

THE WIN STRATEGY GLOSSARY OF TERMS



ENGAGED PEOPLE

STRATEGIES

- ***Environmental, Health & Safety***

Nothing is more important to Parker than making sure every team member returns home safely after each work day. The company is also committed to operating responsibly and preserving its vibrant communities around the world by serving as an active steward of the environment through resource conservation, waste reduction and sustainable product design.

- ***Entrepreneurial***

The entrepreneurial spirit established by founder Art Parker set the company on a distinct path of innovation and growth. Today, Parker aims to rekindle that spirit by encouraging flexibility, autonomy and the ability to explore and excel.

- ***High Performance Teams & Leaders***

A structured approach to team work and collaborative decision making, High Performance Teams are formed at Parker to apply the unique knowledge and perspective of team members closest to the product and the customer. This structure empowers people to leverage their expertise to solve problems, implement decisions and improve the company.

MEASURES

- ***Zero Accidents***

A safety-first environment is not only the right way to run the company, it is also the most productive. Safety, productivity and profitability are all closely linked.

- ***Speed Within Win Strategy***

Several strategies included in the Win Strategy are intended to increase the speed with which Parker team members perform tasks and, as a result, cut the time it takes for Parker to respond to customer needs or changes in the market.

- ***Ownership: 80%+ in High Performance Teams***

Establishing an entrepreneurial framework that empowers team members to make decisions which impact their work is dependent upon ensuring they are engaged in High Performance Teams. Parker is targeting an 80% or greater participation rate.

- ***Inclusive Environment***

Parker is committed to building a diverse and inclusive workforce that respects and embraces the unique perspectives of all people.

- ***Engagement Survey > 74%***

The level of success Parker achieves in implementing the strategies is dependent on a fully engaged global team. Parker's Global Employee Engagement Survey questions are scientifically structured to accurately measure engagement with the goal to achieve an engagement score of 74% or better, which is top quartile performance.

PREMIER CUSTOMER EXPERIENCE

STRATEGIES

- ***Quality Solutions On Time***

Through efficient inventory management, responsive manufacturing and a world-class supply chain, Parker reliably delivers the products, systems and services needed to help its customers solve problems and keep their business moving forward.

- ***eBusiness Leadership***

Parker's customers increasingly interact with the company in a multi-channel, digital environment. By continuing to improve digital capabilities, technologies and processes, Parker will make it easier than ever for customers to leverage the unmatched breadth of products, systems and knowledge the company offers.

- ***Ease of Doing Business***

Parker needs to do all of the little things that make it easy to do business with the company and create a great experience for customers.

MEASURES

- ***98%+ On-Time Delivery***

As a strategic partner, Parker is focused on fulfilling orders on time. A nearly perfect on-time delivery rate is an absolute requirement, and Parker precisely manages inventory and production schedules to consistently deliver.

- ***Six Sigma Quality***

Each product that leaves the door bearing a Parker logo is held to the highest standards for quality and reliability. Parker rigorously adheres to Six Sigma techniques for process improvement to minimize variability in its manufacturing processes and decrease the number of returned parts per million (RPPM).

- ***Increase eBusiness Conversion Rate***

As customers move through the buying process digitally, they perform key actions such as product information gathering, downloading CAD files, online chat, requesting a quote and completing a purchase. Parker's success will be measured by its ability to guide customers along each of these interaction points.

- ***Best-in-Class Lead Times & Quote Speed***

A central component of growing sales is demonstrating that it is easy to do business with Parker, using speed during the quoting process and throughout production as a key metric by which the company's performance is measured.

- ***Likelihood to Recommend > 30***

Likelihood to recommend is a measure that generates great feedback from customers through a short survey after a transaction is completed. It measures the difference between promoters, the percentage of those that have a positive experience, and detractors, the percentage with a negative experience. Parker's goal is to have a positive differential greater than 30 in scores of promoters over detractors.

- ***Customer Dashboards***

Dashboards measure how well the company is performing from the perspective of its customers. If a problem is solved to better serve a single customer, it enables the improvement of processes across the organization.

PROFITABLE GROWTH

STRATEGIES

- ***Market-Driven Innovation***

Parker's strategy is to achieve market-driven innovation by spending time with the end users of its products and technologies. It is through the understanding of their unmet needs that Parker will generate the best innovation ideas.

- ***System Solutions***

With the broadest range of motion and control technologies, one of Parker's key strengths is delivering efficient, reliable, high-performance systems which enable customers to improve productivity and profitability and simplify their supply chain. The company has a target of 40% of its revenue from system sales.

- ***Strong Distribution***

One of Parker's greatest assets is its world-class distribution channel. Continued focus on expanding this channel in emerging markets and balancing the distribution-to-OEM industrial sales mix is expected to position Parker for long-term growth.

- ***Grow Share***

A key solution to the challenge of increasing revenue will be to grow share, both with key accounts and within target markets.

- ***Engineering Expertise***

For Parker to achieve its financial performance goals and make a positive impact on the world, it will need the right engineering skill sets at each of its global locations staffed with highly motivated and inventive engineers.

MEASURES

- ***Organic Growth 150 bps > Market***

Parker's goal is organic growth at a rate of 150 bps greater than the market each year, which accommodates natural fluctuations in end market growth while emphasizing the need for Parker to grow share and outperform the market.

- ***20%+ Market Share***

Parker will strive to account for at least 20% of the \$120 billion motion and control technologies market.

- ***#1, #2 Position Each Group***

Each of Parker's seven operating groups strive to establish a leadership position within their respective markets through organic, acquisition and services growth.

- ***Grow Distribution & Services***

Measured globally, the mix of industrial sales through distribution and OEMs should be evenly split, as a balanced portfolio will further ensure healthy margins and future growth. Parker will improve its services platform, leveraging technology to help increase customer profitability and to reduce costs and downtime.

- ***Increasing New Product & System Sales***

Guided by feedback received from customers, Parker engineers are discovering new ways to reduce weight, improve performance and increase the efficiency of the products and systems the company delivers.

FINANCIAL PERFORMANCE

STRATEGIES

- ***Simplification***

Key areas of focus include reducing revenue profile complexity, optimizing organization structure and processes, consolidating divisions and reducing bureaucracy. Simplification will increase speed, reduce costs and enable growth.

- ***Lean Enterprise***

In recent years, Parker has made a great effort to implement lean principles across manufacturing. Parker is expanding lean throughout the enterprise to non-manufacturing areas to further reduce costs and increase productivity and profitability.

- ***Strategic Supply Chain***

Parker has built a competitive advantage through best-in-class supply chain management, leveraging purchasing power to buy at the best value. The company strives to maintain a fully integrated supply chain, and continues to reduce the number of suppliers to cultivate high-value relationships with key partners.

- ***Value Pricing***

Pricing has a powerful effect on every company's long-term growth. Utilizing an industry-leading approach to pricing, Parker is able to provide customers high-quality products and systems at the best price based on the demonstrated value being created.

MEASURES

- ***Top Quartile Diversified Industrial***

Parker's primary goal is to rank among the top 25% of its proxy peers across a range of financial measures.

- ***Year-over-Year Growth***

Year-over-year growth in four key financial metrics is correlated to driving total shareholder return. Earnings per share (EPS) and earnings before interest and taxes (EBIT) are the relevant corporate measures. Cash flow and division net earnings (DNE) are the relevant division measures.

- ***17% Operating Income***

Aligned with the company's goal of ranking among the best of its proxy peers, Parker aims to achieve 17% operating income margin.

- ***21.4% RONA***

Parker's return on net assets (RONA) plan is a unique annual incentive available to team members that drives sales growth, profit and the appropriate management of assets. Achieving 21.4% RONA at the divisions will generate 17% ROIC as a company.

- ***17% ROIC***

After-tax return on invested capital (ROIC) is a metric used at the corporate level to determine how efficiently Parker is allocating invested capital to generate income, and is strongly correlated to total shareholder return.