DONALDSON CO INC
Form DEF 14A
November 23, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant [X]

Filed by a Party other than the Registrant [__]

Check the appropriate box:

[__] Preliminary Proxy Statement

[__] **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

[X] Definitive Proxy Statement

[__] Definitive Additional Materials

[__] Soliciting Material Pursuant to § 240.14a-12

Donaldson Company Inc.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[X] No fee required

[__] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

[__] Fee paid previously with preliminary materials.

[__] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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DONALDSON COMPANY, INC.

1400 West 94th Street
Minneapolis, Minnesota 55431-2370
www.donaldson.com

NOTICE OF 2015 ANNUAL MEETING OF STOCKHOLDERS

TIME:	9:00 a.m. (local time) on Tuesday, December 22, 2015	
PLACE:	Donaldson Company, Inc. (“Donaldson” or the “Company”) Corporate Offices, Campus West, 2001 West 94th Street, Minneapolis, Minnesota 55431.	
ITEMS OF BUSINESS:	(1)	To elect four Directors;
	(2)	To re-approve the material terms of the performance goals under the Donaldson Company, Inc. 2010 Master Stock Incentive Plan;
	(3)	To ratify the appointment of PricewaterhouseCoopers LLP as the Company’s independent registered public accounting firm for the fiscal year ending July 31, 2016; and
	(4)	To transact any other business that properly comes before the meeting.
RECORD DATE:	You may vote if you are a Stockholder of record at the close of business on November 16, 2015.	
PROXY VOTING:	It is important that your shares be represented and voted at the Annual Meeting. If you received paper copies of the proxy materials, instructions on the different ways to vote your shares are found on the enclosed proxy card.	

You should vote by proxy even if you plan to attend the Annual Meeting. Your support is appreciated, and you are cordially invited to attend the Annual Meeting.

PLEASE PROMPTLY VOTE YOUR PROXY TO SAVE US THE EXPENSE OF ADDITIONAL SOLICITATION.

Notice of Internet Availability of Proxy Materials for the Stockholder Meeting to be held on December 22, 2015: Our 2015 Proxy Statement and our Fiscal 2015 Annual Report to Stockholders are available at www.proxyvote.com.

By Order of the Board of Directors

Amy C. Becker
Secretary

Dated: November 23, 2015

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DONALDSON COMPANY, INC.
1400 West 94th Street
Minneapolis, Minnesota 55431-2370

PROXY STATEMENT
Mailing Date: November 23, 2015

PROPOSALS YOU ARE ASKED TO VOTE ON

Item 1: Election of Directors

Four current Directors, Andrew Cecere, William Cook, James Owens and Trudy Rautio, are recommended for election to the Board of Directors at the Annual Meeting. Information on the nominees is provided on page 8. Directors are elected for a three-year term so that approximately one-third are elected at each Annual Meeting of Stockholders.

The Board of Directors unanimously recommends a vote **FOR** the election of each Director nominee.

Item 2: Re-approval of the material terms of the performance goals under the Donaldson Company, Inc. 2010 Master Stock Incentive Plan

In order to maintain the Company's ability to deduct "performance-based compensation" granted under the Company's 2010 Master Stock Incentive Plan under Internal Revenue Code Section 162(m), Stockholders must re-approve the material terms of the performance goals set forth in the Plan every five years.

The Board of Directors unanimously recommends a vote **FOR** the re-approval of the material terms of the performance goals as described in this Proxy Statement.

Item 3: Ratification of the Appointment of Independent Registered Public Accounting Firm

The Audit Committee has appointed PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm to audit the Company's financial statements for the fiscal year ending July 31, 2016, and is requesting ratification by the Stockholders.

The Board of Directors unanimously recommends a vote **FOR** the ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending July 31, 2016.

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QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING

Why did I receive this Proxy Statement?

Because the Board of Directors of the Company is soliciting proxies for use at the Annual Meeting to be held on December 22, 2015 and you were a Donaldson Stockholder as of the close of business on the record date of November 16, 2015. Only Stockholders of record are entitled to vote at the Annual Meeting and the Board of Directors is soliciting your proxy to vote at the meeting. We had 132,680,334 shares of Common Stock outstanding as of the close of business on the record date. Each share entitles its holder to one vote, and there is no cumulative voting.

This Proxy Statement summarizes the information you need to know to vote. We first mailed or otherwise made available to Stockholders the Proxy Statement and form of proxy on or about November 23, 2015.

What am I voting on and what does the Board recommend?

1. The election of four Directors;
2. Re-approval of the material terms of the performance goals under the Donaldson Company, Inc. 2010 Master Stock Incentive Plan; and
3. The ratification of the appointment of our independent registered public accounting firm for the fiscal year ending July 31, 2016.

The Board recommends a vote:

- **FOR each of the Directors;**
- **FOR the re-approval of the material terms of the performance goals; and**
- **FOR the ratification of the appointment of our independent registered public accounting firm.**

How do I vote if I am a Stockholder of record?

If you are a Stockholder of record you may vote using any ONE of the following methods:

- VOTE BY PHONE TOLL FREE 1-800-690-6903
- VOTE BY INTERNET — http://www.proxyvote.com
- VOTE BY PROMPTLY COMPLETING, SIGNING, AND MAILING YOUR PROXY CARD
- VOTE BY CASTING YOUR VOTE IN PERSON AT THE MEETING

If you participate in the Donaldson Dividend Reinvestment Program or in the Donaldson Employee Stock Purchase Program administered by the transfer agent, your shares in those programs have been added to your other holdings and are included in your proxy materials.

How do I vote if I hold stock through a Donaldson Employee benefit plan?

We have added the shares of Common Stock held by participants in Donaldson's Employee benefit plans to the participants' other holdings shown on their proxy materials. Donaldson's Employee benefit plans are the Employee Stock Ownership Plan, the PAYSOP, and the Donaldson Company, Inc. Retirement Savings Plan (the "401(k) Plan").

If you hold stock through Donaldson's Employee benefit plans, voting your proxy using one of the first three methods above also serves as confidential voting instructions to the plan trustee, Fidelity Management Trust Company ("Fidelity"). Fidelity will vote your Employee benefit plan shares as directed by you provided that your proxy vote is **RECEIVED BY DECEMBER 18, 2015.**

Fidelity also will vote the shares allocated to individual participant accounts for which it has not received instructions, as well as shares not so allocated, in the same proportion as the directed shares are voted.

How do I vote if my shares are held in a brokerage account in my broker's name (*i.e.*, street name)?

If your shares are held in a brokerage account in your broker's name (street name), you should follow the voting directions provided by your broker or nominee. If you do so, your broker or nominee will vote your shares as you have directed.

What does it mean if I receive more than one proxy card?

It means that you have multiple accounts with banks or stockbrokers or with the transfer agent. **PLEASE VOTE ALL OF YOUR SHARES.**

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What if I change my mind after I vote my shares?

If you are a Stockholder of record you can revoke your proxy at any time before it is voted at the meeting by:

- Sending written notice of revocation to the Company Secretary;
- Submitting a properly signed proxy card with a later date;
- Voting by telephone or internet at a time following your prior telephone or internet vote; or
- Voting in person at the Annual Meeting.

If your shares are held in a brokerage account in your broker's name (street name), you should contact your broker or nominee for information on how to revoke your voting instructions and provide new voting instructions.

How are the votes counted?

- For Item 1, the election of Directors, you may vote for all of the nominees, withhold your vote from all of the nominees or withhold your vote from a specifically designated nominee.
- For Item 2, the re-approval of material terms of the performance goals, you may vote (or abstain) by choosing For, Against, or Abstain.
- For Item 3, the ratification of the appointment of our independent registered public accounting firm, you may vote (or abstain) by choosing For, Against or Abstain.

If you abstain from Items 2 and 3 your shares will be counted as present at the meeting for the purposes of determining a quorum, and they will be treated as shares not voted on the specific proposal. This means that for Items 2 and 3, abstentions have the same effect as a vote against such item.

If you hold shares in street name and do not provide voting instructions to your broker, your broker will not vote your shares on any proposal where the broker does not have discretionary authority to vote. In such a situation, the shares will be considered present at the meeting for purposes of determining a quorum, but will not be considered to be represented at the meeting for purposes of calculating the vote with respect to the matter requiring discretionary authority. New York Stock Exchange ("NYSE") rules permit brokers discretionary authority to vote on Item 3 if they do not receive instructions from the street name holder of the shares. As a result, if you do not vote your street name shares, your broker has authority to vote on Item 3 on your behalf.

We use an independent inspector of elections, Broadridge Investor Communication Solutions, Inc., which tabulates the votes received.

What if I do not specify how I want my shares voted?

If you do not specify on your returned proxy card or through the telephone or internet prompts how you want to vote your shares, your shares will be voted FOR the election of all Director nominees, FOR the re-approval of the material terms of the performance goals, and FOR the ratification of the appointment of the independent registered public accounting firm.

How many shares must be present to hold the meeting?

A quorum must be present for the meeting to be valid. This means that at least a majority of the shares outstanding as of the record date must be present. We will count you as present if you:

- Have properly voted your proxy by telephone, internet, or mailing of the proxy card;
- Are present and vote in person at the meeting; or

- Hold your shares in street name (as discussed above) and your broker uses its discretionary authority to vote your shares on Item 3.

How many votes are needed to approve each item?

Our Bylaws provide for a majority voting standard for the election of Directors in uncontested Director elections. A nominee for Director in an uncontested election will be elected to the Board if the votes cast FOR such nominee's election exceed 50% of the number of votes cast with respect to such nominee. Votes cast with respect to a nominee include votes to withhold authority. Directors will be elected by a plurality vote at a Stockholder meeting if:

- The Secretary of the Company receives a notice that a Stockholder has nominated a person for election to the Board in compliance with the advance notice requirements for Stockholder nominees set forth in the Bylaws; and
- Such nomination has not been withdrawn by such Stockholder prior to the 10th day preceding the date the Company first mails its notice of meeting to the Stockholders.

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In order for the proposal to re-approve the material terms of the performance goals and the proposal to ratify the appointment of the independent registered public accounting firm to be approved, the affirmative vote of a majority of the shares of the Company's Common Stock entitled to vote and represented at the meeting in person or by proxy is required.

How will voting on any other business be conducted?

We do not know of any business to be considered at the 2015 Annual Meeting of Stockholders other than the proposals described in this Proxy Statement. If any other business is properly presented at the Annual Meeting, your shares will be voted by the holders of the proxies in their discretion.

Who may attend the meeting?

All Donaldson Stockholders of record as of the close of business on November 16, 2015 may attend.

Where do I find the voting results of the meeting?

We will publish the voting results in a Form 8-K to be filed with the SEC within four business days of the meeting.

How do I submit a Stockholder proposal?

The date of the Company's 2015 Annual Meeting of Stockholders was delayed this year due to unique circumstances. The Company expects that it will resume its typical schedule next year and hold its 2016 Annual Meeting of Stockholders on the third Friday of November, which is November 18, 2016. Accordingly, the Company has calculated the deadlines for shareholder proposals using the date on which this year's meeting would have normally been held.

If you wish to include a proposal in the Company's Proxy Statement for its 2016 Annual Meeting of Stockholders, you must submit the proposal in writing so that it is received no later than June 9, 2016. Please send your proposal to Amy Becker, Company Secretary, Donaldson Company, Inc., MS 101, P.O. Box 1299, Minneapolis, MN 55440-1299.

Under our Bylaws, if you wish to nominate a Director or bring other business before the Stockholders at our 2016 Annual Meeting without having your proposal included in our Proxy Statement:

- You must notify the Company Secretary of the Company in writing between July 23, 2016 and August 22, 2016.
- Your notice must contain the specific information required in our Bylaws. If you would like a copy of our Bylaws, we will send you one without charge. Please write to the Company Secretary at the address shown above.

Who pays for the cost of proxy preparation and solicitation?

We pay for the cost of proxy preparation and solicitation, including the reasonable charges and expenses of brokerage firms, banks, or other nominees for forwarding proxy materials to street name holders. We are soliciting proxies primarily by mail, email, and the internet. In addition, our Directors, Officers, and other Employees may solicit proxies by email, telephone, facsimile, or personally. These individuals will receive no additional compensation for their services other than their regular salaries.

SECURITY OWNERSHIP

Set forth below is information regarding persons known by the Company to own beneficially more than 5% of the outstanding Common Stock of the Company based on the number of shares of Common Stock outstanding on October 30, 2015.

Name and Address of Beneficial Owner[(1)]	**Amount and Nature of Beneficial Ownership**	**Percent of Class**
Columbia Wanger Asset Management, LLC 227 West Monroe Street, Suite 3000 Chicago, IL 60606	11,323,400[(2)]	8.5
State Farm Mutual Automobile Insurance Company One State Farm Plaza Bloomington, IL 61710	10,838,165[(3)]	8.2
The Vanguard Group 100 Vanguard Boulevard Malvern, PA 19355	9,200,201 [(4)]	6.9
BlackRock, Inc. 55 East 52nd Street New York, NY 10022	7,700,763 [(5)]	5.8

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(1) Fidelity Management Trust Company, as the trustee of the Company's Retirement Savings Plan - 401(k) Profit Sharing and ESOP/PAYSOP Plan, held 6,274,788 shares, or 4.7%, of the Company's Common Stock as of October 30, 2015. Fidelity disclaims beneficial ownership of the shares claiming that it holds the shares solely for the benefit of the Employee participants, and that it does not have the power to vote or dispose of those shares except as directed by the Employee participants. Fidelity's business address is 82 Devonshire Street, Boston, MA, 02109.

(2) Based on information provided in a Schedule 13G/A filed jointly with the SEC on February 11, 2015, Columbia Wanger Asset Management, LLC ("CWAM"), an investment advisor, reported that it has sole power to vote or direct the vote of 10,627,500 shares and sole power to dispose of or direct the disposition of 11,323,400 shares. The shares reported include shares held by Columbia Acorn Fund, a Massachusetts business trust, that is advised by CWAM. According to the Schedule 13G, Columbia Acorn Fund held 5.7% of the shares of the Company as of December 31, 2014. CWAM disclaims beneficial ownership of any shares reported.

(3) Based on information provided in a Schedule 13G/A jointly filed with the SEC on February 4, 2015 by State Farm Mutual Automobile Insurance Company, an insurance company ("Auto Company") and certain of its subsidiaries and affiliates: Auto Company reported that it has sole power to vote or direct the vote of and sole power to dispose of or direct the disposition of 6,054,000 shares; State Farm Life Insurance Company, an insurance company ("SFLIC"), reported that it has sole power to vote or direct the vote of and sole power to dispose of or direct the disposition of 609,600 shares; State Farm Investment Management Corp., an investment adviser and registered transfer agent ("SFIMC"), reported that it has sole power to vote or direct the vote of and sole power to dispose of or direct the disposition of 228,600 shares; State Farm Insurance Companies Employee Retirement Trust ("SF Retirement Trust") reported that it has sole power to vote or direct the vote of and sole power to dispose of or direct the disposition of 3,033,525 shares; and State Farm Insurance Companies Savings and Thrift Plan for U.S. Employees ("SF Thrift Plan") reported that it has sole power to vote or direct the vote of and sole power to dispose of or direct the disposition of 912,440 shares. Auto Company is the parent company of multiple wholly-owned insurance company subsidiaries, including SFLIC. Auto Company is also the parent company of SFIMC. SFIMC serves as transfer agent and investment adviser to three Delaware business trusts that are registered investment companies. Auto Company also sponsors SF Retirement Trust and SF Thrift Plan, two qualified retirement plans, for the benefit of its employees. Auto Company has established an investment department that is directly or indirectly responsible for managing or overseeing the management of the investment and reinvestment of assets owned by each entity that has joined in filing the Schedule 13G. The investment department is responsible for voting proxies or overseeing the voting of proxies related to the shares of each entity that joined in the filing. Each insurance company included in the filing and SFIMC have established an investment committee that oversees the activities in managing that firm's assets and the trustees of the qualified plans perform a similar role in overseeing the investment of each plan's assets. Each of the reporting persons expressly disclaims beneficial ownership as to all shares as to which such person has no right to receive the proceeds of sale of the shares and disclaims that it is part of a group.

(4) Based on information provided in a Schedule 13G/A filed with the SEC on February 10, 2015 by The Vanguard Group, Inc., an investment adviser ("Vanguard") reported that it had sole power to vote 89,314 shares, sole power to dispose of 9,122,487 shares and shared power to dispose of 77,714 shares. Each of Vanguard Fiduciary Trust Company ("Vanguard Trust") and Vanguard Investments Australia, Ltd. ("Vanguard Investments") are wholly owned subsidiaries of Vanguard. Vanguard Trust is the beneficial owner of 77,714 shares, as a result of its service as investment manager of collective trust accounts and Vanguard Investments is the beneficial owner of 11,600 shares, as a result of its serving as investment manager of Australian investment offerings.

(5) Based on information provided in a Schedule 13G/A filed with the SEC on February 2, 2015, BlackRock, Inc., a parent holding company, reported that it has sole power to vote or directing the vote of 7,295,005 shares and sole

power to dispose of or direct the disposition of 7,700,763 shares.

The following table shows information regarding the beneficial ownership of the Company's Common Stock and information concerning deferred restricted stock units, deferred share units under stock option exercises, and phantom stock units beneficially owned, as of October 30, 2015, by each Director, each of the Named Executive Officers ("NEOs" as identified on page 20) and all Executive Officers ("Officers") and Directors of the Company as a group. The shares listed in the table as beneficially owned include (i) shares over which a person has sole or shared voting power, or sole or shared power to invest or dispose of the shares, whether or not a person has any economic interest in the shares; (ii) deferred stock units that have vested and been deferred, as to which the beneficial owner has no voting or investment power; and (iii) shares

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subject to options exercisable within 60 days of October 30, 2015. Except as otherwise indicated, the named beneficial owner has sole voting and investment power with respect to the shares held by such beneficial owner, and the shares are not subject to any pledge.

Name of Beneficial Owner	Total Amount and Nature of Beneficial Ownership of Common Shares (1)(2)(3)(4)(5)	Percent of Common Shares	Deferred Stock Units Included in Total Amount Column (3)	Exercisable Options Included in Total Amount Column
William M. Cook	2,267,475	1.7	663,387	959,767
Tod E. Carpenter	239,376	*	—	166,434
James F. Shaw	89,063	*	—	73,501
Jay L. Ward	286,317	*	—	193,631
Wim Vermeersch	64,133	*	—	53,501
Thomas R. Scalf	40,512	*	—	27,667
Jeffrey Noddle	188,898	*	—	99,800
John P. Wiehoff	138,791	*	—	99,800
Paul D. Miller	112,978	*	—	79,207
Michael J. Hoffman	139,627	*	—	114,200
Willard D. Oberton	105,255	*	—	92,800
Ajita G. Rajendra	52,219	*	—	42,200
James J. Owens	13,272	*	—	11,000
Andrew Cecere	7,057	*	—	6,200
Trudy A. Rautio	1,405	*	—	0
All Other Officers	198,618	*	8,332	133,357
Directors and Officers as a Group	3,944,996	3.0	671,719	2,153,065

*Less than 1%

(1) Includes all beneficially owned shares, including restricted shares, shares for Non-Employee Directors held in trust, shares underlying the units listed under the Deferred Stock Units column, and the shares underlying options exercisable within 60 days, as listed under the Exercisable Options column.

(2) Includes the following shares held in the Employee Stock Ownership and Retirement Savings Plan trust: Cook, 98,698 shares; Carpenter, 8,355 shares; Shaw, 3,816 shares; Ward, 15,214 shares; Vermeersch, 0 shares; Scalf, 5,770 shares; and all Directors and Officers as a group, 143,428 shares. Voting of shares held in the Employee Stock Ownership and Retirement Savings Plan trust is passed through to the participants. Also includes the following shares held in the Deferred Compensation and 401(k) Excess Plan trust: Cook, 40,597 shares; Carpenter, 2,762 shares; Shaw, 1,118 shares; Ward, 2,874 shares; Vermeersch, 0 shares; Scalf, 682 shares; and all Directors and Officers as a group, 57,408 shares. Voting of shares held in the Deferred Compensation and 401(k) Excess Plan trust is passed through to the participants.

(3) Deferred stock units that have vested and been deferred are included in the beneficial ownership totals and in the percent of ownership (columns 1 and 2), however, the beneficial owner has no voting or investment power. The

Deferred Stock Units column includes phantom stock units allocated to Employees earning in excess of the limits established by the Internal Revenue Code for the qualified Employee Stock Ownership Plan that distributed shares in trust for Employees during the period from 1987 to 1996. Phantom stock units are held in the following amounts: Cook, 11,828 units; and all Directors and Officers as a group, 11,828 units.

The Deferred Stock Units column also includes deferred restricted stock units under the Deferred Compensation and 401(k) Excess Plan in the following amounts: Cook, 55,685 units; and all Directors and Officers as a group, 64,017 units.

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The Deferred Stock Units column also includes deferred stock units under the Deferred Compensation and 401(k) Excess Plan for exercises of stock options where the executive has previously elected to defer the receipt of the underlying shares. Deferred stock option gain units are held in the following amounts: Cook, 410,430 units; and all Directors and Officers as a group, 410,430 units.

The Deferred Stock Units column also includes deferred stock units under the Deferred Compensation and 401(k) Excess Plan for deferral of shares awarded under the long term compensation plan under the 1991 Master Stock Compensation Plan and the 2001 Master Stock Incentive Plan, where the executive has previously elected to defer the receipt of the underlying shares. Deferred stock units are held in the following amounts: Cook, 185,444 units; and all Directors and Officers as a group, 185,444 units.

(4) Includes the following shares held in the Non-Employee Director's deferred stock account trust: Noddle, 47,433 shares; Wiehoff, 38,591 shares; Miller, 32,971 shares; Hoffman, 25,427 shares; Oberton, 10,455 shares; Rajendra, 9,819 shares; Owens, 2,272 shares; Cecere, 857 shares; Rautio, 1,405 shares; and all Directors and Officers as a group, 169,230 shares. Voting of shares held in the deferred stock account trust is passed through to the participants.

(5) Includes 316,430 shares held in a family limited liability limited partnership indirectly controlled by Mr. Cook for which he has voting and investment power.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's Directors and Officers to file initial reports of ownership and reports of changes in ownership with the SEC. To the Company's knowledge, based on a review of copies of such forms and representations furnished to the Company during Fiscal 2015, all Section 16(a) filing requirements applicable to the Company's Directors and Officers were satisfied.

ITEM 1: ELECTION OF DIRECTORS

The Bylaws of the Company provide that the Board of Directors shall consist of not less than 3 nor more than 15 Directors and that the number of Directors may be changed from time to time by the affirmative vote of a majority of the Directors. The Board of Directors currently consists of 11 Directors. Vacancies and newly created directorships resulting from an increase in the number of Directors may be filled by a majority of the Directors then in office and the Directors so chosen will hold office until the next election of the class for which such Directors shall have been chosen and until their successors are elected and qualified. Directors are elected for a term of three years with positions staggered so that approximately one-third of the Directors are elected at each Annual Meeting of Stockholders.

The Directors with terms expiring at the 2015 Annual Meeting of Stockholders are Andrew Cecere, William M. Cook, Admiral Paul David Miller, James J. Owens, and Trudy A. Rautio. In accordance with the policy in our Corporate Governance Guidelines that a Non-Employee Director shall not be re-nominated as a Director after attaining the age of 72, Admiral Miller (who is 73 years old) will be retiring from the Board and will not be standing for election at the 2015 Annual Meeting of Stockholders. The Board of Directors has decided to decrease the size of the Board to 10 (from 11) Directors upon the expiration of Admiral Miller's term at the meeting.

The Corporate Governance Committee and the Board of Directors reviewed and considered the qualifications and service of the four remaining Directors in the class of Directors whose three-year terms expire at the 2015 Annual Meeting of Stockholders and approved their nomination to stand for re-election to the Board.

Each of the nominees has agreed to serve as a Director if elected. The Board of Directors has no reason to believe that any of the nominees will be unavailable or unable to serve, but in the event a nominee is not a candidate at the meeting, the persons named in the proxy intend to vote in favor of the remaining nominee or nominees and such other person or persons, if any, as they may determine.

Board Recommendation

The Board of Directors recommends that Stockholders vote **FOR** the election of Andrew Cecere, William M. Cook, James J. Owens and Trudy A. Rautio for three-year terms expiring in 2018.

Information Regarding Directors

The Director nominees and the Directors whose term in office will continue after the meeting have provided information about themselves in the following section. SEC rules require us to discuss briefly the specific experience, qualifications, attributes, or skills that led the Board to conclude that each Director nominee and Director should serve on our Board of Directors. This discussion is provided in a separate paragraph following each Director's biography in the following sections.

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Directors with Terms Expiring in 2015

Name	Principal Occupation and Business Experience and Key Attributes and Skills
Andrew Cecere Age – 55 Director since 2013	Vice Chairman and Chief Operating Officer (2015) of U.S. Bancorp, a financial services provider. Previously, Vice Chairman and Chief Financial Officer (2007-2015); Vice Chairman, Wealth Management (2001–2007); Chief Financial Officer of the former U.S. Bancorp (2000–2001); and Vice Chairman of U.S. Bank (1999–2000).
	Andy Cecere brings to the Board his valuable financial and management experience as Vice Chairman and COO of U.S. Bancorp, the parent company of U.S. Bank National Association, the 5th largest commercial bank in the United States. U.S. Bank provides banking, brokerage, insurance, investment, mortgage, trust, and payment services products to consumers, businesses, and institutions. Andy has over 30 years of experience with U.S. Bancorp, including serving as Vice Chairman of Wealth Management and leading key banking, trust, insurance, and advisory businesses. He currently serves on U.S. Bancorp's Managing Committee and is Chairman of the Asset Liability Policy Committee and the Market Risk Committee. He also serves on the Board of Overseers of the Carlson School of Management at the University of Minnesota. Andy has a Bachelor's degree in Business Administration and Finance from the University of St. Thomas, and an M.B.A. degree from the Carlson School of Management at the University of Minnesota.
William M. Cook Age – 62 Director since 2004	Chairman (2005). Previously, President and Chief Executive Officer (2004-2015); Senior Vice President, International (2000–2004); Chief Financial Officer (2001–2004); and Senior Vice President, Commercial and Industrial (1994–2000). Also a Director of IDEX Corporation and Valspar Corporation.
	Bill Cook brings to the Board his industry experience for the past 34 years at Donaldson Company where he has held a wide range of financial and business positions with global responsibilities. Bill is an experienced public company Board member having served on the Donaldson Board since 2004 and as an independent public company Director for IDEX since 2008 and Valspar since 2010. Bill also has valuable Board experience from his past service to various charitable organizations. Bill has a B.S. degree in Business Management and an M.B.A. degree from Virginia Tech.
James J. Owens Age – 51 Director since 2013	President and Chief Executive Officer (2010) of H.B. Fuller Company, a leading global adhesives provider. Previously, Senior Vice President, Americas (2010); and Senior Vice President, North America (2008–2010). Also a Director of H.B. Fuller Company.
	Jim Owens brings to the Board his 29 plus years of experience in global manufacturing businesses. He spent 22 years with National Starch's adhesives business, a division of ICI (Imperial Chemical Industries Limited), in a variety of positions, including serving as Corporate Vice President and General Manager (2004–2008) and as Vice President and General Manager of the Europe/Middle East and Africa adhesives

business. As President and CEO of H.B. Fuller Company, Jim has global leadership experience and public company Board experience. Jim also currently serves on the Board of Overseers of the Carlson School of Management at the University of Minnesota. Jim has a Bachelor's degree in Chemical Engineering from the University of Delaware and an M.B.A. degree from The Wharton School, University of Pennsylvania.

Trudy A. Rautio Age – 63 Director since 2015	Retired President and Chief Executive Officer (2012–2015) of Carlson, a privately held global hospitality and travel company. Previously, Executive Vice President and Chief Administrative Officer (2011-2012); and Executive Vice President and Chief Financial Officer (2005-2011). Also a Director of The Rezidor Hotel Group, Merlin Entertainment, Cargill, and Securian Financial Group.

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Trudy Rautio brings to the Board her leadership experience in her position as the former President and Chief Executive Officer of Carlson. Prior to her appointment as CEO, Trudy served as Executive Vice President and Chief Financial and Administrative Officer and has valuable experience in various categories, including business, financial, and information technology operations. Previously, Trudy has global experience leading businesses and operations.

Directors with Terms Expiring in 2016

Name	Principal Occupation and Business Experience and Key Attributes and Skills
Michael J. Hoffman Age – 60 Director since 2005	Chairman (2006) and Chief Executive Officer (2005) of The Toro Company, a provider of outdoor maintenance and beautification products. Previously, President (2004–2015); Group Vice President (2001–2004); and Vice President and General Manager (2000–2001).
	Mike Hoffman brings to the Board his expertise as a public company leader at The Toro Company where he started in 1977 and is now CEO and Chairman of the Board. Mike adds valuable marketing and strategic planning experience working for a company that has a strongly branded identity. Mike is an experienced public company Board member having served on the Boards of Donaldson and Toro since 2005. Mike also currently serves on the Board of Overseers of the Carlson School of Management at the University of Minnesota. He is a past Board member of the Greater Twin Cities United Way. Mike has a Bachelor's degree in Marketing Management from the University of St. Thomas and an M.B.A degree from the University of Minnesota – Carlson School of Management.
Willard D. Oberton Age – 57 Director since 2006	Chairman (2014), President and Chief Executive Officer (2015) of Fastenal Company, an industrial and construction supplies company. Previously, Chief Executive Officer (2002-2014); President (2001–2012); Chief Operating Officer (1997–2002); and Executive Vice President (2000–2001). Also a Director of Fastenal Company.
	Will Oberton brings to the Board his expertise as a public company leader at Fastenal Company. Will started at Fastenal in 1980 and served in various sales, operational, and management roles until he was named President in 2001 and CEO in 2002. Will was named 2006 CEO of the Year by Morningstar, Inc. Will is an experienced public company Board member having served on Donaldson's Board since 2006 and the Fastenal Board since 1999. Will also serves on the Board of Wincraft Inc., a privately held company. Will has a Marketing degree from St. Cloud Technical and Community College.
John P. Wiehoff Age – 54 Director since 2003	Chairman (2007), Chief Executive Officer (2002), and President (1999) of C.H. Robinson Worldwide, Inc., a transportation, logistics, and sourcing company. Also a Director of Polaris Industries Inc.
	John Wiehoff brings to the Board his expertise as a public company leader at C.H. Robinson. John has significant public company financial experience, first as a CPA at a large public accounting firm and

subsequently in various leadership positions in the financial organization at C.H. Robinson, including serving as its CFO prior to becoming CEO. John adds valuable supply chain, logistics, and international expertise working for a company that is a global provider of multimodal transportation services and logistics services. John is an experienced public company Board member having served on the C.H. Robinson Board since 2001, the Donaldson Board since 2003, and the Polaris Industries Board since 2007. John has a B.S. degree from St. John's University.

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Directors with Terms Expiring in 2017

Name	Principal Occupation and Business Experience and Key Attributes and Skills
Tod E. Carpenter Age – 56 Director since 2014	President and Chief Executive Officer (2015). Previously, Chief Operating Officer (2014–2015); Senior Vice President, Engine Products (2011-2014); Vice President, Europe and Middle East (2008-2011); and Vice President, Global Industrial Filtration Systems (2006-2008). Tod Carpenter brings to the Board a wealth of general management and global leadership experience. Tod joined Donaldson in 1996. Since then, his roles have included driving strategic growth initiatives, launching innovative proprietary products, and strengthening relationships with the Company's key global Customers. Tod currently serves on the Board of Overseers of the Carlson School of Management at the University of Minnesota, and served on the Board of the American Chamber of Commerce in Belgium. Tod has a Bachelor's Degree in Manufacturing Technology from Indiana State University and an M.B.A. from Long Beach State University.
Jeffrey Noddle Age – 69 Director since 2000	Retired Executive Chairman (2009–2010) of SUPERVALU INC., a food retailer and provider of distribution and logistics support services. Previously, Chairman and Chief Executive Officer (2002–2009). Also a Director of Ameriprise Financial, Inc. and the Clorox Company. Jeff Noddle brings to the Board his public company expertise in growing and leading one of the largest grocery retail companies and leading food distributors in the United States as its CEO and Chairman. Jeff provides valuable operational and supply chain insights as well as strategic leadership and human resources guidance from his more than 30 years with SUPERVALU. Jeff is an experienced public company Director having served as Chairman and Director of SUPERVALU and as a Director of Donaldson Company since 2000, Ameriprise since 2005, and the Clorox Company since 2013. Jeff previously served on the Board of Overseers of the Carlson School of Management at the University of Minnesota and served as Chair of the 2009 Greater Twin Cities United Way campaign. Jeff holds a Bachelor's degree from the University of Iowa.
Ajita G. Rajendra Age – 64 Director since 2010	Chairman (2014), President and Chief Executive Officer (2013) of A.O. Smith Corporation, a global water technology company and manufacturer of residential and commercial water heating equipment. Previously, President and Chief Operating Officer (2011–2013); Executive Vice President (2006–2011); Senior Vice President (2005–2006); and President, A.O. Smith Water Products Company (2005–2011). Also a Director of A.O. Smith Corporation and the Timken Company. Ajita Rajendra brings to the Board his public company leadership experience in his position as President and Chief Executive Officer of A.O. Smith. Ajita has valuable manufacturing experience in various categories, including consumer durables, industrial products, and appliances. Previously, Ajita has been the President of the A.O. Smith Water Products Company with global experience leading businesses and negotiating acquisitions and joint ventures. Ajita is originally from Sri Lanka, received a B.S. degree in Chemical Engineering at the Indian Institute of Technology, Madras, India, and an M.B.A. degree from Carnegie Mellon University.

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CORPORATE GOVERNANCE

Board Oversight and Director Independence

Donaldson's Board believes that a primary responsibility of the Board of Directors is to provide effective governance over Donaldson's business. The Board selects the Chairman of the Board and the Chief Executive Officer and monitors the performance of senior management to whom it has delegated the conduct of the business. The Board has adopted a set of Corporate Governance Guidelines to assist in its governance, and the complete text of Donaldson's Corporate Governance Guidelines is available on the Investor Relations page of our website at www.donaldson.com under Corporate Governance.

Our Corporate Governance Guidelines provide that a significant majority of our Directors will be Non-Employee Directors who meet the independence requirements of the NYSE. The Corporate Governance Guidelines also require that our Corporate Governance, Audit, and Human Resources Committees be comprised entirely of Non-Employee Directors who meet all of the independence and experience requirements of the NYSE and SEC.

The Board has established the following independence standards consistent with the current listing standards of the NYSE for determining independence:

- A Director will not be considered independent if, within the preceding three years:
  - The Director was an Employee of Donaldson, or an immediate family member of the Director was an Executive Officer of Donaldson;
  - The Director or an immediate family member of the Director has received during any 12-month period more than $120,000 in direct compensation from Donaldson (other than Director and Committee fees and pension or other forms of deferred compensation for prior service);
  - An Executive Officer of Donaldson was on the Compensation Committee of a company which, at the same time, employed the Director or an immediate family member of the Director as an Executive Officer;
  - The Director was an Executive Officer or Employee of, or an immediate family member of the Director was an Executive Officer of, another company that does business with Donaldson and the annual revenue derived from that business by either company exceeds the greater of (i) $1,000,000 or (ii) 2% of the annual gross revenues of such company; or
  - The Director or an immediate family member of the Director has been affiliated with or employed in a professional capacity by Donaldson's independent registered public accounting firm.

The Board has evaluated the transactions and relationships between each of our Non-Employee Directors and the Company, including those companies where Directors serve as an Officer. All transactions and relationships were significantly below the thresholds described above and all involved only the ordinary course of business purchase and sale of goods and services at companies where Directors serve as an Officer. Based on this review and the information provided in response to annual questionnaires completed by each independent Director regarding employment, business, familial, compensation, and other relationships with the Company and management, the Board has determined that every Director, with the exceptions of Bill Cook and Tod Carpenter who are Employee Directors, (i) has no material relationship with Donaldson, (ii) satisfies all of the SEC and NYSE independence standards and our Board-approved independence standards and (iii) is independent. The Board also has determined that each member of its Corporate Governance, Audit, and Human Resources Committees is an independent Director.

Policy and Procedures Regarding Transactions with Related Persons

Our Board of Directors, upon the recommendation of the Corporate Governance Committee, has adopted a written Related Person Transaction Policy. This policy delegates to our Audit Committee responsibility for reviewing, approving, or ratifying transactions with certain "related persons" that are required to be disclosed under the rules of the SEC. Under the policy, a "related person" includes any of the Directors or Officers of the Company, certain Stockholders and members of their immediate family.

Our Related Person Transaction Policy applies to transactions that involve a related person where we are a participant and the related person has a material direct or indirect interest. Certain types of transactions have been evaluated and preapproved by the Board under the policy:

- Any transaction in the ordinary course of business in which the aggregate amount involved will not exceed $120,000;

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- Any transaction where the related person's interest arises solely from being a Stockholder and all Stockholders receive the same benefit on a pro rata basis; and
- Any transaction with another company at which a related person's only relationship is as an Employee, Director, or beneficial owner of less than 10% of that company's shares, if the aggregate amount involved does not exceed the greater of (i) $500,000 or (ii) 1% of that company's or Donaldson's total annual revenues.

Board Leadership Structure

Our Corporate Governance Guidelines provide that the Board is not required to separate the offices of Chairman of the Board and CEO. Our Board has the right to exercise its judgment to choose the Chairman as it deems best for the Company at any point in time.

As part of the CEO succession process developed by the Board, on April 1, 2015 Tod Carpenter was elected as CEO and President. The Board determined that it was in the best interests of the Company and its Stockholders for Bill Cook to remain as Chairman of the Board and to continue to serve as an Executive Officer of the Company. Therefore, the Board separated the positions of Chairman and CEO, effective April 1, 2015. Bill Cook has extensive years of service to the Company and experience guiding the Board as Chairman. By continuing in that role Bill Cook will enable Tod Carpenter to focus on executing the strategic and operational plans of the Company.

As Chairman, Bill Cook will work with the other Board members, the Committee Chairs, and management to develop the meeting agendas, set meeting schedules, and preside over the meetings of the Board. As CEO and President, Tod Carpenter is best situated to provide strategic input and leadership to our Executive Officers and the Company.

The Company's Corporate Governance Guidelines provide that, whenever the position of Chairman is not held by an independent Director, the Board will appoint an independent Director to serve as the Lead Director. Effective January 1, 2015, the Board elected Jeff Noddle as the Lead Director to replace the prior Lead Director, who had retired from the Board.

The Lead Director's duties include coordinating the activities of the independent Directors, setting the agenda for and moderating executive sessions of the Board's independent Directors, and facilitating communications among the independent members of the Board. In performing these duties, the Lead Director is expected to consult with the Committee Chair of the appropriate Committees and solicit their participation in order to avoid diluting the authority or responsibilities of such Committee Chairs.

The Board and its Corporate Governance Committee have carefully assessed the division of the responsibilities between the Chairman and CEO and have determined that our current Board structure ensures a strong and independent Board of Directors, provides effective governance, and creates appropriate oversight for the long-term benefit of our Stockholders. Our Board includes nine independent Directors, all of whom have served in significant management and/or Board capacities at other public companies. Bill Cook and Tod Carpenter are the only Employee Directors on the Board. All of our Committees are comprised solely of independent Directors.

Each role of Chairman and CEO are fully accountable to the Board, its Committees, and the Lead Director. Our Board believes that this division of authority and responsibility is effective in ensuring that good principles of corporate governance will continue to be followed.

The independent Directors meet in executive session at every Board and Committee meeting, and have the authority to ensure that the proper balance of power, authority, and transparency is maintained in all aspects of governance at the Company. We further believe that our Board leadership structure effectively supports the risk oversight function of our Board.

Risk Oversight by Board of Directors

Our Board of Directors has responsibility for the oversight of risk management. The Board, either as a whole or through its Committees, regularly discusses with management the Company's risk assessments and risk management procedures and controls.

- The Audit Committee has responsibility in its Charter to review the Company's strategies, processes, and controls with respect to risk assessment and risk management and assists the Board in its oversight of risk management.
- The Human Resources Committee has responsibility in its Charter to review and assess risk with respect to the Company's compensation arrangements and practices, including with respect to incentive compensation.

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- The Corporate Governance Committee oversees risks associated with its areas of responsibility, including the risks associated with Director and CEO succession planning, Non-Employee Director compensation, and the Company's corporate governance practices.

Our Board is kept abreast of the risk oversight efforts by its Committees through regular reports to our full Board by our Committee Chairs.

Meetings and Committees of the Board of Directors

There were six meetings of the Board of Directors in Fiscal 2015. Each Director attended at least 75% of the aggregate of all meetings of the Board and its Committees on which she or he served during the year. It is our policy that Directors are expected to attend our Annual Meeting of Stockholders. Last year, all individuals then serving as Directors attended the Annual Meeting of Stockholders.

The Board of Directors has three Committees:

- Audit Committee
- Human Resources Committee
- Corporate Governance Committee

Each of the Board Committees has a written Charter, approved by the Board, establishing the authority and responsibilities of the Committee. Each Committee's Charter is posted on the Investors page of our website at www.donaldson.com under the "Governance" caption. The following tables provide a summary of each Committee's key areas of oversight, the number of meetings of each Committee during the last fiscal year, and the names of the Directors serving on each Committee.

Audit Committee

Responsibilities	**Number of Meetings in Fiscal 2015: 8**
• Appoints and replaces the independent registered public accounting firm and oversees its work.	
• Pre-approves all auditing services and permitted non-audit services to be performed by the independent auditor, including related fees.	
• Reviews with management and the independent auditor our annual audited financial statements and recommends to the Board whether the audited financial statements should be included in the Company's Annual Report on Form 10-K.	
• Reviews with management and the independent auditor our quarterly financial statements and the associated earnings news releases.	**Directors who serve on the Committee:**
• Reviews with management and the independent auditor significant reporting issues and judgments relating to the preparation of our financial statements, including internal controls.	John P. Wiehoff, Chair Andrew Cecere
• Reviews with management and the independent auditor our critical accounting policies and practices and major issues regarding accounting principles.	Paul David Miller James J. Owens Ajita G. Rajendra

- Reviews the Company’s strategies, processes, and controls with respect to risk assessment and risk management and assists the Board in its oversight of risk management.

- Reviews the appointment, performance, and replacement of the senior internal audit executive and reviews the CEO’s and CFO’s certification of internal controls and disclosure controls.

- Reviews the Company’s compliance programs and procedures for the receipt, retention, and handling of complaints regarding accounting, internal controls, and auditing matters.

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Human Resources Committee

Responsibilities

Number of Meetings in Fiscal 2015: 4

- Reviews and approves the CEO’s compensation, leads an annual evaluation of the CEO’s performance, and determines the CEO’s compensation based on this evaluation.
- Reviews and approves executive compensation plans and all equity-based plans.
- Reviews and approves incentive compensation goals and performance measurements applicable to our Officers.
- Reviews the Company’s compensation risk analysis.
- Reviews and recommends that the Compensation Discussion and Analysis be included in the Company’s Proxy Statement and Form 10-K.

Directors who serve on the Committee:
Jeffrey Noddle, Chair
Michael J. Hoffman
James J. Owens
Ajita G. Rajendra

The Human Resources Committee has the authority to retain independent compensation consultants to assist in the analysis of our executive compensation program. The Committee has engaged an independent compensation consultant to do an annual benchmarking review of our executive compensation program and to be available for Committee meetings as needed. The Committee engaged Mercer, a nationally known consulting firm, as their executive compensation consultant. In its capacity as a compensation consultant to the Committee, Mercer reports directly to the Committee and the Committee retains sole authority to retain and terminate the consulting relationship.

Mercer completed a review of our executive compensation program during Fiscal 2015. Mercer received approximately $35,800 in fees from Donaldson in Fiscal 2015 in connection with services related to executive compensation. Mercer disclosed to the Committee other services that it provides to the Company. Our Asia Pacific region engaged Mercer in Fiscal 2015 as a compensation consultant for which Mercer received approximately $54,600 in fees. In addition, Mercer is affiliated with other companies whose businesses are unrelated to the provision of compensation-related consulting services, including providing actuarial and other pension related services. These affiliated companies have been engaged by management as the Company’s actuary since 2002. We paid these affiliated companies approximately $275,300 for such services in Fiscal 2015. All of the additional services performed by Mercer and its affiliated companies were approved by management and performed at the direction of management in the ordinary course of business. In assessing the independence of Mercer, the Committee considered the factors contained in the applicable SEC and NYSE rules, including the amount and nature of the additional consulting work provided to the Company by Mercer. The Committee concluded that no conflict of interest exists that would prevent Mercer from independently advising the Committee.

Corporate Governance Committee

Responsibilities

Number of Meetings in Fiscal 2015: 2

- Reviews and establishes the process for the consideration and selection of Director candidates and recommends Director candidates for election to the Board.
- Reviews and recommends the size and composition of the Board.

Directors who serve on the Committee:
Willard D. Oberton, Chair
Michael J. Hoffman

• Reviews and recommends the size, composition, and responsibilities of all Board Committees. • Reviews and recommends policies and procedures to enhance the effectiveness of the Board, including those in the Corporate Governance Guidelines. • Oversees the Board's annual self-evaluation process. • Reviews and recommends to the Board the compensation paid to the independent Non-Employee Directors.	Paul David Miller Trudy A. Rautio

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Corporate Governance Guidelines

Our Board has adopted a set of Corporate Governance Guidelines to assist it in carrying out its oversight responsibilities. These guidelines address a broad range of topics, including Director qualifications, Director nomination processes, term limits, Board and Committee structure and process, Board evaluations, Director education, CEO evaluation, CEO and management succession and development planning, and conflicts of interest. The complete text of the guidelines is available on the Investor Relations page of our website at www.donaldson.com under the Corporate Governance caption.

Code of Business Conduct and Ethics

All of our Directors and Employees, including our Chief Executive Officer, Chief Financial Officer, and other senior management, are required to comply with our Code of Conduct to help ensure that our business is conducted in accordance with the highest standards of legal and ethical behavior. Employees are required to bring any violations and suspected violations of the code to Donaldson’s attention through management, the Company’s Compliance Committee, the Company’s legal counsel, or by using our confidential compliance helpline. Our toll-free U.S. compliance helpline number is 888-366-6031. Information on accessing the helpline from our international locations is available at www.donaldson.com. The full text of our Code of Conduct is available on our website at www.donaldson.com.

Board Composition and Qualifications

Our Corporate Governance Committee oversees the process for identifying and evaluating candidates for the Board of Directors. Directors should possess the highest personal and professional ethics, integrity and values, and be committed to representing the long-term interests of the Company’s Stockholders. General and specific guidelines for Director selection and qualification standards are detailed in the Corporate Governance Guidelines. The Committee will consider nominations from Stockholders under these standards if the nominations are timely received as described in this Proxy Statement.

Director Selection Process

The Bylaws of the Company provide that the Board of Directors shall consist of not less than 3 nor more than 15 Directors and that the number of Directors may be changed from time to time by the affirming vote of a majority of the Directors. The Board of Directors has established the number of Directors following the 2015 Annual Meeting of Stockholders at 10. Vacancies and newly created Directorships resulting from an increase in the number of Directors may be filled by a majority of the Directors then in office and the Directors so chosen will hold office until the next election of the class for which such Directors shall have been chosen and until their successors are elected and qualified. Directors are elected for a term of three years with positions staggered so that approximately one-third of the Directors are elected at each Annual Meeting of Stockholders. Based on a recommendation from the Corporate Governance Committee, each year the Board will recommend a slate of Directors to be presented for election at the Annual Meeting of Stockholders.

The Corporate Governance Committee will consider candidates submitted by members of the Board, Director search firms, executives, and our Stockholders, and the Committee will review such candidates in accordance with our Bylaws, Corporate Governance Guidelines, and applicable legal and regulatory requirements. The Committee’s process includes the consideration of the qualities listed in the Corporate Governance Guidelines, including that Directors should possess the highest personal and professional ethics, integrity, and values and be committed to representing the long-term interests of the Company’s Stockholders. The Committee reviews and discusses Director candidates on a regular basis at its Committee meetings. In identifying and recommending candidates for nomination by the Board as a Director of Donaldson, the Committee will consider appropriate criteria including current or recent experience as a Chairman of a Board, Chief Executive Officer or other senior management, business expertise, and diversity factors. Diversity is meant to be interpreted broadly. It includes race, gender, and national origin and also includes differences of professional experience, global experience, education, and other individual qualities and attributes. The Committee also will consider general criteria such as independence, ethical standards, a proven record of accomplishment, and the ability to provide valuable perspectives and meaningful oversight. The Committee will work periodically with one or more nationally recognized search firms to assist in identifying strong Director candidates. Candidates recommended by Stockholders are evaluated in accordance with the same criteria as other candidates and recommendations should be submitted by following the same procedures as required to formally nominate a candidate.

Andrew Cecere, James J. Owens, and Trudy A. Rautio are each standing for election by Stockholders for the first time at the Annual Meeting. Andrew Cecere was identified as a candidate by a former non-management Director, James Owens was identified as a candidate by a former member of management, and Trudy Rautio was identified as a candidate by a former non-management Director. The Corporate Governance Committee performed a thorough evaluation of each candidate's qualifications following the Company's specific guidelines and qualification standards prior to their election to the Board.

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Our Bylaws provide that if a Stockholder proposes to nominate a candidate at the Annual Meeting of Stockholders, the Stockholder must give written notice of the nomination to our Corporate Secretary in compliance with the applicable deadline for submitting Stockholder proposals for the applicable Annual Meeting. The Stockholder must attend the meeting in person or by proxy. The Stockholder's notice must set forth as to each nominee all information relating to the person whom the Stockholder proposes to nominate that is required to be disclosed in solicitations of proxies for election of Directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a Director if elected). No Stockholders submitted Director nominations in connection with this year's meeting.

Independent Director Executive Sessions and Evaluations

The Chair of our Human Resources Committee currently is designated as Lead Director and presides over all meetings or executive sessions of the independent Directors. Our Corporate Governance Guidelines provide that the Lead Director shall be selected from the independent Directors serving on the Board. Our independent Directors meet in executive session without management present at each Board meeting. Likewise, all Board Committees regularly meet in executive session without management. The Board and each Committee conducted an evaluation of its respective performance in Fiscal 2015.

Communications with Directors

The Company's compliance helpline is in place for our Employees and others to direct their concerns to the Audit Committee, on a confidential and anonymous basis, regarding accounting, internal accounting controls, and auditing matters.

In addition, we have adopted procedures for our Stockholders, Employees, and other interested parties to communicate directly with the members of the Board of Directors. You can communicate by writing to the Lead Director, the Chair of the Audit Committee, the Chair of the Corporate Governance Committee, the independent Directors as a group, or the full Board, in the care of the office of the Company Secretary, Donaldson Company, Inc., MS 101, P.O. Box 1299, Minneapolis, MN 55440-1299.

Written communications about accounting, internal accounting controls, and auditing matters should be addressed to the Chair of the Audit Committee. Please indicate if you would like your communication to be kept confidential from management. The procedures for communication with the Board of Directors also are posted on the Investors page of our website at www.donaldson.com under Corporate Governance.

Audit Committee Expertise; Complaint-Handling Procedures

In addition to meeting the independence requirements of the NYSE and the SEC, all members of the Audit Committee have been determined by the Board to meet the financial literacy requirements of the NYSE's listing standards. The Board also has designated John Wiehoff and Andrew Cecere as Audit Committee financial experts as defined by SEC regulations.

In accordance with federal law, the Audit Committee has adopted procedures governing the receipt, retention, and handling of complaints regarding accounting and auditing matters. These procedures include a means for Employees to submit concerns on a confidential and anonymous basis, through the Company's compliance helpline.

DIRECTOR COMPENSATION

Annual compensation for our Non-Employee Directors is designed to attract and retain highly qualified Non-Employee Directors and to provide equity-based compensation in order to align Director compensation with the long-term interests of our Stockholders. Directors are subject to a stock ownership requirement which requires them to own shares equal to five times their annual retainer within five years of their election as a Director. As of the end of Fiscal 2015, each Non-Employee Director who had been a Director for five years had met his or her ownership requirement. Non-Employee Director compensation is comprised of annual retainers and an annual stock option grant.

Our Corporate Governance Committee assists the Board of Directors in providing oversight on Director compensation. The Committee oversees, reviews, and reports to the Board on Director compensation. The Committee annually reviews competitive market data for Non-Employee Director compensation and makes recommendations to the Board of Directors for its approval. The Committee is assisted in performing its duties by our Human Resources Department, and when needed, an independent outside executive compensation consultant. The Committee engaged Mercer to conduct a review of the Non-Employee Director compensation program during Fiscal 2014 and will engage Mercer to conduct the next review in Fiscal 2016.

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During Fiscal 2015, a market analysis was completed by our Human Resources Department and reviewed by the Corporate Governance Committee. This review consisted of an analysis of competitive market data from a selected peer group of companies. The peer group is consistent with the peer group Mercer used for the executive compensation review conducted during Fiscal 2015 (see the Compensation Process section of the Compensation Discussion and Analysis for additional details).

Overall, the review showed that our Director compensation program is aligned with market trends. Cash compensation is below the 25^{th} percentile of the peer group and equity compensation is above the 75^{th} percentile of the peer group. Total direct compensation is slightly above the 75^{th} percentile of the peer group.

Annual Retainer

Non-Employee Directors receive an annual retainer of $53,000. $15,000 of the annual retainer is automatically deferred into a deferred stock account. The number of shares of stock deferred is equal to the amount of the retainer deferred divided by the most recent closing stock price on the date of the retainer payment, which is January 1^{st}. The remainder of the retainer is paid in cash unless the Director elects, prior to the year the retainer is paid, to defer all or a portion of the remaining retainer into the Donaldson Company, Inc. Compensation Plan for Non-Employee Directors.

A Non-Employee Director who is newly appointed to the Board during the year will receive a prorated annual retainer based on the effective date of the Director's election to the Board.

An additional annual retainer of $15,000 was added for the Lead Director effective January 1, 2015. This change was made based on Mercer's Director compensation review completed during Fiscal 2014.

The Chairs of the Board Committees receive an additional annual retainer:

- $22,000 for the Audit Committee Chair
- $15,000 for the Human Resources Committee Chair
- $15,000 for the Corporate Governance Committee Chair

Board Committee members receive the following additional annual retainers:

- $12,000 for Audit Committee membership
- $3,000 for Human Resources Committee membership
- $2,000 for Corporate Governance Committee membership

These additional retainers are also paid in cash unless the Director elects to defer all or a portion of the retainer into the Donaldson Company, Inc. Compensation Plan for Non-Employee Directors.

Stock Options

The Company's Non-Qualified Stock Option Program for Non-Employee Directors provides an annual grant of a non-qualified stock option to each Non-Employee Director who is a member of the Board on the first business day following January 1^{st} of each year.

The annual grant is based on a fixed value of $140,000. The number of options granted is determined by dividing the fixed value by the Black Scholes value of the Company stock as of the date of the grant (the shares will be rounded to the nearest 100 shares). The date of the stock option grant in Fiscal 2015 was January 2, 2015. The number of options granted to each Non-Employee Director was 14,000. The grant price is the closing stock price on the date of grant. The options are subject to a 3-year vesting schedule so that one-third of the shares vest on the first year anniversary, one-third vest on the second year anniversary, and one-third vest on the third year anniversary, and the options have a ten-year term.

A Non-Employee Director who is newly appointed to the Board during the year will receive a prorated stock option grant based on the number of completed months the Director is on the Board during the year.

Deferred Compensation

The Company sponsors the Donaldson Company, Inc. Compensation Plan for Non-Employee Directors, a non-qualified deferred compensation plan. The plan permits the Directors to elect to receive their annual retainers in one or more of the following methods:

- In cash on a current basis;
- In cash on a deferred basis (deferred cash account); or
- In Company stock on a deferred basis (deferred stock account).

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Annual retainers are paid on January 1st. As predetermined by the Board, the number of shares deferred into the deferred stock account for the annual retainers is equal to the amount of the retainer deferred divided by the closing stock price on the previous business day.

Any amount deferred into a deferred cash account prior to January 1, 2011 will be credited with interest at a rate equal to the ten-year Treasury Bond rate plus two percent. Effective for deferrals made after December 31, 2010, the interest rate will be the ten-year Treasury Bond rate.

The amounts deferred into a deferred stock account will be credited with any quarterly dividends paid on the Company's Common Stock. The Company contributes shares in an amount equal to the deferred stock accounts to a trust and a Director is entitled to direct the trustee to vote all shares allocated to the Director's account. The Common Stock will be distributed to each Director following retirement pursuant to the Director's deferral payment election. The trust assets remain subject to the claims of the Company's creditors, and become irrevocable in the event of a "Change in Control" as defined under the 1991 Master Stock Compensation Plan, the 2001 Master Stock Incentive Plan, and the 2010 Master Stock Incentive Plan.

Fiscal 2015 Director Compensation

The Fiscal 2015 compensation for our Non-Employee Directors is shown in the following table.

Name	**Fees Earned or Paid in Cash[1] ($)**	**Stock Awards[2][3] ($)**	**Option Awards[4] ($)**	**Non-Equity Incentive Plan Compensation ($)**	**Change in Pension Value and Nonqualified Deferred Compen-sation Earnings ($)**	**All Other Compen-sation ($)**	**Total ($)**
Andrew Cecere	50,000	15,027	140,238	0	0	0	205,265
Michael J. Hoffman	43,000	14,988	140,238	0	0	0	198,226
Paul David Miller	0	67,023	140,238	0	0	0	207,261
Jeffrey Noddle	68,000	14,998	140,238	0	0	0	223,226
Willard D. Oberton	53,000	15,027	140,238	0	0	0	208,265
James J. Owens	53,000	15,027	140,238	0	0	0	208,265
Ajita G. Rajendra	0	67,989	140,238	0	0	0	208,227
Trudy A. Rautio	0	50,599	128,444	0	0	0	179,043
John P. Wiehoff	0	74,981	140,238	0	0	0	215,219

(1)

The column shows the portion of the annual retainer for Chairs and Members of a Board Committee for Fiscal 2015 that each Director has elected to receive in cash. Each Director had the option to elect to receive this amount in cash, deferred cash, or a deferred stock award.

(2) This column represents the aggregate grant date fair value of deferred stock awards granted during Fiscal 2015 computed in accordance with FASB ASC Topic 718. This column includes the portion of the annual retainer that is payable in a deferred stock award. It also includes all or a portion of the remainder of the annual retainer, Chair retainers, and Committee member retainers which the Directors elected to receive in a deferred stock award. The following table lists for each Director the number of deferred stock awards granted during Fiscal 2015 in lieu of retainers and the grant date fair value of each deferred stock award:

	Retainer Fees[(a)]	
Name	**Deferred Stock (#)**	**Grant Date Fair Value ($)**
Andrew Cecere[(b)]	389	15,027
Michael J. Hoffman	388	14,988
Paul David Miller	1,735	67,023
Jeffrey Noddle	388	14,988
Willard D. Oberton	389	15,027
James J. Owens	389	15,027
Ajita G. Rajendra	1,760	67,989
Trudy A. Rautio	1,384	50,599
John P. Wiehoff	1,941	74,981

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a. The Fiscal 2015 deferred stock awards for the annual retainers were made effective January 1, 2015, the date previously established by the Board of Directors. The grant date fair values for those awards are based on the closing market price of the stock on the previous business day, December 31, 2014.

b. Ms. Rautio became a Director effective January 30, 2015. She received a prorated annual retainer for 2015 and the deferred stock award for that retainer was made effective January 30, 2015. The grant date fair value for that award is based on the closing market price of the stock on that date.

(3) The following table lists for each Director the deferred stock awards that are vested and will be paid out at the deferral election date made by the Director as of July 31, 2015, subject to the approval of the Board:

	Deferred Stock
Andrew Cecere	852
Michael J. Hoffman	25,289
Paul David Miller	32,792
Jeffrey Noddle	47,175
Willard D. Oberton	10,398
James J. Owens	2,260
Ajita G. Rajendra	9,766
Trudy A. Rautio	1,397
John P. Wiehoff	38,381

(4) This column represents the aggregate grant date fair value of stock option awards to purchase 14,000 shares of Common Stock granted during Fiscal 2015 to each Non-Employee Director computed in accordance with FASB ASC Topic 718. Refer to Footnote I to the Consolidated Financial Statements in our Annual Report on Form 10-K for Fiscal 2015 for our policy and assumptions made in the valuation of share-based payments.

The amount included in this column for each Non-Employee Director includes $140,238, reflecting the grant date fair value of options to purchase 14,000 shares of Common Stock granted on January 2, 2015, the grant date previously established by the Board of Directors. The exercise price for those options was the closing market price of the stock on that date. Admiral Miller elected to transfer 6,985 of his total 14,000 award to members of his immediate family.

Ms. Rautio received the annual stock option grant of 14,000 shares effective January 30, 2015 based on her appointment to the Board effective that date. The exercise price for this option was the closing market price of the stock on the grant date.

As of July 31, 2015, each of the Non-Employee Directors had the following stock options outstanding:

	Exercisable	**Unexercisable**
Andrew Cecere	5,000 shares	24,000 shares
Michael J. Hoffman	114,200 shares	26,400 shares
Paul David Miller	79,207 shares	13,128 shares
Jeffrey Noddle	114,200 shares	26,400 shares
Willard D. Oberton	92,800 shares	

		26,400 shares
James J. Owens	11,000 shares	25,200 shares
Ajita G. Rajendra	42,200 shares	26,400 shares
Trudy A. Rautio	0 shares	14,000 shares
John P. Wiehoff	114,200 shares	26,400 shares

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EXECUTIVE COMPENSATION

Compensation Committee Report

The Human Resources Committee ("Committee") of the Board of Directors of Donaldson, acting in its capacity as the Compensation Committee of the Company, has reviewed and discussed the following Compensation Discussion and Analysis with management and, based on such review and discussions, the Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and in our Annual Report on Form 10-K for the fiscal year ended July 31, 2015.

Submitted by the Human Resources Committee

Jeffrey Noddle, Chair
Michael J. Hoffman

James J. Owens
Ajita G. Rajendra

Compensation Discussion and Analysis

Executive Summary

The Compensation Discussion and Analysis provides information on the Company's executive compensation program and the compensation awarded for Fiscal 2015 to our Executive Officers ("Named Executive Officers" or "NEOs").

During Fiscal 2015, as part of the CEO succession process developed by the Board, Tod Carpenter succeeded William Cook as President and Chief Executive Officer on April 1, 2015. Mr. Cook remains our employee and Chairman of the Board. Mr. Cook had been our Chairman, President, and Chief Executive Officer since August 1, 2004.

Our Named Executive Officers for Fiscal 2015 were the following Executive Officers:

- Tod Carpenter, President and Chief Executive Officer ("CEO")
- William Cook, Chairman of the Board
- James Shaw, Vice President and Chief Financial Officer ("CFO")
- Thomas Scalf, Senior Vice President, Engine Products
- Wim Vermeersch, Vice President, Europe, Middle East and Africa
- Jay Ward, Senior Vice President, Industrial Products

This Compensation Discussion and Analysis should be reviewed in conjunction with the tables and narratives that follow it.

Principles and Objectives of the Company's Executive Compensation Program

The Committee establishes and administers the Company's executive compensation program. The key principles of the executive compensation strategy include:

- Aligning compensation to financial measures that balance both the Company's annual financial results and superior long-term Shareholder value creation
-

- Emphasizing Company financial performance by linking a significant portion of Executive Officer compensation to the actual financial performance of the Company
- Providing significant amounts of equity-based compensation in order to tie Executive Officer compensation to our Shareholders' long-term interests
- Targeting total Executive Officer compensation by comparison to proxy disclosure data for our established peer group (as recommended by an outside independent consultant) and published market survey data
- Requiring significant levels of Company stock ownership by the Executive Officers

The Company's objective is to create long-term Shareholder value through superior share price appreciation. Our executive compensation program is designed to support this objective and ensure that the interests of our Executive Officers ("Officers") are properly aligned with our Shareholders' long-term interests. Our program emphasizes variable performance-based compensation that promotes the achievement of both short-term and long-term business objectives which are aligned with the Company's business strategy, and rewards performance when those objectives are actually achieved. The mix of base salary, annual cash incentives, and long-term incentives is designed to ensure the long-term growth of the Company while delivering consistently strong financial results and return on investment (ROI). We believe our executive compensation program has effectively contributed to our Company's strong sales, earnings growth, and ROI over the past 25 years.

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The key objectives of the executive compensation program include:

- Aligning the interests of our Officers with the long-term interests of our Shareholders
- Providing competitive pay which enables us to attract, retain, reward, and motivate top leadership talent
- Consistently increasing Shareholder value

The Committee believes the executive compensation program assists the Company in retaining a strong executive leadership team which works together to create maximum Shareholder value. Our NEOs also have high stock ownership requirements, ranging from three to ten times base salary, which further aligns the interests of our NEOs with the long-term interests of our Shareholders.

Fiscal 2015 Financial Performance and Performance-based Compensation Implications

Many factors contributed to our results for each reportable segment for Fiscal 2015. We saw challenging conditions in most of our off-road OEM first-fit equipment end markets. First fit on-road OEM products sales was an exception with growth in new truck sales driving demand for our products. The Company also saw continued strength in demand for replacement filters in both its Engine and Industrial product segments through the first half of the year, but demand weakened as the fiscal year went on. Compared to the prior year, we experienced a 19.2% increase in Gas Turbine sales from last year's sales of $157 million. Our results were significantly negatively impacted by the strengthening of the U.S. dollar which reduced our Company's sales by $135 million compared to the previous year. We also continued to make investments including our Global ERP Project and new distribution centers in Europe and Latin America. We incurred restructuring, asset impairment and pension curtailment charges which reduced our EPS by $0.09. The declines in our end markets, restructuring charges, as well as the negative impact of currencies resulted in our GAAP EPS of $1.49 being 15% lower than our Fiscal 2014 EPS of $1.76.

Our compensation program for our NEOs is designed to link directly to our Company performance. Some of our key business results which relate to key performance measures in our performance-based compensation plans included:

- Net Sales of $2.371 billion, a decrease of 4% from our Fiscal 2014 net sales of $2.473 billion and 11% below our Financial Plan
- Operating Income percentage of 12.2%, a decrease from our Fiscal 2014 Operating Income percentage of 14.4% and below our Financial Plan of 14.6%
- Diluted EPS of $1.49, a decrease from our Fiscal 2014 EPS of $1.76, and below our Financial Plan of $1.94
- ROI of 17.2%, a decrease from our Fiscal 2014 ROI of 21.4% and below our Financial Plan of 21.9%

Our Fiscal 2015 annual cash incentive was structured so that actual compensation received by our NEOs was aligned with Company performance based on our key financial metrics of EPS, net sales, operating income percentage (net income percentage for our CFO), and ROI. As outlined above, the Company's Fiscal 2015 performance resulted in our key metrics falling short of our Financial Plan.

During Fiscal 2015, we initiated organizational restructuring actions which will have a positive long-term impact. The restructuring includes the closing of our Grinnell, Iowa plant, which will be completed during Fiscal 2016 as well as organizational reductions that occurred during the third and fourth quarters of Fiscal 2015. We also implemented a lump sum offering to certain participants in our U.S. pension plans. The Committee approved the exclusion of these unusual charges from the Fiscal 2015 annual cash incentive calculation. The Committee believed that these were one-time expenses that will have positive long-term results for the Company. The total impact of these exclusions to the NEOs annual incentive payments was $52,000.

Our EPS and net sales were below the threshold level and operating income percent and ROI were below target. As a result, the overall annual cash incentive payouts based on the Company financial results were significantly below target and ranged from 10% to 14% of target and varied based on the specific performance measures and weightings for the NEOs. The annual cash incentive for our NEOs with business segment or regional responsibility is based primarily on their business segment or regional results. For these NEOs, the payouts ranged between 6% and 52% of target based on their business or regional results. For more details refer to the Annual Cash Incentive section.

Our Fiscal 2015 long-term incentives were designed to directly link our NEOs' compensation to our longer term financial success. Our long-term incentives (described in more detail in the Long-Term Incentives section) for Fiscal 2015 consisted of stock options and performance shares provided through our Long-Term Compensation Plan. The stock options granted to our NEOs for Fiscal 2015 will only provide value to our NEOs if our stock price appreciates over time and we believe this directly links the interests of our NEOs to those of our Shareholders.

Payouts under our Long-Term Compensation Plan were based on the Company's achievement of ROI and net sales growth financial objectives over a three-year cycle. For the three-year cycle beginning August 1, 2012 and ending July 31, 2015, our average net sales decreased by 1.7%, therefore net sales growth was below the minimum threshold. Our average ROI over that period was 20.0%, which was slightly above target. These achievements resulted in below target payouts under the Long-Term Compensation Plan for our NEOs that ranged from 27% to 29% of target. The variation is based on the NEOs' specific business segment or regional results.

2014 Say-on-Pay Results

At our 2011 Annual Meeting, our Shareholders voted to hold the advisory vote on the compensation for our NEOs every three years. Therefore at our 2014 Annual Meeting, our Shareholders had the opportunity to provide this advisory vote on the compensation for our NEOs. 91% of the votes cast by our Shareholders voted in favor of our executive compensation proposal. The Committee believes that this strong support by our Shareholders of our approach to executive compensation reinforces the overall philosophy and structure of our program and confirms that it is in alignment with the long-term interests of our Shareholders.

Conclusion

Our executive compensation program provides incentives to attain strong financial performance and to ensure alignment with our Shareholders' long-term interests. The Committee believes that our executive compensation program, with its continued strong emphasis on performance-based compensation and stock ownership, properly motivates our Officers to produce strong returns for our Shareholders and to create long-term Shareholder value. Additionally, the Committee believes that in challenging financial periods, our lower annual cash incentive and Long-Term Compensation Plan payout levels appropriately align executive pay with our Company's actual performance.

Compensation Process

The Committee assists the Board of Directors in providing oversight on executive compensation. The Committee reviews and approves our overall compensation philosophy, strategy, and policies. The Committee annually reviews and approves all compensation for our Officers. As part of that review, the Committee takes into account competitive market analysis and recommendations by our Chairman, our CEO, our Human Resources Department, and an independent compensation consultant. For more information on the Committee, refer to the Meetings and Committees of the Board of Directors section of this Proxy Statement.

Compensation Consultant

The Committee has the authority to retain independent compensation consultants to assist in the analysis of our executive compensation program. During Fiscal 2014, the Committee engaged an independent compensation consultant to do an annual benchmarking review of our executive compensation program and to be available for Committee meetings as needed. The Committee is also assisted in performing its duties by the Chairman, the CEO and our Human Resources Department.

The Committee has engaged Mercer, a nationally known consulting firm, as its executive compensation consultant on an ongoing basis to attend Committee meetings and conduct the annual benchmarking review of our executive compensation program. Mercer disclosed to the Committee the other services that it provides to the Company. Mercer has also been engaged by management as the Company's actuary since 2002 and as a compensation consultant for our Asia Pacific region. In assessing the independence of Mercer, the Committee considered the factors contained in the applicable SEC and NYSE rules, including the amount and nature of the additional consulting work provided to the Company by Mercer and concluded that no conflict of interest exists that would prevent Mercer from independently advising the Committee.

Competitive Market

During Fiscal 2015, Mercer completed the market analysis of our executive compensation and presented the results to the Committee at its meeting in September 2014. This review consisted of a market review of our program against a peer group of public companies. This original peer group was established in Fiscal 2010 and is reviewed and updated by the Committee annually. The peer group consists of companies with median revenues approximating the Company's revenue. This peer group was intended to be representative of the market in which the Company competes for executive talent and consists of the following companies:

Actuant Corporation	IDEX Corporation	Rexnord Corporation
AMETEK, Inc.	ITT	Roper Industries
Briggs & Stratton Corporation	Kennametal Inc.	Snap-On Inc.
CLARCOR Inc.	Modine Manufacturing Co.	The Timken Company
Crane Company	Nordson Corporation	Toro Company
Flowserve Corporation	Pall Corporation	Trimas Corporation
H.B. Fuller Company	Polaris Industries, Inc.	Valspar Corporation
Hubbell Inc.	Regal-Beloit Corporation	Watts Water Technologies, Inc.

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Mercer utilized this information to inform the Committee of competitive pay practices and to benchmark the base salary, target annual and long-term incentives, and total target compensation for our Officers. Total Target Compensation is generally targeted at the median of the peer group.

Compensation Mix at Target

It is the intention of the Committee and a key principle of our executive compensation program that a significant portion of an Officer's total direct compensation be performance-based and that the portion of performance-based compensation should increase by level of position in the Company. For Fiscal 2015, the performance-based portion of total target direct compensation was approximately 77% for our CEO, 65% for Senior Vice Presidents, and 60% for Vice Presidents.

The Company's results directly impacted the actual total direct compensation paid to our NEOs. The Annual Cash Incentive for Fiscal 2015 paid out below target and ranged from 6% to 55% of target for our NEOs. The Company's Long-Term Compensation Plan payouts to the NEOs for the three-year cycle concluding in Fiscal 2015 were below target and ranged from 27% to 29% of target. As a result, actual total direct compensation for Fiscal 2015 was below the target levels for our NEOs. The following table shows the Fiscal 2015 actual total direct compensation versus target for our NEOs:

Named Executive Officer	**Target Total Direct Compensation** *	**Actual Total Direct Compensation** **
Tod Carpenter	$ 2,420,310	$ 1,743,538
William Cook	$ 3,708,342	$ 2,520,390
James Shaw	$ 871,507	$ 606,216
Thomas Scalf ***	$ 799,533	$ 611,315
Wim Vermeersch ****	$ 629,882	$ 566,656
Jay Ward	$ 1,135,919	$ 777,214

* Target Total Direct Compensation consists of base salary, target annual cash incentive for Fiscal 2015, target value at the beginning of the cycle Long-Term Compensation Plan award with the three-year period ending July 31, 2015, and the value of Fiscal 2015 annual stock option award.

** Actual Total Direct Compensation consists of base salary, annual cash incentive for Fiscal 2015, value on July 31, 2015 of Long-Term Compensation Plan award for the three-year period ending July 31, 2015, and the value of Fiscal 2015 annual stock option award.

*** Mr. Scalf was not eligible for the Long-Term Compensation Plan cycle which ended on July 31, 2015.

**** Mr. Vermeersch was not eligible for the Long-Term Compensation Plan cycle which ended on July 31, 2015. Mr. Vermeersch's compensation is paid in Euros and was converted from Euros to U.S. dollars using the exchange rate of 1 Euro equal to $1.1745, the average exchange rate for Fiscal 2015.

Executive Compensation Program Elements

The primary elements of our executive compensation program for Fiscal 2015 were:

- Base Salary
- Annual Cash Incentive

- Long-Term Incentives (includes Long-Term Compensation Awards, Stock Options, and Restricted Stock)
- Benefits
- Change in Control Agreements

The Committee believes each compensation element is supported by the principles and objectives described previously in the Principles and Objectives of the Company's Executive Compensation Program section.

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Base Salary

The base salaries paid to our Officers are designed to provide a market competitive level of compensation for each Officer based on position, scope of responsibility, business and leadership experience, and individual performance. Base salaries are the least variable element of compensation and are generally targeted at the median of our peer group. The Committee reviews the Officers' base salaries annually and may adjust them based on market competitiveness and individual performance.

During Fiscal 2015, we executed a leadership transition with Mr. Carpenter succeeding Mr. Cook as President and CEO. Based on the market analysis completed by Mercer, at the time of Mr. Carpenter's succession to the CEO, the Committee increased his base salary effective April 1, 2015 from $525,000 to $700,000.

The Committee reviewed the base salary for Mr. Cook at its December 2014 meeting and based on the market analysis completed by Mercer, the Committee adjusted Mr. Cook's base salary effective January 1, 2015 from $950,000 to $978,500, which was a 3.0% increase. Effective April 1, 2015, the Committee then adjusted Mr. Cook's base salary from $978,500 to $650,000. This adjustment was to reflect the change in his responsibilities as he transitioned to Chairman only.

During Fiscal 2015 the Committee also reviewed the base salaries of each of the other NEOs. Based on the market analysis completed by Mercer and recommendations from our CEO, the Committee approved the following base salary increases for our NEOs.

- Mr. Scalf, Senior Vice President, Engine Products, received a 4.7% increase effective October 1, 2014.
- Mr. Vermeersch, Vice President, Europe, Middle East and Africa received an increase of 4.4% effective October 1, 2014.
- Mr. Ward, Senior Vice President, Industrial Products, received a 3% increase effective October 1, 2014.

Annual Cash Incentive

The annual cash incentive award is designed to reward Officers for their contributions toward the Company's achievement of specific goals and to link the interests of our Officers with the Company's Board approved Financial Plan. This incentive compensation element focuses attention on the Company's actual financial performance and provides a significant financial performance-based variable component of our total compensation package.

Each year, the Committee establishes the annual cash incentive target opportunities as a percentage of base salary based on our peer group market data. Effective April 1, 2015, the Committee increased the target opportunity for Mr. Carpenter from 80% to 100% of base salary. This change was based on Mercer's market review and was made in recognition of his succession to CEO. His target opportunity for the entire fiscal year was 86.6% of base salary. If the maximum performance had been achieved the payout for our CEO would have been 200% of target opportunity or 173.2% of base salary.

The target opportunity for Mr. Cook, our CEO until April 1, 2015, was 110% of base salary for the full year. If the maximum performance had been achieved the payout would have been 200% of target opportunity or 220% of base salary. The annual cash incentive target opportunity for our other NEOs ranged from 40% to 60% of base salary, based on position. If maximum performance had been achieved for these NEOs, the payouts would have ranged from 180% to 200% of target opportunity or ranged from 72% to 120% of base salary.

Performance Goals. Predetermined performance measures and goals are set by the Committee each year. The annual cash incentive awards are calculated based on predetermined ranges for the achievement of the established performance measures. The goals reflect our strong performance-based philosophy, and the Committee believes the measures chosen are key to our financial success.

For Fiscal 2015, the Committee had discussions to determine the appropriate performance measures to help drive the Company to reach our long-term growth objectives. The Committee decided to continue to emphasize sales as a performance measure utilized in the annual cash incentive by maintaining the percentage of the annual incentive based on sales at 40%.

For Fiscal 2015, the predetermined financial performance measures and the percentage of the incentive based on target performance of these measures as established by the Committee for the NEOs were as follows:

Performance Measure	**CEO**	**CFO and VP, Europe, Middle East and Africa**	**Other Officers**
Net Sales	40%	40%	40%
Operating Income Percent of Sales	15%	—	25%
Net Income Percent of Sales	—	25%	—
Earnings per Share (EPS)	30%	20%	20%
Return on Investment (ROI)	15%	15%	15%

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The EPS performance measure for Fiscal 2015 was based on achieving a record attainment of EPS at the threshold and a 10% increase over prior record EPS at target. The other performance measures for Fiscal 2015 were based on the Company's Board approved Fiscal 2015 Financial Plan. For each performance measure, achievement of the Financial Plan target would have resulted in a payout at the 100% level, achievement below the Financial Plan target but above a threshold amount would have resulted in a lower payout, and achievement above the Financial Plan target would have resulted in a higher payout up to a pre-determined maximum.

Our Annual Incentive Plan states that the incentive targets and achievement can exclude restructuring expenses if pre-approved by the Committee. During Fiscal 2015, we began organizational restructuring which we believe will benefit the Company's long-term cost structure. These were:

- the closing of our Grinnell, Iowa plant, which will be completed during Fiscal 2016,
- organizational restructuring initiatives during the third and fourth quarters of Fiscal 2015, and
- a lump sum settlement that was accepted by certain participants in our U.S. pension plans.

The Committee approved the exclusion of these restructuring charges and expenses from the Fiscal 2015 annual cash incentive calculation. The Committee believed that these were one-time expenses that will have positive long-term results for the Company. The exclusions impacted the achievement levels for EPS, ROI, operating income percent of sales, and net income percent of sales. The total impact to the NEOs annual incentive payments for Fiscal 2015 was $52,000.

Annual cash incentive awards for NEOs with corporate responsibility are based on the Company's overall financial results. The annual cash incentive awards for NEOs with business segment responsibility are based on their specific business segment results for net sales, operating income percent of sales, operating income, and ROI (calculated as net operating profit after taxes divided by the average net operating investment for the period).

For Fiscal 2015, the net sales corporate target (100% achievement) was $2.675 billion. Actual achievement was $2.371 billion which was below the threshold level of $2.493 billion resulting in no payout for this goal. The net sales target for the Engine Products business segment was $1.679 billion. Actual achievement was $1.484 billion which was below the threshold of $1.584 billion resulting in no payout. The net sales target for the Industrial Products business segment was $996 million. Actual achievement was $887 million which was below the threshold of $896 million resulting in no payout. The net sales target for the Europe, Middle East and Africa region was €661 million. Actual achievement was €646 million resulting in a payout of 76.7%.

The Company's operating income percent of sales target for Fiscal 2015 (100% achievement) was 14.6%. Achievement was 12.2% prior to the approved exclusions and 12.7% with the Committee approved exclusions, resulting in a payout at 4% of target level. The operating income percent of sales target for our Engine Products business segment was 14.9% with achievement adjusted for the approved exclusions below the threshold at 12.9%, resulting in no payout. The operating income percent of sales target for our Industrial Products business segment was 15.5% and achievement adjusted for the approved exclusions was 14.2%, for a payout at 37.0% of target level.

The net income percent of sales goal target (100% achievement) for our CFO for Fiscal 2015 was 10.4%. Achievement with the approved exclusions for Fiscal 2015 was 9.2%, for a payout at 16.7% of the target level. The net income percent of sales target for our Europe, Middle East and Africa region was 10.9% and achievement adjusted for the approved exclusions was 10.2%, for a payout at 54.7% of target level.

The target EPS goal (100% achievement) was $1.94. The EPS achievement for Fiscal 2015 was $1.49 prior to the approved exclusions and $1.55 with the Committee approved exclusions. Both were below the threshold of $1.76 resulting in no payout for this measure.

For Fiscal 2015, the ROI performance measure target for the Company (100% achievement) was 21.9%. The actual ROI for Fiscal 2015 was 17.2% prior to the approved exclusions and 17.9% with the Committee approved exclusions, resulting in a payout at 66.6% of the target level. As established by the Committee, a business segment or region may have a higher ROI target based on the dynamics of the particular business and exclusions of certain corporate accounts from the business segment or region ROI calculation. For Fiscal 2015, the worldwide ROI targets for our Engine Products and Industrial Products business segments and Europe, Middle East and Africa region ranged between 21% and 25%. The ROI achievement with the approved exclusions for our Engine Products business segment was 20.1%, for a payout at 42.7% of target level. The ROI achievement with the approved exclusions for our Industrial Products business segment was 19.6%, for a payout at 55.9% of target level. The ROI achievement with the approved exclusions for our Europe, Middle East and Africa region was 18.6%, for a payout at 68.8% of target level.

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Payouts. Given the challenging business environment during Fiscal 2015 actual payouts for our NEOs ranged from 6% to 55% of target. The overall annual cash incentive payment for Fiscal 2015 for each of our NEOs is set forth below:

Named Executive Officer	Target Payment as a % of Base Salary	Target Award	Actual Award
Tod Carpenter[(1)]	100%	$606,200	$63,956
William Cook	110%	$715,000	$73,141
James Shaw	60%	$210,000	$29,304
Thomas Scalf	60%	$201,024	$12,806
Wim Vermeersch[(2)]	40%	$139,049	$75,823
Jay Ward	60%	$247,200	$42,630

(1) Target percentage changed effective April 1, 2015 from 80% to 100%. The target payout as a percent of base salary is based on eight months at 80% target and four months at 100% target.

(2) Mr. Vermeersch's incentive is paid in Euros and was converted from Euros to U.S. dollars using the annual average exchange rate as of the end of Fiscal 2015 of €1 equal to $1.1745.

U.S. Officers may elect to defer up to 100% of their annual cash incentive into the Donaldson Company, Inc. Deferred Compensation and 401(k) Excess Plan.

Long-Term Incentives

We believe that Long-Term Incentives tied to our common stock help align the interests of our Executive Officers to the interests of our Shareholders. We deliver our long-term incentives primarily through stock option awards and performance share awards that are granted annually.

Our long-term incentive awards are based on a competitive market value by position level targeted at the market median. Each year the Committee determines the Long-Term Incentive values for each of our Executive Officers based on the market data provided in the Mercer review.

Approximately one-half of that value will be provided in stock options and one-half in performance share awards through our Long-Term Compensation Plan.

Long-Term Compensation Plan. The purpose of our Long-Term Compensation Plan is to provide a long-term incentive for our Officers which will reward them for the Company's achievement of predetermined levels of long-term Company financial performance. The Long-Term Compensation Plan measures performance over a three-year period and the award is paid out at the end of the period based on the attainment of the pre-established Committee-approved financial performance goals. This award is paid out in Company stock which helps to align the interests of our Officers to the interests of our Shareholders.

A new three-year performance cycle is established each year. Based on our peer group market data, the Committee establishes each new award, including the financial performance objectives, the award matrix, and payout targets (the number of performance units) for each Officer.

For the award granted in Fiscal 2015, the target number of performance units is approximately one-half of the long-term incentives by position level as determined by the Committee. The target number of performance units is based on that value divided by the twelve-month weighted average Company stock price as of the end of the fiscal year in which the annual grant was made.

The potential payouts under the Long-Term Compensation Plan range from 0% to 200% of the target shares based on the predetermined levels of achievement over the three-year period.

The performance objectives are based on two metrics which the Committee believes are key to our long-term financial success: growth in net sales and ROI. Except as provided below, results for growth in net sales and ROI must meet the threshold performance level for both measures in order for a payout to be achieved. These targets are set by the Committee prior to the beginning of each three-year cycle. The Committee believes it is a key objective for the Company to maintain a certain level of ROI for our Shareholders when economic conditions result in sales growth that is below the threshold. Therefore, a payout ranging from 10% to 50% of target is available based on achievement of predetermined ROI results when the predetermined sales growth is below threshold.

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Awards for Officers with corporate responsibility are based on overall Company growth in net sales and ROI. Awards for Officers with business segment or regional responsibility are based 50% on their business segment or region results for net sales and ROI and 50% on overall Company results. As established by the Committee, business segments and regions can have different net sales and ROI target goals from the overall Company goals.

For the performance cycle with the three-year period that ended July 31, 2015, the Company experienced a decrease in net sales due to the challenging global business conditions, therefore there was no payout for the growth in net sales performance measure. The Company's average annual target ROI for that cycle was 19.0%. Actual Company ROI achievement for that cycle was 20.0%. The combination of these two resulted in an achievement for Corporate goals of 29% of the target level.

Our Engine Products business segment also experienced a decrease in net sales over the three-year period and they achieved an average ROI of 23.9%, resulting in achievement of 25% of the target level. For our Industrial Products business segment, sales declined over the three-year period and the average ROI was 24.1%, resulting in achievement of 29% of the target level.

The target shares and the actual share payout for the NEOs were:

Named Executive Officer	Target Shares	Actual Share Payout
Tod Carpenter	5,100	1,377
William Cook	21,300	6,220
Jim Shaw	3,300	964
Jay Ward	6,000	1,743

The payouts are based on the position the NEO held at the beginning of the cycle. Therefore, Mr. Carpenter received a payout based on the Engine Products business segment results.

Mr. Scalf and Mr. Vermeersch were not eligible for the Long-Term Compensation Plan performance cycle that ended on July 31, 2015.

A U.S. Officer may elect to defer his or her Long-Term Compensation Plan payout into the Donaldson Company, Inc. Deferred Compensation and 401(k) Excess Plan.

Stock Options. The Committee makes annual stock option awards to our Officers. Stock options vest over a three-year period from the date of the grant in one-third increments each year and have a ten-year term. The date of the grant is the date the grants are approved by the Committee and the grant price is the closing price on the date of the grant. On an annual basis, the Committee decides the number of options granted to our Officers.

The number of options is based on approximately one-half of the long-term incentive value by position level as approved by the Committee divided by the Black Scholes value as described in Note I to the Consolidated Financial Statements in our Annual Report on Form 10-K for Fiscal 2015.

Stock option grants are made under the 2010 Master Stock Incentive Plan and all options are non-qualified stock options. For stock options granted prior to Fiscal 2011, grants provided to an Officer within the first five years of being named an Officer had a reload provision. This provision provided a new option grant to be established upon exercise of the original grant. Reload stock options are automatically granted under the terms of the original stock option agreement to which they relate and no further action of the Committee is required. The reload stock option is granted for the number of shares tendered as payment for the exercise price and tax withholding obligation. The option price of the reload option is equal to the market price of the stock on the date of exercise and will expire on the same date as the original option. Stock options that are currently granted to Officers do not have a reload provision.

Restricted Stock. Restricted stock awards are granted to Officers in special circumstances. The Committee may grant a restricted stock award as part of the hiring of a new Officer, in recognition of a significant change in roles and responsibilities for an Officer, or as a retention vehicle for a current Officer. Restricted stock grants generally have a five-year cliff vesting schedule. Dividend equivalents are paid in cash on restricted stock during the vesting period. The following are the outstanding restricted stock grants for our NEOs.

Named Executive Officer	Grant Date	Shares	Vesting Date
Tod Carpenter	9/21/2012	2,000	9/21/2017
James Shaw	9/17/2010	4,000	9/17/2015
James Shaw	9/21/2012	2,000	9/21/2017
Thomas Scalf	11/25/2013	3,000	11/25/2018
Wim Vermeersch	1/9/2012	3,000	1/9/2017
Jay Ward	2/25/2014	20,000	2/25/2017

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Benefits

To ensure that we provide a competitive total compensation program which supports our efforts to attract and retain key executive leadership, the Company provides indirect compensation, such as health and welfare benefits and retirement benefits, to its Officers. The following are the benefits provided to the NEOs other than Mr. Vermeersch.

Health and Welfare Benefits. Our U.S. Officers participate in the same health and welfare programs as all other Company U.S. salaried Employees.

Retirement Benefits. Our U.S. Officers participate in the following retirement plans which are provided to most other Company U.S. salaried Employees:

- *Salaried Employees' Pension Plan* is a defined benefit pension plan which provides retirement benefits to eligible U.S. Employees through a cash balance benefit. It is designed to meet the requirements of a qualified plan under ERISA and the Internal Revenue Code. See the Pension Benefits Table and narrative for more information on this plan.

In July 2013, the Company announced that effective August 1, 2013, the plan is frozen to any Employees hired on or after August 1, 2013. Effective August 1, 2016, Employees hired prior to August 1, 2013 will no longer continue to accrue Company contribution credits under the plan.

- *Retirement Savings and Employee Stock Ownership Plan* is a defined contribution plan designed to meet the requirements of a qualified plan under ERISA and the Internal Revenue Code and to encourage our Employees to save for retirement. Most of our U.S. Employees are eligible to participate in this plan. Participants can contribute on a pretax basis up to 50% of their total cash compensation, up to the IRS annual deferral limits. The Company matches 100% of the first 3% of compensation that a participant contributes plus 50% of the next 2% of compensation that a participant contributes.

In July 2013, the Company announced that Employees hired on or after August 1, 2013 are eligible for a 3% annual Company retirement contribution in addition to the Company match described above. Effective August 1, 2016, Employees hired prior to August 1, 2013 will be eligible for the 3% annual Company retirement contribution.

Because Mr. Vermeersch is not based in the U.S., he did not participate in the benefit programs discussed above. He participated in the health, welfare and retirement programs provided to Employees at the Company's Leuven, Belgium location. These benefits included disability, life insurance, and health insurance. Leuven, Belgium Employees also participate in a defined benefit pension plan, the Defined Benefit Plan for the Benefit of Donaldson Europe BVBA. This plan provides a lump sum benefit at retirement of 2.4 times base salary up to the Computation Ceiling (€46,657.55 through June 30, 2015 and €47,117.80 beginning July 1, 2015) plus 8.4 times base salary over the Computation Ceiling. The lump sum value is prorated by years of service less than 40.

Executive Benefits. In order to attract and retain key executive leadership, the Company also provides the following executive retirement plans and deferred compensation plans for our NEOs other than Mr. Vermeersch:

- Excess Pension Plan
- Deferred Compensation and 401(k) Excess Plan
- Supplemental Executive Retirement Plan (frozen to new participants as of January 1, 2008)
- Deferred Stock Option Gain Plan (frozen to new deferral elections)
- ESOP Restoration Plan (frozen plan)

Mr. Vermeersch participated in the Swiss Life MultiPlan, which is a defined contribution plan for executive leadership in Belgium. The contributions are made solely by the Company and are equal to 0.6% of base salary up to the Contribution Ceiling (€46,657.55 through June 30, 2015 and €47,117.80 beginning July 1, 2015) plus 1.6% of base salary above the Contribution Ceiling. Per Belgian law, the contributions have a minimum guaranteed return of 3.25%.

For details on these plans, refer to the Pension Benefits Table and narrative and the Non-Qualified Deferred Compensation Table and narrative.

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Perquisites

Effective January 1, 2011, the Company does not provide any perquisites to our NEOs based in the U.S.

Mr. Vermeersch is located in Belgium and has a Company-provided automobile and €850 annually for tax filing assistance. The Company believes it is necessary to provide these benefits which are consistent with normal market practice in his country of residence.

Change in Control Agreements

The Company has entered into a Change in Control Agreement ("CIC Agreement") with each of our Officers. Other than the CIC Agreements, we do not have any employment contracts with our NEOs, except that we have an employment contract with Mr. Vermeersch that is consistent with the terms of employment contracts for director level employees of the Company in Belgium.

The Committee believes that our CIC Agreements, which contain a "double-trigger" assist us in retaining our executive leadership and are designed to enable our Officers to maintain objectivity in the event of a change in control situation and to better protect the interests of our Shareholders. The Committee also believes that the change in control provisions in our stock option awards, Long-Term Compensation Plan, and deferred compensation plans, which are triggered by the change in control itself and are not dependent upon any qualifying termination of employment event, are important because they provide retention incentives during what can be an uncertain time for Officers and also provide additional assurances to the Company that it will be able to complete a transaction that the Board believes is in the best interests of our Shareholders.

The CIC Agreement in effect during Fiscal 2015 provides that, upon a change in control, if the Officer's employment with the Company is terminated within 24 months:

- of the change in control without "cause," or
- of the change in control, or under certain circumstances a potential change in control, by the Officer for "good reason,"

then the Company shall pay or provide the following severance payments to the Officer:

- A cash lump sum equal to a multiple of the sum of the Officer's base salary plus the Officer's target cash incentive from the Annual Cash Incentive Plan then in effect. The multiple is based on level within the Company as follows:
  - Chairman and CEO – three times the sum of base salary and target annual incentive
  - Senior Vice Presidents – two times the sum of base salary and target annual incentive
  - Vice Presidents – one times the sum of base salary and target annual incentive
- Thirty-six months of health, life, accident, and disability coverage
- A cash lump sum equal to:
  - The value of the benefit under each pension plan assuming the benefit is fully vested and the Officer had three additional years of benefit accrual; less
  - The value of the vested benefit accrued under each pension plan
- The CIC Agreement provides that the Officer's payments will be reduced to the maximum amount that can be paid without triggering an excise tax liability. This reduction would only occur if the net amount of those payments is greater than the net amount of payments without the reduction.
- Outplacement services, suitable to the Officer's position, for up to three years

Under the Company's non-qualified deferred compensation plans and the excess plans described above, the payment to the Officer of his or her vested benefit is accelerated to be payable in the form of a lump sum immediately following a change in control followed by a qualifying termination.

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Stock Ownership Requirements

In order to ensure continual alignment with our Shareholders, the Committee has established stock ownership requirements for our Officers. The Committee believes that linking a significant portion of the Officer's personal holdings to the Company's long-term success, as reflected in the stock price, provides Officers a stake similar to that of our Shareholders. Therefore, Officers are expected to acquire and hold a significant amount of the Company's stock. The Committee has established stock ownership requirements (based on all shares of Company stock owned by an Officer, including unvested restricted stock, but excluding unexercised stock options) for our Officers as follows:

- Ten times base salary for our Chairman and our CEO
- Five times base salary for our Senior Vice Presidents
- Three times base salary for our Vice Presidents

In addition, once initial ownership requirements are met, Officers must retain 25% of all net shares received from stock option exercises.

New Officers are expected to meet their ownership requirement within five years of being named an Officer. As of the end of Fiscal 2015, all the NEOs who had been in Officer roles at the Company for at least five years had met their ownership requirements.

Stock Hedging and Pledging Policy

The Company Hedging and Pledging Policy prohibits the Company's Directors and Executive Officers from engaging in a hedge of Company stock, which includes any instrument or transaction through which the Director or Executive Officer offsets or reduces exposure to the risk of price fluctuations in Company stock. The policy also prohibits pledges of Company stock (e.g. as collateral for a loan or by holding Company securities in a margin account) by Directors or Executive Officers.

Named Executive Officer Compensation

The determination of the base salary, annual incentive, and equity compensation for Fiscal 2015 for our CEO until April 1, 2015, William Cook, and our CEO as of April 1, 2015, Tod Carpenter, was made as described above in the Compensation Process section of this Compensation Discussion and Analysis.

Mr. Carpenter's Compensation. Effective April 1, 2015 when Mr. Carpenter became CEO, his base salary was increased to $700,000.

Mr. Carpenter earned an annual cash incentive for Fiscal 2015 of $63,956 which will be paid in November 2015. This amount was calculated as described above under the Annual Cash Incentive section. Mr. Carpenter's annual cash incentive was based on a 4% of target level achievement of operating income percentage, a 66.6% of target level achievement of ROI, and a below threshold achievement for both EPS and net sales.

Mr. Carpenter earned a Long-Term Compensation Plan award payout for the three-year cycle that ended July 31, 2015 of 1,377 shares, based on an achievement level of 29% of target for the Company and 25% for the Engine Products business segment. This award was determined as described above under the Long-Term Compensation Plan section.

Mr. Carpenter received an annual stock option grant in December 2014 of 54,000 shares. This option grant vests over a three-year period from the date of grant in one-third increments and has a ten-year term. The option price was $38.78, which was the closing stock price on the grant date. The amount of the option grant was determined as described above in the Stock Options section. Mr. Carpenter also received a stock option grant on January 30, 2015 of

55,000 shares. This option was granted by the Committee in recognition of Mr. Carpenter's succession to President and CEO. The grant vests over a three-year period from the grant date in one-third increments and has a ten-year term. The option price was $36.56, which was the closing stock price on the grant date.

Mr. Cook's Compensation. Effective January 1, 2015, Mr. Cook's base salary was increased to $978,500 (reflecting a 3% increase) and was decreased to $650,000 effective April 1, 2015 when he transitioned from President and CEO to Chairman of the Board.

Mr. Cook earned an annual cash incentive for Fiscal 2015 of $73,141 which will be paid in November 2015. This amount was calculated as described above under the Annual Cash Incentive section. Mr. Cook's annual cash incentive was based on a 4% of target level achievement of operating income percentage, a 66.6% of target level achievement of ROI, and a below threshold achievement for both EPS and net sales.

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Mr. Cook earned a Long-Term Compensation Plan award payout for the three-year cycle that ended July 31, 2015 of 6,220 shares, based on an achievement level of 29% of target. This award was determined as described above under the Long-Term Compensation Plan section. Mr. Cook received an annual stock option grant in December 2014 of 134,500 shares. This option grant vests over a three-year period from the date of grant in one-third increments and has a ten-year term. The option price was $38.78, which was the closing stock price on the grant date. The amount of the option grant was determined as described above in the Stock Options section.

Each of the other NEOs is paid the same components of compensation as the CEO, and they are determined as described in this Compensation Discussion and Analysis. The determination of each of the other NEOs' base salary, annual incentive, and equity compensation was determined as described above in the Compensation Process section.

Tax Considerations

The Committee monitors any changes in regulations when reviewing the various elements of our executive compensation program. Section 162(m) of the Internal Revenue Code generally disallows federal tax deductions for compensation in excess of $1 million paid to the CEO and the next three highest paid Officers (other than the CFO) whose compensation is required to be reported in the Summary Compensation Table of the Proxy Statement. Certain performance-based compensation is not subject to this deduction limitation.

The 1991 Master Stock Compensation Plan and the 2001 Master Stock Incentive Plan, both of which have expired, were approved by Shareholders in 1991 and 2001, respectively. The 2010 Master Stock Incentive Plan was approved by Shareholders at the 2010 annual meeting. These plans limit the number of shares under a stock option or the Long-Term Compensation Plan that can be granted in any one year to any one individual to further the policy of preserving the tax deduction for compensation paid to executives. Our Officer Annual Cash Incentive and our Long-Term Compensation Plans were adopted by the Committee as sub-plans of the 2010 Master Stock Incentive Plan, subject to all the terms and limits of that Plan. The awards provided by these sub-plans are intended to qualify as qualified performance-based compensation under Section 162(m) of the Internal Revenue Code. The Committee reviewed the potential consequences for the Company of Section 162(m) and believes that this provision did not affect the deductibility of compensation paid to our Officers in Fiscal 2015.

The Committee reserves the right, in appropriate circumstances and for the benefit of Shareholders, to award compensation that may result in a loss of tax deductibility under Section 162(m).

The Committee designs and administers our equity compensation, our non-qualified deferred compensation, and CIC Agreements to be in compliance with Section 409A, the federal tax rules affecting non-qualified deferred compensation.

Compensation Risk Analysis

The Company has reviewed and assessed its compensation plans. To complete this review, the Company completed an inventory and analysis of its compensation programs globally and reviewed this with the Committee. Through this review, we determined that our compensation programs, policies, and practices for our Employees are not reasonably likely to have a material adverse effect on the Company. In making this determination, we took into account the compensation mix for our Employees along with the various risk control features of our programs, including balanced performance targets, our stock ownership guidelines, and appropriate incentive caps.

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Summary Compensation Table

The following table provides summary information concerning compensation paid or accrued by the Company to or on behalf of the Company's Named Executive Officers ("NEOs"): our CEO, our CFO, and each of our three other most highly compensated Officers who served in such capacities as of the end of Fiscal 2015 for services rendered during the 2013, 2014, and 2015 fiscal years.

Name and Principal Position	Year	Salary [1] ($)	Stock Awards[2] ($)	Option Awards[3] ($)	Non-Equity Incentive Plan Compen-sation[4] ($)	Change in Pension Value and Non-Qualified Deferred Compen-sation Earnings[5] ($)	All Other Compen-sation[6] ($)	Total ($)
Tod Carpenter[7]	2015	580,865	1,333,920	1,052,450	63,956	158,192	122,986	3,312,369
President and CEO	2014	429,062	561,838	518,393	387,114	100,523	198,539	2,195,469
	2013	326,308	278,202	218,555	63,775	36,361	97,792	1,020,993
William Cook[7]	2015	861,246	0	1,377,011	73,141	1,348,517	79,151	3,739,066
Chairman	2014	937,077	1,398,532	1,298,286	1,028,418	319,391	47,799	5,029,503
of the Board	2013	900,789	762,014	873,798	168,808	24,777	94,312	2,824,498
James Shaw	2015	350,000	178,080	194,522	29,304	68,663	24,926	845,495
Vice President and	2014	341,621	198,058	153,434	213,151	56,760	16,616	979,640
CFO	2013	297,741	194,344	102,587	35,328	14,231	18,871	663,102
Thomas Scalf[8]	2015	332,321	245,280	266,188	12,806	79,035	20,214	955,844
Senior Vice President, Engine Products								
Wim Vermeersch[9]	2015	342,382	87,360	148,451	75,823	85,117	53,237	792,370
Vice President, Europe, Middle East and Africa	2014	383,742	240,472	153,434	188,869	78,991	45,495	1,091,003
Jay Ward	2015	409,831	245,280	266,188	42,630	287,777	37,386	1,289,092
Senior Vice President,	2014	391,119	1,112,814	391,572	161,280	29,686	22,369	2,108,840
Industrial Products	2013	346,373	218,760	227,475	33,069	0	29,198	854,875

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(1) NEOs are eligible to defer a portion of their base salary into the Deferred Compensation and 401(k) Excess Plan. For Fiscal 2015, Mr. Cook deferred $40,192 of his base salary into the Plan and for Fiscal 2014, Mr. Cook deferred $54,785 of his base salary into the Plan. The Plan allows participants to choose different investment alternatives. Mr. Cook chose to allocate his deferral to be credited with a fixed rate of return. For more information on the Deferred Compensation and 401(k) Excess Plan, see the Non-Qualified Deferred Compensation section.

(2) This column represents the aggregate grant date fair value of performance-based stock awards granted during the fiscal year under our Long-Term Compensation Plan for our NEOs and does not reflect compensation actually received by the NEOs. The performance period for the award granted during Fiscal 2015 is August 1, 2015 through July 31, 2018. The performance period for the award granted during Fiscal 2014 is August 1, 2014 through July 31, 2017. The performance period for the award granted during Fiscal 2013 is August 1, 2013 through July 31, 2016. The aggregate grant date fair value is computed in accordance with FASB ASC Topic 718. Refer to Note I of the Consolidated Financial Statements in our Annual Report on Form 10-K for Fiscal 2015 for our policy and

assumptions made in the valuation of share-based payments.

For 2014, this column includes an additional Long-Term Compensation Plan award made to Mr. Vermeersch on December 6, 2013. Mr. Vermeersch had previously not been eligible for this plan. This award is for the cycle beginning on August 1, 2013 and payout will be prorated based on his effective date in the plan.

The grant date fair value is based on the probable outcome of the performance conditions which is the target payout under each award included in the column. The grant date fair value based on the maximum payout awards granted during each fiscal year is the following:

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Name	Long-Term Compensation Plan Award Granted during: Fiscal 2013	Fiscal 2014	Fiscal 2015
Tod Carpenter	$415,644	$1,123,676	$2,667,840
William Cook	$1,524,028	$2,797,064	N/A
James Shaw	$247,928	$396,116	$356,160
Thomas Scalf	N/A	N/A	$490,560
Wim Vermeersch	N/A	$480,944	$174,720
Jay Ward	$437,520	$541,628	$490,560

Mr. Cook did not receive a Long-Term Compensation Plan award during Fiscal 2015.

For 2014, this column also reflects the aggregate grant date fair value of $842,000 for a restricted stock grant of 20,000 shares awarded to Mr. Ward on February 25, 2014.

(3) This column represents the aggregate grant date fair value of stock option awards granted during the fiscal year under the Company's 2010 Master Stock Incentive Plan and 2001 Master Stock Incentive Plan. These amounts were calculated in accordance with FASB ASC Topic 718. Refer to Note I of the Consolidated Financial Statements in our Annual Report on Form 10-K for Fiscal 2015 for our policy and assumptions made in the valuation of share-based payments. The annual stock option grants for our NEOs were made on December 5, 2014 for Fiscal 2015, December 9, 2013 for Fiscal 2014, and December 7, 2012 for Fiscal 2013, the dates on which they were approved by the Committee. The grant price for those options was the closing market price of the stock on those dates.

The Fiscal 2015 value for Mr. Carpenter includes $499,598 reflecting the grant date fair value of a stock option grant granted by the Committee on January 30, 2015 in recognition of his succession to CEO. The Fiscal 2014 value for Mr. Carpenter includes $241,032 reflecting the grant date fair value of a promotional option granted by the Committee on April 1, 2014.

The Fiscal 2014 value for Mr. Ward includes $63,669 and $50,542 reflecting the grant date fair value of reload options granted on September 12, 2013 and March 27, 2014.

The Fiscal 2013 value for Mr. Cook includes $44,183, reflecting a grant date fair value of a reload option granted on August 28, 2012.

(4) This is the amount earned under our Annual Cash Incentive Plan as described in the Compensation Discussion and Analysis for the fiscal year. The Fiscal 2015 amount was paid to Mr. Scalf on October 9, 2015 and will be paid to the other NEO's in November 2015, the Fiscal 2014 amount was paid on October 10, 2014, and the Fiscal 2013 amount was paid on October 11, 2013. Our NEOs can elect to defer all or a portion of their annual cash incentive to the Deferred Compensation and 401(k) Excess Plan. For Fiscal 2013, 2014 and 2015, the following deferrals of the annual cash incentive were made:

Name	Fiscal 2013	Fiscal 2014	Fiscal 2015
William Cook	$0	$514,209	$0
Jay Ward	$3,307	$16,128	$4,263

(5) This column includes the annual change, if positive on an aggregate basis, in the value of our U.S. NEOs pension benefits for the following plans:

- Salaried Employees’ Pension Plan
- Excess Pension Plan
- Supplemental Executive Retirement Plan

For Mr. Vermeersch, this column includes the annual change in value of his pension benefits in the Swiss Life Defined Benefit Plan for the Benefit of Donaldson Europe BVBA. The amount was determined in Euros and was converted to U.S. dollars using the annual average exchange rate for Fiscal 2015 of €1 equal to $1.1745.

This column also includes the amounts for the dollar value of the interest accrued that is above the market interest rates determined under SEC rules for compensation deferred prior to January 1, 2011 under the Deferred Compensation and 401(k) Excess Plan. For deferrals made prior to January 1, 2011, the interest rate for the Plan as set by the Committee was the ten-year Treasury Bond rate plus two percent. Effective for deferrals made after December 31, 2010, the interest rate as set by the Committee is the ten-year Treasury Bond rate.

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The Fiscal 2015 change in pension value and above market interest amounts are as follows:

Name	Change in Pension Value	Above Market Interest
Tod Carpenter	$158,192	$0
William Cook	$1,323,014	$25,503
James Shaw	$68,663	$0
Thomas Scalf	$79,035	$0
Wim Vermeersch	$85,117	$0
Jay Ward	$287,777	$0

(6) The following components comprise the amounts in this column for Fiscal 2015:

Name	Retirement Contributions[(a)]	Life Insurance[(b)]	Restricted Stock Dividend	Other	Total
Tod Carpenter	$ 38,405	$ 2,322	$ 1,990	$80,269[(c)]	$122,986
William Cook	$ 75,587	$ 3,564	$ 0	$0	$79,151
James Shaw	$ 20,126	$ 810	$ 3,990	$0	$24,926
Thomas Scalf	$ 17,409	$ 810	$ 1,995	$0	$20,214
Wim Vermeersch	$ 5,132	$ 0	$ 1,995	$46,110[(d)]	$53,237
Jay Ward	$ 22,844	$ 1,242	$ 13,300	$0	$37,386

a. For U.S. NEOs, this includes the Company match to the Retirement Savings and Employee Stock Ownership Plan and the Deferred Compensation and 401k Excess Plan. For Mr. Vermeersch, this includes the Company contribution to the Swiss Life MultiPlan. The contribution is made is Euros and was converted to U.S. dollars using the annual average exchange rate for Fiscal 2015 of €1 equal to $1.1745.

b. The imputed income on the Company-provided basic life insurance in excess of $50,000

c. Mr. Carpenter was an expatriate on assignment in Belgium from August 1, 2008 through September 30, 2011. Mr. Carpenter received expatriate compensation and benefits that are available on the same basis to all U.S. Employees on expatriate assignments. Although Mr. Carpenter has not worked in Europe since September 2011, it often takes a few years after an Employee's return to the U.S. before the tax equalization payments can be finally settled. The $80,269 reported in the Summary Compensation Table for Fiscal 2015 was due to Mr. Carpenter's expatriate status as follows:

Foreign Tax Payment	$48,376
Tax Gross-Up	$1,176
Tax Preparation	$500
Tax Equalization	$30,217
Total	$80,269

d. Mr. Vermeersch is a Belgium Employee. This column includes statutory variable vacation pay of $25,195, tax preparation assistance of $998, and a company-provided automobile of $19,917.

(7) Mr. Cook and Mr. Carpenter are also Directors. Neither Mr. Cook nor Mr. Carpenter received compensation for his service as a Director.

(8) Mr. Scalf was not a NEO in Fiscal 2013 or Fiscal 2014; therefore, his information is only provided for Fiscal 2015.

(9) Mr. Vermeersch was not a NEO in Fiscal 2013; therefore, his information is only provided for Fiscal 2014 and Fiscal 2015. These amounts are set forth in Mr. Vermeersch's employment contract.

The monthly amounts paid to Mr. Vermeersch in Euros were converted to U.S. dollars using the average exchange rate for the month the compensation was paid. The other amounts that were paid to Mr. Vermeersch in Euros were converted to U.S. dollars using the annual average exchange rate for Fiscal 2014 of €1 to $1.3607 and for Fiscal 2015 of €1 equal to $1.1745.

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Fiscal 2015 Grants of Plan-Based Awards Table

This table provides information regarding each grant of an award made to our NEOs during Fiscal 2015. This includes the following awards:

- Fiscal 2015 Annual Cash Incentive which was approved by the Committee during Fiscal 2015 pursuant to the Annual Cash Incentive Plan;
- Stock awards pursuant to the Long-Term Compensation Plan for the three-year incentive cycle beginning August 1, 2015 which was approved by the Committee during Fiscal 2015;
- Annual Stock options granted pursuant to the 2010 Master Stock Incentive Plan during Fiscal 2015;

Name and Award Type		Estimated Future Payouts Under Non-Equity Incentive Plan Awards[1]			Estimated Future Payouts Under Equity Incentive Plan Awards[2]			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)
	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)			
Tod Carpenter										
Annual Cash Incentive		0	606,200	1,212,400						
Stock Awards	7/31/2015				3,970	39,700	79,400			
Annual Stock Option	12/5/2014								54,000	(3) 38.78
Stock Option	1/30/2015								55,000	(4) 36.56
William Cook[5]										
Annual Cash Incentive		0	715,000	1,430,000						
Annual Stock Option	12/5/2014								134,500	(3) 38.78
James Shaw										
Annual Cash Incentive		0	210,000	420,000						
Stock Awards	7/31/2015				530	5,300	10,600			
Annual Stock Option	12/5/2014								19,000	(3) 38.78
Thomas Scalf										

Annual Cash Incentive		0	201,024	402,048					
Stock Awards	7/31/2015				730	7,300	14,600		
Annual Stock Option	12/5/2014							26,000	[3] 38.78
Wim Vermeersch									
Annual Cash Incentive		0	139,049	250,287					
Stock Awards	7/31/2015				260	2,600	5,200		
Annual Stock Option	12/5/2014							14,500	[3] 38.78
Jay Ward									
Annual Cash Incentive		0	247,200	444,960					
Stock Awards	7/31/2015				730	7,300	14,600		
Annual Stock Option	12/5/2014							26,000	[3] 38.78

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(1) The Threshold, Target, and Maximum represent the range of potential payments for Fiscal 2015 under the Annual Cash Incentive Plan described in the Compensation Discussion and Analysis based on the NEOs' base salary as of July 31, 2015. The amount actually earned and paid out is based on the attainment of pre-established performance goals and is reflected in the Summary Compensation Table.

(2) The Threshold, Target, and Maximum represent the range of payments under the Long-Term Compensation Plan described in the Compensation Discussion and Analysis which are for the three-year cycle approved by the Committee during Fiscal 2015 and beginning August 1, 2015. The amounts in these columns reflect shares of stock and are based on the attainment of pre-established performance goals.

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(3) The Annual Stock Option Grants were granted to our NEOs on December 5, 2014 as described in the Compensation Discussion and Analysis. These grants were approved by the Committee on the grant date. All options are granted with an exercise price equal to the closing stock price of the Company's common stock on the date of the grant, December 5, 2014, and vest over a three-year period from date of grant, in one-third increments.

(4) This is a Stock Option Grant the Committee made to Mr. Carpenter in recognition of his appointment as CEO. This option has an exercise price equal to the closing stock price of the Company's common stock on the date of the grant, January 30, 2015, and vests over a three-year period from date of grant, in one-third increments.

(5) As Mr. Cook transitioned from CEO to the Chairman only role, he did not receive the Long-Term Compensation Plan award approved by the Committee during Fiscal 2015 for the three-year cycle beginning August 1, 2015.

Outstanding Equity Awards at 2015 Fiscal Year-End

The following table summarizes the equity awards held by our NEOs as of the last day of Fiscal 2015.

	Option Awards					**Stock Awards**					
Name	**Number of Securities Underlying Unexercised Options Exercisable (#)**	**Number of Securities Underlying Unexercised Options Unexercisable (#)**		**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares of Stock or Units Held That Have Not Vested (#)**		**Market Value of Shares of Stock or Units That Have Not Vested [1] ($)**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)**		**Equity Incentive Plan Awards: Market Value of Unearned Shares, Units, or Other Rights That Have Not Vested[1] ($)**
Tod Carpenter	5,000	0		16.495	1/23/2016	2,000	(10)	67,200	5,700	(2)	191,520
	1,000	0		16.075	7/26/2016				13,900	(3)	467,040
	10,000	0		17.550	12/5/2016				39,700	(4)	1,333,920
	11,000	0		23.000	12/4/2017						
	17,600	0		17.275	12/9/2018						
	18,000	0		21.200	12/11/2019						
	15,000	0		29.070	12/10/2020						
	24,000	0		34.880	12/9/2021						
	16,333	8,167	(5)	33.580	12/7/2022						
	7,834	15,666	(6)	42.070	12/9/2023						
	6,667	13,333	(7)	42.680	4/1/2024						
	0	54,000	(8)	38.780	12/5/2024						
	0	55,000	(9)	36.560	1/30/2025						
William Cook	109,000	0		17.550	12/5/2016				20,900	(2)	702,240
	112,000	0		23.000	12/4/2017				34,600	(3)	1,162,560
	142,600	0		17.275	12/9/2018						

	153,000	0		21.200	12/11/2019						
	116,000	0		29.070	12/10/2020						
	116,000	0		34.880	12/9/2021						
	62,000	31,000	(5)	33.580	12/7/2022						
	36,667	73,333	(6)	42.070	12/9/2023						
	0	134,500	(8)	38.780	12/5/2024						
James Shaw	5,000	0		16.400	12/16/2015	4,000	(11)	134,400	3,400	(2)	114,240
	5,000	0		17.550	12/5/2016	2,000	(12)	67,200	4,900	(3)	164,640
	6,000	0		23.000	12/4/2017				5,300	(4)	178,080
	6,000	0		17.275	12/9/2018						
	6,000	0		21.200	12/11/2019						
	6,000	0		29.070	12/10/2020						
	13,000	0		34.880	12/9/2021						
	7,667	3,833	(5)	33.580	12/7/2022						
	4,334	8,666	(6)	42.070	12/9/2023						
	0	19,000	(8)	38.780	12/5/2024						
Thomas Scalf	1,000	0		29.070	12/10/2020	3,000	(13)	100,800	6,700	(3)	225,120
	4,000	0		34.880	12/9/2021				7,300	(4)	245,280
	4,667	2,333	(5)	33.580							