Donaldson Co., (DCI)

SDG Universe: Industry Innovation & Infrastructure, Responsible Consumption & Production, Sustainable cities
Sector: Industrials
Location: Minneapolis, MN
Employees: 13,100
Regions: US, Italy, France, Germany, Belgium, South Korea, Japan, UK

OVERVIEW Donaldson Company, Inc. is a vertically integrated filtration company engaged in the production and marketing of air filters used in a variety of industry sectors, including commercial & industrial, aerospace, chemical, alternative energy and pharmaceuticals. The company has two divisions: Industrial Products and Engine Products.

Removes contaminants—particles, gases, soot, water, microorganisms, oil—to improve air quality, extend the life of equipment, improve equipment performance, or prevent unnecessary waste.

E / Donaldson's advanced filtration systems help remove contaminants—particles, gases, soot, water, microorganisms, oil—to improve air quality, extend the life of equipment, improve equipment performance, or prevent unnecessary waste. Internally, they have partnered with an independent research firm to perform comprehensive assessments on four manufacturing facilities to identify and improve the efficiency of operations. Initial measures will focus on improving the efficiency of lighting and control systems, as well as exploring renewable energy opportunities.

- Filtration products and solutions helps the world run cleaner and more efficiently, their products are used in nearly industry from construction to manufacturing to transportation.
- Donaldson's EHS Framework provides a set of processes, activities, and tools to help ensure workplaces are operationally compliant with applicable government regulations and third-party certifications (e.g., ISO 14001 and ISO 45001).

MEASURES & MILESTONES

$1.2M Donated to Donaldson Foundation

2,400+ Active Patents

$61M in R&D Investments in 2020

Twin Cities Business named Donaldson an Honor Roll Company—an elite group of Minnesota companies with **20%** or more gender diversity in their executive ranks and on their board of directors

S / Donaldson has a variety of procedures and standards to manage the various risks associated with its operations. The company has made efforts to improve its safety culture and reported a lower rate of work-related accidents compared to 2019.

- Total Recordable Incident rate (TRIR) declined by about 20% from FY19 to FY20 due to improved safety initiatives.
- Company is committed to compliance with all applicable labor laws, including California's Transparency in Supply Chains Act of 2010, the UK Modern Slavery Act, and other applicable laws
- Donaldson works with supply chain partners to take reasonable steps to assure conflict minerals are not sourced by Donaldson or their supply chain partners in a way that would directly or indirectly benefit armed groups responsible for serious human rights abuses in the DRC (Democratic Republic of Congo) or adjoining countries.

- Operates an anonymous and confidential whistleblowing channel.

G / Donaldson's strong governance structure is evidenced by its board having an independent majority. This structure allows for objective oversight of its financial reporting and compensation practices. Additionally, they have comprehensive policies on business ethics and corruption. Many of the board members are independent apart from CEO & Chairman Tod E. Carpenter. The chairman and the CEO are both appointed as non-executive directors. The company's committees in charge of audit, remuneration, and nomination are entirely independent.

- Board of Directors composition includes 20% female board of directors and 20% people of color.
- Donaldson has a detailed code of conduct, involving key facets such as antitrust and corruption.
- Engaged an independent partner to conduct materiality assessment, which was aligned with Sustainability Accounting Standards Board (SASB) standards to formulate a plan for their Sustainability objectives: Phase 1: Energy Management, GHG Emissions, Employee Health and Safety. Phase 2: Diversity, Equity and Inclusion, Non-Hazardous Waste Management, Innovation and Continuous Improvement Phase 3: Employee Recruitment and Retention, Information Security and Data Management
- The Sustainability Steering Committee offers guidance to support internal Sustainability initiatives. This framework provides guidance on how to develop and implement sustainable strategies and methods.

CASE STUDY
Donaldson Company received a 2019 Bluetech Award from the Bluetech Clean Air Alliance (BCAA), a nonprofit professional organization focused on the development of clean air technologies and industries in China. The Bluetech Awards were established to recognize global clean air technologies as China continues efforts to reduce air pollution.

- The recognition was based on Donaldson's innovative ultra-low emission dust removal solution. Awardees are determined using BCAA's Bluetech Technology Assessment Methodology, which evaluates the technological, environmental and economic performance of a technology.

FUTURE ROADMAP As a leading manufacturer of filtration systems for air and water quality, Donaldson could capitalize on the opportunities presented by the robust growth of the clean technology market. Its robust R&D investment and strong innovation capacity could help it compete in this fast-growing industry.

RATING STATUS Donaldson is rated 'BBB' from MSCI, there is no evidence of communication between MSCI & Donaldson. Per MSCI, "As a manufacturer of filtration systems, Donaldson could capitalize on opportunities in the growing demand for technologies that help improve air and water quality. We note the company's R&D investment was 3.4% of its 2019 sales (vs. 2.8% MSCI ACWI industry average, as of January 2021), reflecting strong innovation capacity with respect to peers. Donaldson appears well-positioned in the clean technology market as it generated about 11% of its FY 2020 revenues from environment-friendly products." Currently Donaldson has a 'D+' from ISS.

A few items to note:

- 100% of revenues from business lines with relatively low toxic emissions and waste intensities
- Robust initiatives to address environmental impacts from air, water and waste emissions relative to peers.

BLOOMBERG

S&P Global ESG Rank: 25 *0-100, 100 is better*	ISS Quality Score: 5 *1-10, 1 is better*
Sustainalytics Risk Score: 34.53 *0-100, 0 is better*	CDP Climate Score: n/a *1-8, 8 is better*
Bloomberg ESG Disclosure: 27.7 *0-100, 100 is better*	MSCI Rating: BBB *AAA is better*

SOURCES: Public Filings, Company Website & Materials, Bloomberg, ISS, MSCI, Factset