuities, or other things of value for the purpose of obtaining or rewarding favorable treatment under a contract or subcontract. This provision applies to any Government employee or employee of a contractor under a Government program.

No gratuities (including meals), gifts, or entertainment whatsoever are to be offered to Government employees or their representatives. Parker team members shall not, under any circumstances, make any direct or indirect payment in the nature of a bribe, payoff, or kickback to any team members or representative of the U.S. Government or any employees or representatives of other customer entities with which the division has business dealings. To ensure that these rules are honored, Parker team members must strictly avoid offering or giving to any Government Contracting Officer, government team members, or agent (including any member of the Armed Forces) any form of gratuity or entertainment. This prohibition includes payment for meals, even when furnished at Parker facilities, as well as gifts, entertainment, or transportation of such persons at Parker's expense.





Employees of Private Customers Under Government Programs

As noted above, the Anti-Kickback Act applies to the offering or providing of gifts or gratuities by Parker team members to employees of our customers under Government funded programs. In addition, many of Parker's contracts with customers operating under Government funded contracts contain clauses prohibiting the offering or giving of gratuities or entertainment to employees of such customers, on penalty of termination of the contract.

Furthermore, internal policies of many such customers contain similar restrictions. Some of those policies prohibit payment by Parker of items as seemingly insignificant as business meals. Therefore, in order to comply with the contracts and internal policies of our customers, Parker team members must not offer or give to an employee, officer, or agent of any private customer operating under a Government funded contract or subcontract any gratuities or form of entertainment, regardless of value. This prohibition covers payment for attendance at sporting events, shows, and other such entertainment. In general, Parker team members should also avoid paying for any meal for employees of such customers.

Payment for business meals may be made if all the following considerations are satisfied:

- Such payment is not inconsistent with contract provisions of that customer
- Such payment is not inconsistent with the policies of the customer
- The meal is a continuation of a business meeting
- Such payment for meals is not a frequent practice
- Such meals are moderate and reasonable in amount



Hiring or Retention of Government Employees

Parker team members are expected to respect federal laws and regulations regarding the hiring and retention of present or former U.S. Government employees. Federal law, implemented by the Federal Acquisition Regulation and agency regulations, governs the circumstances under which a former U.S. military officer or U.S. Government employee may be employed, directly or as a consultant, by Government contractors such as Parker.

These legal requirements also govern the circumstances under which pre-employment discussions may take place and restrictions that may apply to former U.S. military officers and U.S. Government employees after they're employed. It's unlawful for any former officer or employee of the Government to act as agent for anyone in connection with any matter in

which he or she participated while employed by the Government. It's also unlawful for current officers or Government employees to participate in a matter involving any firm with whom they're negotiating or have an arrangement concerning future employment. Parker team members must always be sensitive to, and thus seek to avoid, retaining or hiring former Government employees in situations that would create the appearance of a conflict of interest or possible impropriety.

Clearance must be obtained from the Legal Department before extending proposed employment to a current Government employee or to any former Government employee. Further guidance on this topic can be found within the Human Resources GPM.

Consultants/Individual Suppliers

Retention of a consultant/individual supplier may raise several issues, including a possible conflict of interest and concerns as to whether such individuals comply with federal laws and regulations in their work for Parker.

It's important to avoid retention of the services of or other dealings with consultants where there's any reason to believe such persons may have access to or possession of illegally or improperly obtained information.

All consultants/individual suppliers shall be retained using the procedures and the forms provided in the Global Policies (e.g., Global Policy 1.31 Third Party Business Relationships - Due Diligence and Contract Requirements) and Parker's Legal website.



Q

What screening should Parker supply chain/purchasing teams conduct prior to issuing a sales or consultant agreement?

A

Ensure that a screening and a conflict-of-interest validation is conducted prior to entering the agreement. Global Policies 1.31 and 1.32 discuss the requirements to follow when engaging/hiring a consultant/individual supplier.

Government Procurement Information

Parker team members who may be involved in any Government contract or subcontract must exercise due care to avoid receiving or requesting proprietary or source selection information prior to the award of a competitively based contract.

This restriction applies for the period commencing with the development, preparation, and issuance of a customer procurement solicitation and ending with the award of a contract or subcontract. The types of information covered include, but are not limited to, information contained in a competitor's bid or proposal, cost or pricing data of others, information submitted to the Government as proprietary, and source selection information.

Violations of these restrictions may involve severe civil as well as criminal penalties. All team members are strictly prohibited from soliciting or obtaining (directly or indirectly, such as through a consultant) from any officer or employee of a federal procuring agency, prior to the award of a contract, any proprietary or source selection information regarding the procurement.



Q

I'm involved with a competitive bid/proposal for a U.S. Government funded program. I received some "competitively sensitive" information from the customer that was incorrectly/improperly sent. What should I do?

A

We cannot share any of this information with anyone, and you should report this event to your Compliance Officer or Legal Department for additional guidance. This information should also be returned to the sender with a message noting that the documentation was inappropriately sent to Parker.



Classified Information

We expect all team members to comply fully with all applicable security procedures pertaining to its Government contracts. Parker team members are specifically expected to exercise the appropriate standard of care with respect to the handling of classified and sensitive information. It's important, both from the standpoint of national security and that of ensuring compliance with applicable laws, regulations, and U.S. Government contractual requirements, that all team members deal with U.S. Government classified material in the proper manner. Unauthorized access, dissemination, acceptance, or handling of that material is strictly prohibited. Parker team members with U.S. Government issued security clearances who may have access to classified information must be aware of and observe the specific requirements of the rules and regulations associated with the use, control, retention, and disposition of classified materials.

Parker has agreed to adhere to these requirements as a condition of remaining eligible to participate on programs that require exchange of information and receipt of classified information. All Parker team members with security clearances will receive training in the proper handling of classified information. All cleared team members are required to know the name and contact information for their Facility Security Officer. If this information is not known, contact the Corporate Compliance Office and we can provide assistance.

Specific guidance and requirements relating to this area are provided within the:

- Government Security Standard Practice Procedures Safeguarding Classified Information National Industrial Security Program (Section SPP GS1)
- Government Security Standard Practice Procedures Insider Threat Program (Section SPP GS2)



Cyber Security Threat

This Policy mandates that any Parker team member who suspects that a “Data Incident” (“any loss, theft, misuse, inadvertent disclosure, or any other unauthorized viewing or use of data related to products or services provided to the U.S. Government”) is occurring or has occurred must immediately contact the Global Service Desk (also known as the “Help Desk”) via phone at 1-216-896-4357 or email at SDG@parker.com, and provide a description of the “Incident”. Parker’s Information Technology Department (IT) will evaluate all such reports immediately to determine whether a Data Incident has occurred, and if it has confirmed a Data Incident, the IT response team, currently known as the Security Information Response Team (SIRT), will further investigate and take prompt action as documented by the SIRT response plan. IT may update these procedures from time to time. Reporting of the incident to U.S. Government authorities will be determined by the Legal Department as part of the response process conducted by the SIRT.

Federal Acquisition Regulation (FAR) 52.204-21 (Basic Safeguarding of Covered Contractor Information Systems), Defense Federal Acquisition Regulation Supplement (DFARS) Subpart 204.73 (Safeguarding Covered Defense Information and Cyber Incident Reporting), DFARS 252.204-7012 (Safeguarding Covered Defense Information and Cyber Incident Reporting) DFARS 252.204-7020 (NIST SP 800-171 DoD Assessment Requirements), DFARS 252.204-7021 (Cybersecurity Maturity Model Certification Requirements), and the National Institute of Standards and Technology (NIST) Special Publication (SP) 800-171 apply to Cyber Security and therefore are applicable to this Policy. Any Parker entity engaged with U.S. Government funded business must review and comply with these FAR, DFARS, and NIST requirements, as well as additional current and future cyber security regulations, as applicable.



Combating Trafficking in Persons

Consistent with U.S. Government contracting policy and Parker policy, Parker prohibits our team members, our contract team members, our suppliers, our supplier's employees, consultants, and our agents from:

- Engaging in all forms of trafficking in persons, forced labor, involuntary Combating Trafficking in Persons servitude, debt bondage, or procuring commercial sex acts during the period of performance of a U.S. Government funded contract/subcontract (at any customer tier) as well as in any country in which we do business or seek to do business.
- Destroying, concealing, confiscating, or otherwise denying access by a team member to the team member's identity or immigration documents, such as a passport or driver's license.
- Using misleading or fraudulent practices, charging team members recruitment fees during the recruitment of team members, or offering of employment as well as (if applicable) failing to provide return transportation or pay for the cost of return transportation upon the end of employment.
- Providing or arranging housing that fails to meet the host country housing and safety standard.
- If required by law or contract, failing to provide an employment contract, recruitment agreement, or other required work document in writing.

Parker will promptly and completely investigate any claims that a supplier is engaging in human trafficking or slave labor or is otherwise not complying with Parker's Global Code of Business Conduct, this Policy on Contracting with the U.S. Government, or Parker's Supplier Code of Conduct. Any such credible claim should be reported to the OACE or the Legal Department.

Insider Threat Awareness – What Is an Insider Threat?

As a responsible U.S. Government contractor, it is imperative that every team member recognize the signs of a potential insider threat incident. Lack of attention to insider threat concerns can negatively impact our customers' and suppliers' confidence. Additionally, lacking controls may be a violation of laws in select regions where we do business. To enhance our understanding of this area of our business, we should be aware of the many ways insider threats can appear. This includes, but is not limited to:

- Leaks – The intentional, unauthorized disclosure of classified or proprietary information to a person or an organization that does not have a “Need to Know”
- Spills – The unintentional transfer of company, customer, or supplier classified or proprietary information to unauthorized systems, individuals, and locations
- Espionage – The unauthorized transmittal of company, customer, or supplier classified information to a competitor, foreign national, or entity with the intent to harm
- Sabotage – To deliberately destroy, damage, or obstruct, especially for political or military advantage, and can include personal disgruntlement
- Targeted violence – Any form of violence that’s directed at an individual or group for a specific reason; not considered a random act (e.g., domestic violence, workplace bullying, and active shooters)
- And other forms

If a team member detects or suspects the presence of an insider threat, he or she should contact Parker’s Security Department, the Corporate Compliance Office, or the Legal Department as soon as possible. They can provide answers to questions and guidance on the proper protocols and practices we deploy to mitigate risks in this area. If the insider threat relates to a Special Access Program, the team member should contact the Facility Security Officer that is responsible for the team member’s division’s contracts and programs.

Government Property

U.S. Government regulations prescribe specific procedures and impose associated obligations on contractors in the possession of Government property, whether the property was fabricated under a Government contract, furnished by the Government, or received under a facilities contract.

Parker team members are expected to take reasonable measures to ensure appropriate accounting, control, use, and maintenance of such property. Team members should forward any questions concerning this area to their division’s Government Property Administrator or the Corporate Compliance Office.



Q

During the annual physical property audit, I noticed some of the Government-owned property (e.g., test tooling and test equipment) was co-mingled with our Parker-owned property/equipment. What should I do?

A

You must protect and maintain Government property and equipment in accordance with Government requirements. Government-owned property/equipment must not be co-mingled with Parker-owned property/equipment. We must clearly segregate Government-owned property from Parker-owned property. It is your responsibility to ensure that all aspects of the applicable GPM policy and customer requirements are met and adhered to.

Export and Import Regulations

Export

There are many laws and regulations that restrict the shipment of products and technical data – whether classified or not – outside of the United States. Your division’s Export Administrator is the focal point for all compliance export matters. The shipment of such products or technical data, including transmission of technical data, is considered an “export”. In addition, the discussion or disclosure of technical data to a foreign person (whether at a domestic location or abroad) may also be an export. The hiring of a foreign person may be subject to Export Control. Interface with export-controlled technology may be limited due to export restrictions. Prior to hiring or transfer of a foreign national, such actions must be reviewed by your division’s Export Administrator and HR to determine compliance with your operation’s Export Procedure and applicable Export Control regulations.

All exports must be made in accordance with Global Policy 6.0, your division’s Export Compliance Manual, and using an appropriate export authorization as shown in the International Traffic in Arms Regulations (ITAR) or the Export Administration Regulations (EAR). Division export procedures shall be maintained current and aligned with the

corporate standard procedure available on the Global Trade Compliance SharePoint site. Divisions must ensure that any brokers, representatives, or other agents comply with all applicable laws, including those of the United States and other countries, that govern the import, export, and re-export of Parker goods, services, software, and technology. Wherever Parker arranges an export shipment, only Corporate-approved Parker freight forwarders, customs brokers, or other agents are permitted by our Policy.

The contents of the ITAR, the EAR, and the current consolidated Denied Parties Lists are all available for consultation on the Corporate Global Trade SharePoint site. Divisions are required to consult the Denied Parties List or equivalent on an ongoing basis to ensure that the operation does not do business with certain entities or persons that are identified within these lists.

Any questions a team member has regarding the restricted countries, the correct way to export technical data or products, or the securing of an appropriate Export License should be addressed to his or her division’s Export Administrator, the Group Export Coordinator, or the Global Trade Compliance Department.



Import

Divisions must ensure the proper classification and valuation of all products imported to the United States or other countries consistent with current U.S. or National Customs regulation, as applicable. Imported goods must be marked with their country of manufacture unless excluded. The Parker U.S. Import Compliance Manual is available on the Parker Global Policy page. Further import compliance information and contacts can be found on the Trade Compliance SharePoint site: <http://polteams/sites/cor/Logistics/tradecompliance/default.aspx>

Any questions a team member has relating to import regulations should be directed to his or her division's Import Coordinator or the Global Trade Compliance Team.

Q

An import broker asked me to sign a Power of Attorney (POA) for them to act on our behalf. What should I do?

A

Only Parker's Global Trade Compliance Team can authorize the execution of a Customs or Export POA.

Rights in Technical Data and Computer Software



It's Parker's general policy to develop technology (including related computer software) at private expense. In rare situations, development may occur at public (Government) expense. Whenever development occurs at private expense, it is essential that the division follow the appropriate procedure to ensure that the U.S. Government will obtain only limited, restricted, or customary commercial license rights to any resultant deliverable technical data (including, but not limited to, product designs) or computer software. Whenever development is performed (funded) at public expense (mixed or full funding), the U.S. Government may receive unlimited license rights to any resultant deliverable technical data or computer software created under such public funding.

Divisions shall adhere to the requirements relating to the establishment of Independent Research and Development (IR&D) projects protection of technical or sensitive business the data provided to customers in conjunction with sales proposals, contract assertions, and legends to be affixed to deliverable technical data or computer software. Such guidelines and requirements relating to the establishment of IR&D projects are contained within the Finance & Accounting GPM. Guidance and requirements related to the control of technical data and computer software are provided within the Contract Administration GPM. Any question concerning the protection of proprietary technical/business data and computer software should be directed to the division's Technical/Intellectual Property Data Coordinator, Local or Division Compliance Officer, or the Corporate Compliance Office.





Q

I was asked by our OEM customer to use the Government Purpose Rights (GPR) legend on the Parker drawings and technical documents. I was informed this is what the U.S. Government customer's proposal/contract requires. What should I do?



A

You should contact your division's Technical Data/Intellectual Property Coordinator, Compliance Officer, or the Corporate Compliance Office for direction. By using the GPR legend on our drawings, this can provide the Government with "unlimited" rights after a specified time. We must protect Parker's technical data and computer software in accordance with all Parker policies, including the GPMs. Simply complying with the customer's desire puts Parker's technical data at risk of being used by others and possibly forfeiting our rights.

Government-Industry Data Exchange Program (GIDEP)

GIDEP is a cooperative activity between government and industry participants who promote reduction or elimination of expenditures of resources by sharing technical information during research, design, development, production, and operational phases of the life cycle of systems, facilities, and equipment.

The objective of GIDEP is to improve the availability of information for the total quality management of mission-critical materiel. This goal includes improving reliability,

maintainability, and cost of ownership while reducing the use of critical national resources for redundant testing and avoiding the use of known faulty or discontinued parts and materials.

Parker's participation in the GIDEP program may be mandated in FAR 52.246-26 or our contractual documents. If a Parker team member has a critical item that requires GIDEP interface or notification, he or she should contact the Corporate Compliance Office for immediate feedback and guidance.

Department of Defense (DoD) Hotline and Whistleblower Posters

Divisions need to ensure that all facilities are complying with the DoD Inspector General requirements contained within the Defense Federal Acquisition Regulation Supplement (DFARS).

The DoD Hotline poster requirement applies at any facility that holds and administers a single contract or subcontract that exceeds the dollar threshold at DFARS 203.1004, and at other facilities (including at any and all interdivisional locations supporting the contract or subcontract) at which work is to be performed in support of such customer order. This requires Parker facilities to obtain DoD Hotline posters from the DoD Office of the Inspector General. In addition, the DFARS clause requires Parker to include the substance of the clause in its subcontracts/purchase orders with suppliers that exceed the dollar threshold at DFARS 252.203-7004, except for subcontracts for commercial items. This DFARS clause is included in the Terms & Conditions of Purchase - Government Supplement document.

In addition, the “Whistleblower Rights” requirement also entails displaying a poster at all facilities to inform its team members, in the predominant native language of the workforce, of their whistleblower rights and protections under 10 U.S.C. 2409, as described in subpart 203.9 of the DFARS.

Parker shall also include the substance of this requirement (DFARS 252.203-7002) in all supplier purchase orders/subcontracts (this DFARS clause is included in the Terms & Conditions of Purchase – Government Supplement document).



Compliance Expectations

All team members, agents, consultants, and other representatives are expected to be familiar with and to observe the standards outlined in this Policy. Violation of these standards may be grounds for immediate discharge. Supervisors and managers are responsible for ensuring compliance with this Policy by monitoring and enforcing the requirements.

All of Parker's supervisors and managers are expected to lead by example and communicate a need for adherence to this Policy.

At Parker, there are numerous resources available to help team members make sound ethical judgments and decisions in the performance of their U.S. Government funded prime contracts and subcontracts. Whether team members have a concern during the pre-award or post-award phase of the contracting process, they have the needed resources available at the division, group, and corporate levels to assist in formulating the optimum solution to achieve premier customer service and compliance with contract requirements, statutes, and regulations. For assistance, team members should contact their division's Compliance Officer or the Corporate Compliance Office.

The Corporate Compliance Office is responsible for overseeing compliance with this Policy, along with the support of the Legal Department. Periodic reviews of compliance with this Policy and the Government Practices Manuals will be conducted by the Corporate Compliance Office. Any team member having information of any conduct in violation of this

Policy is expected to report the matter promptly to the Corporate Compliance Office or the Legal Department. "Looking the other way" only gives tacit approval and encouragement of improper conduct and has no place at Parker. Parker maintains a toll-free telephone Integrity Line that can be used to report any known or suspected violations of this Policy. Information relating to such reports will be kept confidential, as permitted by law. Parker will not accept retaliation by anyone, at any level in the company, against a team member who makes a good faith report about a questionable business practice or behavior.

Every company has a particular culture or atmosphere that is unique. Over the years, Parker has developed a culture and values that emphasize a commitment to excellence and integrity and a special concern for equitable treatment of its customers, suppliers, team members, shareholders, and the communities in which we operate. As Parker continues to expand in products, team members, and geographic scope, we must continue to strive to maintain our ethical culture. Parker's continued success in serving its various constituencies will depend, as it has in the past, upon each individual team member's ethical commitment.

Each of us takes pride in the high standards of conduct that have always identified us as Parker team members. Because of our ethical standards, the Parker name is recognized around the world as a symbol of quality in motion and control systems and products. We must continue to be a company that will tolerate nothing less than complete honesty, fairness, and integrity in our dealings with all the groups that depend on us, including the U.S. Government.

Toll-Free Integrity Line Reporting

1-800-553-0440

Confidential. Available 24 hours a day, seven days a week.

U.S. and Non-EU Countries
www.integrity-helpline.com/parker.jsp

EU Countries
www.financial-integrity.com/parker.jsp

