PACCAR Inc

# PACCAR SASB-ESG Report

2023

## SASB Disclosure Table

Industrial Machinery & Goods Sustainability Accounting Standard Version 2018-10

| Topic | Metric | Disclosure |
|---|---|---|
| **Energy Management** | Total energy consumed | 978,124 MWh (TCFD/CDP Report: C8.2a) |
| | Percent grid electricity | 41.7% (TCFD/CDP Report: C8.2a) |
| | Percent renewables | 5.9% (TCFD/CDP Report: C8.2a) |
| **Employee Health & Safety** | Total recordable incident rate | This document: p. 17 |
| | Fatality rate | Zero |
| | Near miss frequency rate | Not disclosed but consistent with Total Recordable Incident rate. |
| **Fuel Economy & Emissions in Use Phase** | Sales weighted fleet fuel efficiency for medium and heavy duty vehicles (Gallons/1,000 ton-miles) | The latest models of Kenworth, Peterbilt, and DAF trucks have improved fuel efficiency by up to 7% compared to previous models (This document: p. 12-13). Kenworth and Peterbilt trucks will improve fuel efficiency by at least 19% by 2024, and 25% by 2027 when compared to 2017 levels. DAF trucks will improve fuel efficiency by at least 15% by 2025 and 30% by 2030 when compared to 2020 levels. |
| | Sales-weighted fuel efficiency for non road equipment (Gallons/hour) | Not applicable to PACCAR's business. |
| | Sales weighted fuel efficiency for stationary generators (Watts/gallon) | Not applicable to PACCAR's business. |
| | Sales weighted emissions of NOx for Marine diesel engines, locomotive diesel | PACCAR products are low NOx and compliant with all NOx emissions regulations in all its |

| | | |
|---|---|---|
| | engines, on-road medium- and heavy duty engines, and other non road diesel engines | markets. |
| | Sales weighted emissions of particulate matter for Marine diesel engines, locomotive diesel engines, on road medium- and heavy duty engines, and other non-road diesel engines | PACCAR products are low PM and compliant with all PM emissions regulations in all its markets. |
| **Materials Sourcing** | Description of the management of risks associated with the use of critical materials | This document: p. 20-21 |
| **Remanufacture Design & Services** | Revenue from remanufactured products and remanufacturing services | PACCAR's aftermarket parts division sells remanufactured engines and many other remanufactured components. |
| **Activity Metrics** | Number of units produced by product category | PACCAR delivered 185,900 new trucks in 2022 |
| | Number of employees | 31,100 as of December 2022 |

The Sustainability ESG disclosures in this report and at PACCAR.com are consistent with the SASB Industrial Machinery & Goods Sustainability Accounting Standard Version 2018-10.

## Forward Looking / Cautionary Statements

This report may contain statements that are forward looking. These statements are based on current expectations and assumptions that are subject to risks and uncertainties, which may cause actual results to differ materially. A summary of risks and uncertainties is described in more detail in our periodic reports filed with the Securities and Exchange Commission (SEC). We undertake no duty to update or revise this presentation, whether as a result of new information, future events or otherwise. For the most recent financial, risk and other information about PACCAR, please see our SEC filings and most recent earnings release available on the Investor Relations page of www.paccar.com.

PACCAR Inc

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# PACCAR Environmental, Social and Governance (ESG) Report

PACCAR is a global technology leader in the design, manufacture and customer support of premium medium- and heavy-duty trucks under the Kenworth, Peterbilt and DAF nameplates. PACCAR also designs and manufactures advanced powertrains, provides financial services and information technology, and distributes aftermarket parts related to its principal business.

PACCAR conducts business to achieve above-average market returns for stockholders, reflect the highest ethical standards, fulfill our legal obligations, and meet our social responsibilities. We strive to gain the favorable regard of customers, shareholders, employees, regulatory authorities, and the general public through superior performance and effective communications.

PACCAR's Sustainability approach that enhances shareholder value is focused on:

- Environmental leadership
- Social responsibility and ethical business conduct
- Corporate governance practices

## Environmental Leadership

Reducing the environmental impact of our activities and products is an integral part of our process of continuous improvement. Our commitment to the environment is demonstrated in our energy efficient operations and technologically advanced products.

PACCAR's global industrial leadership includes addressing the environmental challenges facing our own and future generations. PACCAR's environmental management system and policy are designed to focus on the reduction of the environmental impacts of the company's activities, products and services. A key premise of PACCAR's environmental policy can be stated simply: It is more environmentally prudent and cost effective to identify a problem before it occurs, than to correct or clean it up afterwards.

**Environmental Policy**

The following principles are used to implement PACCAR's environmental policy:

- Commitment to compliance with environmental laws.
- Development and implementation of prudent practices in company facilities around the globe that often go beyond regulatory compliance.
- Comprehensive industry leadership in policy, procedure, training programs and operation audits at all company facilities.
- Commitment to continual improvement.
- Prevent pollution by continued evaluation of our industrial processes and procedures.
- Proactively seek new information and training in order to create, initiate and advance new ideas and approaches to manage environmental exposures before they are mandated by regulations.

# Operations

PACCAR has focused on responsible environmental stewardship since its founding in 1905. The Company is committed to environmental responsibility in the vehicle production process. Finding ways to reduce waste, reuse materials, conserve energy and reduce the environmental impact of our activities occurs daily in both small and significant ways across the Company. PACCAR is driving smart manufacturing into every aspect of its business because it helps the environment and makes good long-term business sense.

**Environmental Management System**

PACCAR's manufacturing locations are ISO 14001 certified providing assurance to management, employees, and shareholders that the environmental impact is being measured and managed. ISO 14001 certified management system measures, monitors and maintains compliance at each manufacturing site including:

- Air emissions – sites are monitoring and reporting local and federal jurisdiction air standards and maintaining compliance.
- Water consumption & discharge – monitoring and reporting local and federal jurisdictions water use and maintaining water standards.
- Energy usage – sites measure and monitory energy usage (electricity, natural gas, etc.) including access to renewable power options.
- Materials & waste – sites annually target achieving zero waste-to-landfill.

The table below contains environmental metrics monitored on an annual basis by PACCAR across the manufacturing sites.

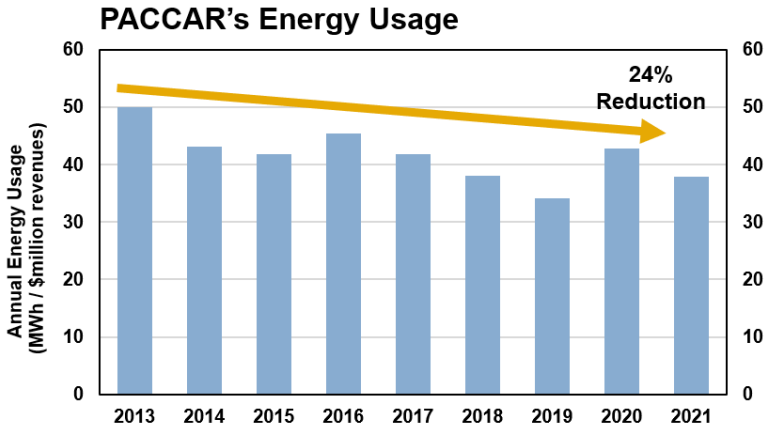
| Manufacturing sites (%) | 2019 | 2020 | 2021 |
|---|---|---|---|
| ISO 14001 management certified | 100% | 100% | 100% |
| Meeting air emissions standard | 100% | 100% | 100% |
| Meeting water standard | 100% | 100% | 100% |
| Progress on zero waste-to-landfill | 81% | 87% | 87% |

**Energy management**

Energy use is measured and monitored across PACCAR manufacturing and non-manufacturing sites. The chart below contains the total energy usage across PACCAR locations.

| Energy (MWh) | 2019 | 2020 | 2021 |
|---|---|---|---|
| Manufacturing & non-manufacturing locations | 925,187 | 877,708 | 978,124 |

From 2013 to 2021, PACCAR reduced its energy usage 24% on a per revenue basis as shown below.




**Climate Strategy**

In 2022, PACCAR achieved an A score from CDP on the Company's Task Force for Climate Related Financial Disclosures (TCFD) aligned climate transition plan, placing it in the top 1.5% of over 18,000 companies reporting and demonstrating a robust approach to reducing greenhouse gas emissions in Kenworth, Peterbilt and DAF vehicles and from our global facilities. PACCAR has earned an "A" or "A-" rating for eight consecutive years.

The Company's TCFD-CDP Climate Transition Plan provides details including the governance, strategy, risk management and metrics & targets consistent with the TCFD framework as outlined below:

**Governance**

- Board level oversight
- Board expertise on climate change
- Senior management accountability & feedback mechanisms
- Executive remuneration linked to climate KPI's

**Strategy**

- 1.5°C world aligned transition plan within business strategy & shareholder feedback
- Link between climate related risks, opportunities & strategy
- Details of scenario analysis
- Financial planning details associated with climate transition
- Low carbon product & services
- Low carbon initiatives – direct operations
- Value chain engagement – suppliers and customers
- Alignment of public policy engagement with climate strategy

**Risk Management**

- Process for identifying and managing climate related risks and opportunities
- Climate related risks, potential financial impact, and response strategy
- Climate related opportunities, potential financial impact, and response strategy

**Metrics and Targets**

- Approved science-based targets

- Other climate related target**s**
- Net Zero target, in line with the latest climate science
- GHG Protocol annual Scope 1, 2, 3 GHG inventory (3rd party verified)

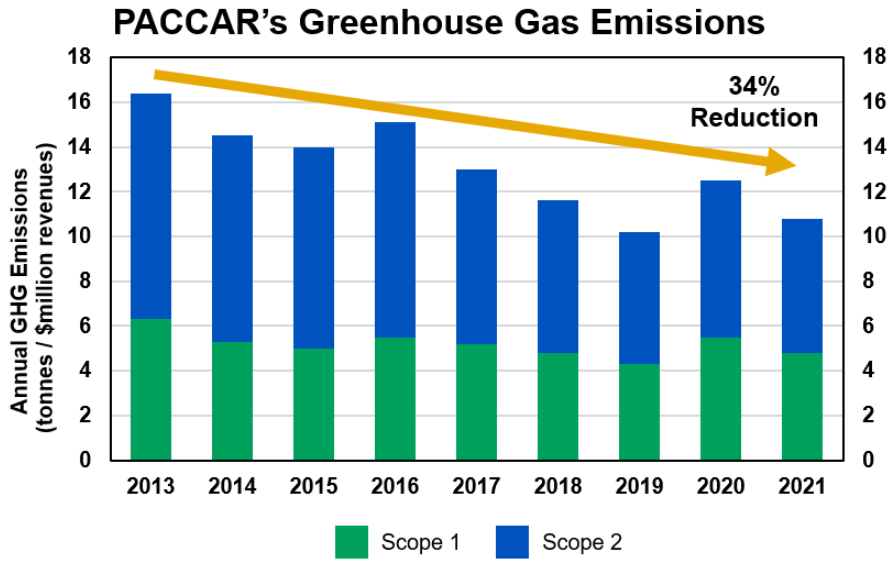
PACCAR's CDP report is publicly available on the CDP website and PACCAR's TCFD-CDP Climate Transition Plan Report available at https://www.paccar.com/about-us/environmental-social-and-governance/.

**GHG Emissions**

The chart below is the GHG emissions as disclosed in the 2022 CDP Report.

| (Tonnes C02e) | 2019 | 2020 | 2021 |
|---|---|---|---|
| Scope 1 & 2 (location based) | 258,508 | 256,594 | 278,781 |
| Scope 3 | 82,918,473 | 58,316,084 | 76,815,833 |

PACCAR monitors both absolute greenhouse gas emissions and greenhouse gas emissions inventory per unit of revenue, which normalizes the data for fluctuations in our business that occur due to industry cyclicality. From 2013 to 2022, PACCAR reduced scope 1 and 2 greenhouse gas emissions 34% on a per revenue basis as shown below:




**Science Based Targets**

In 2021, PACCAR established greenhouse emissions reduction targets approved by the Science Based Targets Initiative (SBTi). SBTi works with over 2,250 companies worldwide to create a clearly defined path to reduce greenhouse gas emissions, with the goal to help limit global warming to well below 2 degrees Celsius compared to pre-industrial levels. PACCAR's targets are publicly disclosed at https://sciencebasedtargets.org/.

The Scope 1 and 2 science based target (SBT) is a 35% absolute reduction of CO2 emissions from PACCAR's global facilities between a baseline year of 2018 and a target year of 2030 and is based

on SBTi's "other industry sectoral decarbonization approach (SDA)" using the absolute contraction method for well below 2°C.

Scope 3 SBT is a 25% reduction in product use greenhouse gas emissions in grams of CO2 emissions per vehicle kilometer, well to wheel, from the heavy-duty vehicles PACCAR sells in the US, Canada and Europe, and the medium duty vehicles PACCAR sells in the US and Canada between a baseline year of 2018 and a target year of 2030. This SBT is a medium-term target for product use emissions based on the SDA Transport Tool for below two degrees Celsius.

| SBT Progress | 2018 Baseline | 2019 | 2020 | 2021 | 2030 Target |
|---|---|---|---|---|---|
| 25% Scope 1 & 2 tonnes CO2e | 292,716 | 285,508 | 256,594 | 278,781 | 190,265 |
| 35% Scope 3, Category 11 (g CO2/vkm WTW) | 1005.7 | 1005.3 | 996.0 | 1081.3 | 754.3 |

In 2022, the Science Based Target Initiative (SBTi) paused target validations & updates recognizing there is currently not a SDA for transport sector allowing companies like PACCAR to align their use-phase emissions targets of new road vehicles with 1.5°C pathways. PACCAR's well-below 2°C trajectory approved science based targets are granted extensions until an SDA for transport is developed and approved at a later date.

## Supplier Sustainability Engagement

PACCAR is driven to provide its customers with the highest quality truck with the lowest lifetime operating costs especially related to fuel economy, safety, reduced emissions, and next generation transport technology. PACCAR challenges all suppliers to improve vehicle fuel efficiency and reduce greenhouse gas emissions using cutting-edge technology. Active collaboration with the top 100 suppliers annually, which accounts for over 80% of PACCAR's total spend, is strategically focused on those suppliers who can best contribute to vehicle fuel economy improvements and reduced emissions. In addition, the top 100 suppliers are screened using the International Sustainability Standard Boards (ISSB, part of the International Financial Reporting Standards Foundation) to identify relevant ESG issues attributed to the industry sector associated with each supplier (https://sasb.org/standards/materiality-finder/find/); as well as evaluating each suppliers' annual sustainability scoring for S&P Global CSA, Sustainalytics, and CDP Climate and noting Science-based Target Initiative (SBTi) greenhouse emission reduction targets commitments.

| (% suppliers by procurement spend) | 2020 | 2021 | 2022 |
|---|---|---|---|
| Suppliers screened for industry sector ISSB Relevant Issues, SBT targets, and CDP Climate score | 85% | 81% | 82% |

PACCAR's Purchasing and Quality managers may then use the supplier specific sustainability

information when evaluating supplier performance, contracts, and discussions during quarterly and annual reviews.

## Products Innovation & Stewardship

A key element of PACCAR's environmental strategy is to offer our customers commercial vehicles that reduce environmental impacts. PACCAR invests in technologies that reduce greenhouse gas emissions such as fuel-efficient diesel engines, natural gas and biofuel engines, and next-generation battery- electric, hybrid, hydrogen combustion, and hydrogen fuel cell powertrains. To develop and manufacture these industry leading products and technologies, the Company makes significant investments in capital expenditures and R&D each year.

| ($ in millions) | 2020 | 2021 | 2022 |
|---|---|---|---|
| Capital Investment | $569.5 | $511.8 | $505.0 |
| R&D | $273.9 | $324.1 | $341.2 |

**Customer Engagement**

PACCAR’s commitments to making the highest quality, most sustainable vehicles, begins with continuous and intensive engagement with customers for ongoing feedback on vehicle performance and new specifications for future product designs. Our engineers use “Design for Environment” or Eco Design software to identify non-hazardous, lighter weight materials while improving overall vehicle recyclability rates to over 90% and material recoverability greater than 95%. In addition, scientists, engineers, and economist utilize evaluation tools for life-cycle assessment (LCA) modeling to incorporate effects on health, ecosystems, and resource consumption into design considerations.

**Pathway towards zero emissions**

PACCAR’s consistent long-term profits, strong balance sheet, and intense focus on quality, technology and innovation have enabled the company to invest $7.3 billion in world-class facilities, next generation products and state of the art technologies during the past decade. PACCAR continues increasing its investment in next generation diesel, electric powertrain, and hydrogen powertrain technologies. PACCAR invested $505.0 million in capital projects and $341.2 million in research and development expenses in 2022. In 2023, capital expenditures are projected to be in the range of $525-$575 million and research and development expenses are estimated to be in the range $360-$410 million.

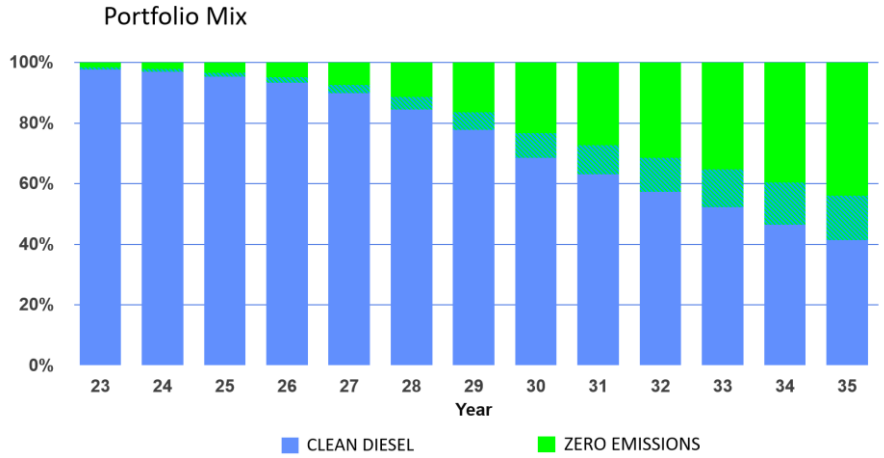
PACCAR is on the pathway of advanced technology, smart manufacturing capability, and training its industry leading labor force to deliver battery electric, hybrid, and fuel cell technology in DAF, Peterbilt, and Kenworth trucks. In production today are nine industry leading battery-electric-vehicle models and multiple hydrogen vehicle models in development.

There is encouraging activity in policy commitments and investments by major economies for the energy sector’s physical infrastructure for generating low- or no-carbon energy supply, as well as fueling networks for battery electric and zero emission vehicles. For example, Europe’s increased

push for clean energy and other new policies, and the Infrastructure Investment and Jobs Act in the United States authorizing $1.2 trillion in new infrastructure spending. However, the IEA World Energy Outlook 2022 forecasts the Net Zero Emissions by 2050 Scenario will require a tripling in spending on clean energy infrastructure to 2030, alongside a shift towards much higher investment in emerging markets and developing countries.

Currently, even with advancing zero emission truck technology, a fact-based long term 2050 pathway to zero emissions is not yet clear for the transportation sector primarily due to the energy sector's under-investment and lack of physical infrastructure necessary for supplying reliable and affordable low- or no-carbon electricity and hydrogen fuel.

PACCAR has communicated a progression through 2035 towards lower emissions when considering a combination of state and federal air quality standards, carbon regulations and zero emission vehicle sales and fleet mandates. From 2023 to 2035, a portfolio adoption mix may appear as below.




More information on PACCAR's pathway to zero emissions may be found at paccar.com/investors Annual Report, SEC filings & Investor Presentation

**PACCAR's Zero Emission Trucks**

PACCAR's research and development efforts include several development projects for Kenworth, Peterbilt and DAF vehicles, including battery electric, hydrogen fuel cell, hydrogen combustion, and hybrid technologies.

PACCAR is currently selling nine different zero emissions truck products in the heavy and medium duty markets. Our zero-emissions vehicle portfolio covers applications ranging from refuse and drayage to regional haul and local pick-up and delivery. So far, PACCAR has received hundreds of orders.  Production is underway and we are now delivering these products to customers around the world.







| (# Models) | 2020 | 2021 | 2022 |
|---|---|---|---|
| Battery Electric Vehicle | 3 | 7 | 9 |

Peterbilt has developed a battery electric Peterbilt 579EV for port and regional haul applications. Peterbilt has designed a battery electric Peterbilt 520EV truck for the refuse segment. The truck's 100-mile range and quiet operation is an excellent solution for residential neighborhood refuse operations.

The zero-emissions Peterbilt 220EV and Kenworth K270E cabover trucks have a range of up to 200 miles. These trucks are designed for use in a variety of applications including local pickup and delivery and short regional haul operations.

DAF has developed battery electric DAF CF and DAF LF trucks, which offer zero emissions and ultra-low noise for heavy- and medium-duty urban distribution and refuse applications. The DAF CF Electric was named Green Truck Logistics Solution 2019, a prestigious award for the deployment of emerging technologies in Europe. The DAF LF Electric is a medium-duty truck with a modular battery pack that can be scaled to the range required by customers.

The DAF CF Hybrid has been developed for driving with zero emissions in urban areas, while offering a much longer range to operate beyond those urban areas, thanks to the efficient PACCAR MX-11 engine. The combination of electric and diesel power ensures the highest logistical efficiency.

PACCAR is developing hydrogen combustion and hydrogen fuel cell solutions. The DAF XF H2 technology demonstration truck uses an internal combustion engine powered by hydrogen and was designed for use in the long-haul segment. It was honored with the Truck Innovation Award 2022. Compared to the fuel cell hydrogen solution, the combustion engine option has transient capabilities (eliminating the need of a large energy storage system). Other advantages include the lower cooling capabilities needed and lower sensitivity to hydrogen purity. In addition, the Company has extensive knowledge and a comprehensive manufacturing footprint in the combustion engine technology.

PACCAR and Toyota Motor North America, Inc. (Toyota) partnered for several years on hydrogen fuel cell (FCEV) and announced an expansion of their joint efforts to develop and produce zero emissions FCEV Kenworth and Peterbilt trucks powered by Toyota's next-generation hydrogen fuel cell modules. The expanded agreement supports ongoing development and commercialized zero-emission versions of the Kenworth T680 and Peterbilt 579 models featuring Toyota's hydrogen fuel cell powertrain kit, with initial customer deliveries planned for 2024. Pictured below are Kenworth T680 and Peterbilt 579 Hydrogen Fuel Cell Trucks.



**Low Carbon and Renewable Fuels**

PACCAR is a market leader for natural gas heavy-duty vehicles. Based on the latest information from the research firms R.L. Polk and ACT Research, Kenworth and Peterbilt achieved market share of nearly 33% of compressed natural gas heavy-duty vehicle registrations in the U.S. and Canada in 2022.

| (%, US and Canada market share) | 2020 | 2021 | 2022 |
|---|---|---|---|
| CNG heavy-duty vehicles | 46.3% | 29.0% | 33.4% |

PACCAR's MX 13 and MX 11 engines are certified to use B10/B20/B30 and XTL biofuels in Europe and B20 biofuel in the U.S. Biofuel capable engines represent 52% of PACCAR's total global truck deliveries in 2022.

| (% global truck deliveries) | 2020 | 2021 | 2022 |
|---|---|---|---|
| Engines certified for biofuels use | 47% | 49% | 52% |

**Advanced Vehicles**

PACCAR is participating in the Department of Energy's SuperTruck 3 program, with the goal to electrify medium- and heavy-duty trucks, expand electric vehicle infrastructure and lower emissions for on- and off-road vehicles.

DAF is the only truck manufacturer to introduce a new generation of trucks fully utilizing the new European regulations for truck masses and dimensions, resulting in a range of highly attractive and aerodynamic trucks which feature industry-leading fuel efficiency, safety and a luxurious cab for driver comfort. DAF XF, XG and XG+ models were honored as International Truck of the Year 2022.

These trucks are equipped with highly efficient PACCAR MX engines, a new compact after-treatment system, and sophisticated software and aerodynamic optimization, reducing fuel consumption and CO2 emissions by up to 10% compared with previous models.

The new DAF XD truck earned the International Truck of the Year 2023 award. The new DAF XD truck represents a new generation of distribution and vocational vehicles. The versatile DAF XD is available as a tractor or rigid truck with a high-performance PACCAR engine. DAF also introduced the DAF XDC truck, which is designed specifically for construction and vocational segments and features two-, three- or four-axle configurations with single or double drive axles

Peterbilt and Kenworth recently introduced major enhancements to the Peterbilt 579 and the Kenworth T680 trucks, which reduce fuel consumption and CO2 emissions by up to 7% over previous models. Enhancements included a new aerodynamic design, the PACCAR Powertrain, a quieter cab, customizable 15” digital display, connectivity technology, and new ADAS safety features.

**Platooning**

PACCAR also innovates with platooning technology to provide customers and communities with more efficient freight transport with reduced emissions. DAF Trucks has been a leader in truck platooning since early 2015 with the launch of the EcoTwin project. Platooning enables trucks to drive in close formation, leading to reduced fuel consumption and CO2 emissions of up to 10%, and improved traffic flow. The advanced driver assistance systems used in platooning are expected to enhance road safety. DAF test drivers have driven truck platoons tens of thousands of miles on both public roads and on test tracks. DAF partnered with the United Kingdom Transport Research Laboratory, along with TNO, Ricardo, and DHL in truck-platooning trials in the United Kingdom.

**Remanufacturing**

Remanufacturing is the industrial process of returning a previously used component to “like- new” condition. Remanufacturing helps the environment by reducing waste. PACCAR’s aftermarket parts division sells remanufactured engines and many other remanufactured components.

**Connected Trucks and Driver Training**

PACCAR Connect is a new state-of-the-art global connected truck platform. This configurable system consists of proprietary hardware and software that provides robust data security, over the air software updates and advanced fleet management tools, while enabling customers to cost effectively integrate their existing fleet management systems and applications. PACCAR began installing PACCAR Connect on DAF XF, XG and XG+ trucks in October 2021. The information provided by this system enables customers to improve fleet operating efficiency and reduce fuel consumption and CO2 emissions.

PACCAR announced a new collaboration to integrate Platform Science’s Virtual Vehicle technology in Kenworth and Peterbilt trucks using the PACCAR Connect telematics system. The integrated PACCAR Connect and Virtual Vehicle solution will offer customers a state-of-the-art telematics operating system and application store, enabling customers to access software solutions, real-time vehicle data, and third-party applications. The new PACCAR system will reduce the requirement of

multiple telecommunications devices and will enhance customers' productivity. PACCAR will continue collaborating with the Platform Science team to create the industry's most user-friendly, customizable and productive connected truck solution.

PACCAR has introduced technologies that train drivers to operate vehicles more efficiently. Kenworth and Peterbilt's Driver Performance Assistant offers interactive in-dash coaching to drivers to reduce fuel consumption and CO2 emissions. DAF's EcoDrive Training enhances driver efficiency, resulting in up to 5% reduced fuel consumption and CO2 emissions from every properly trained driver.

# Social Responsibility and Ethical Business Conduct

## Code of Business Conduct

The manner in which PACCAR conducts its business, and the opinion of our shareholders, employees, customers and the public, are very important to the continued success of PACCAR. PACCAR has a long history of achieving high standards of performance related to human rights and compliance with laws and regulations in countries where the Company does business. Over the years PACCAR, through its commitment to integrity and honesty as demonstrated by PACCAR's directors, officers and employees, has earned an excellent reputation as a responsible corporate citizen. It is the responsibility of each director, officer and employee of PACCAR to review the Code of Business Conduct and become familiar with how it applies to specific business situations. PACCAR employees receive ongoing training regarding the Code of Conduct and are expected to comply with the law and the highest standards of honest and ethical conduct.

The PACCAR Code of Business Conduct contains information explaining how employees can confidentially report violations of the Code through a hotline, and PACCAR's anti-retaliation policy. Continuous PACCAR employee development and training includes mandatory training focusing on aspects of the Code of Business including:

**Commitment to Integrity**

- Harassment Free Workspace
- Dedication to Diversity & Inclusion
- Appropriate workplace behavior
- Anti-violence

**Commitment to Human Rights**

- Expect employees, dealers, partners, suppliers to uphold human rights
- Everyone should be treated with dignity, fairness, and respect
- No tolerance for slave or child labor, human trafficking, unsafe working conditions
- Commitment to compliance with human rights laws

**Commitment to Environment, health, and safety**

- Environmental responsibility is one of PACCAR's core principles.
- Maintain the highest standards and to put safety first – without exception.
- PACCAR drives for excellence, safety, and integrity in everything it does.

**Honest and Ethical Business Practice**

- Antitrust and Fair Competition
- Anti-Bribery and Corruption
- Anti-Money Laundering
- Business Hospitality – Gifts, Entertainment and Travel
- Conflicts of Interest
- Charitable and Political Contributions

**Financial Integrity**

- Accurate Financial Results
- Disclosure Requirements
- Use of Company Assets
- Retaining Proper Business Records

**Interaction with PACCAR Partners**

- Customer Interaction and Information
- Dealers, Suppliers, and Other Partners
- Government Business and Contracting

**Global Trade Compliance**

- Import and Export
- Trade Sanctions and Embargos
- Economic Boycotts

**Responsibility to Investors and Shareholders**

- Confidential Information
- Protecting Company Assets
- Audits and Investigations
- Intellectual Property
- Cybersecurity and Electronic Communications
- Inside Information
- Privacy
- Interactions with the Media, Investors, and the Public
- Use of social media

**PACCAR Resources**

- Reporting Concerns
- EthicsLine Reporting System
- EthicsLine 1.800.300.1826
- EthicsLine.PACCAR.com

PACCAR's complete Code of Business Conduct can be found at https://www.paccar.com/media/3106/code-of-conduct-2021-final.pdf.

## Talent Training & Development

PACCAR's employee training and development programs are extensive and comprehensive. New employees receive an orientation and training for their specific positions. Ongoing job- related training is available to meet employees' and the Company's needs. Training programs include professional and technical skills training, compliance training, leadership development and management training. Many PACCAR divisions offer apprenticeship and tuition assistance programs to enhance skills through education. PACCAR also offers extensive internship programs to attract future employees.

Training on PACCAR's Global Code of Conduct topics as well as employee development occurs in multiple setting annually and throughout the career of employees from regular on-line interactive instructional and refresher courses to development opportunities like PACCAR Institute for Management Leadership (PIML), Executive Leadership Program, Leadership Development Rotational Program, and Situational Leadership Program.

| (# employees) | 2020 | 2021 | 2022 |
|---|---|---|---|
| Global employees as of Dec. 31 | 26,000 | 28,000 | 31,100 |

**Continuous Improvement**

Employee development drives continuous improvement at PACCAR. Six Sigma, data analytics, machine learning, Industry 4.0 and lean process development are integrated into business activities at PACCAR as well as at many of its suppliers, dealers and customers. These tools help to continuously enhance the creation of state-of-the-art new product designs, customer services and manufacturing processes. Thousands of PACCAR employees have been trained in the use of these tools and have delivered billions of dollars in savings in all areas of the company.

## Workplace Safety

Continued focus on workplace safety keeps our employees and contractors safe and our facilities profitable. Safety is a key priority during employee orientation at facilities and safety is the responsibility of every PACCAR employee. PACCAR's major manufacturing facilities are equipped with safety and health departments staffed with trained medical personnel.

Company managers address safety enhancements every day in morning meetings; they provide regular and ongoing safety training; and they use displays located in factories to provide employees with safety-related information. Senior management demonstrates its commitment to workplace safety by awarding the President's Cup for Excellence in Safety at an annual Company ceremony attended by senior executives from Company locations. Additional investments in safety include implementing PACCAR Safety College training to enhance safety leadership, a project to create enhanced safety standards and training for working on battery electric vehicles and deploying safety software across the company to support tracking and reporting safety data.

See the chart below for safety metrics for PACCAR employees and contractors:

| (Recordables per 200,000 hrs. worked) | 2019 | 2020 | 2021 |
|---|---|---|---|
| OSHA Injury / Illness employees & contractors | 2.2 | 1.4 | 1.6 |
| US Heavy Duty Truck Manufacturing | 4.9 | 4.8 | 4.3 |

PACCAR's consistent focus on workplace safety has resulted in a fatality rate of zero, and a recordable injury/illness rate lower than the U.S. industry average as seen in the table above.

## Employee Well-Being

PACCAR provides robust benefits packages that support physical, emotional and financial well-being. Employee satisfaction and engagement are measured through periodic surveys that result in quantitative metrics leading to workplace enhancements. PACCAR is committed to hiring, developing and promoting the most talented people and ensuring that our employees represent the diversity present in the global community. PACCAR is proud to have been honored for the past several years as a Top Company for Women to Work for in Transportation by the Women in Trucking Association.

PACCAR is an equal opportunity employer and provides a workplace free from discrimination and harassment. PACCAR recruits and develops a diverse workforce and supports their careers with resources such as the PACCAR Women's Association, Diversity Councils, and training designed to develop leadership opportunities. PACCAR values workplace diversity. PACCAR diversity councils operate throughout PACCAR's global businesses. The diversity councils' goals are to enhance business success through diverse and inclusive workplaces. The PACCAR Women's Association seeks to increase women in PACCAR leadership roles by providing educational, networking and mentoring opportunities to employees at all levels. More information about PACCAR's commitment to diversity and inclusion can be found at: https://www.paccar.com/media/3106/code-of-conduct-2021-final.pdf.

## Philanthropy

PACCAR's proud tradition of giving back to the community began with the founding of the company and continues today through PACCAR and the PACCAR Foundation. PACCAR has contributed over $220 million to educational, social services and arts organizations since 1951. PACCAR makes these grants in locations in which its employees work and live worldwide. PACCAR has recently contributed over $2 million to nonprofit organizations that promote diverse and inclusive communities, including UNCF, Special Olympics USA Games, YWCA, Landesa, Northwest African American Museum and Lighthouse for the Blind. More information can be found at https://www.paccar.com/about-us/philanthropy/

| PACCAR charitable giving | 2020 | 2021 | 2022 |
|---|---|---|---|
| Grants approved (#) | 181 | 178 | 146 |
| Total ($ millions) | $6.1 | $6.4 | $8.7 |

## Community

PACCAR and its employees are leaders in our communities. Strong communities assist those less fortunate with a range of social services. Employees organize support for various charities and civic organizations such as United Way, Juvenile Diabetes Research Foundation, Race for the Cure, and local food banks. To prepare school-age children for the skills to succeed in the 21st century workforce, PACCAR and its many committed employee volunteers support literacy and other educational programs. This includes purchasing books for children in need and contributing funds and volunteer time to supplemental education programs such as Junior Achievement.

## Government Relations

PACCAR's policies, investments, technologies, engineering, and business capability support:

- Human rights - upholding fundamental human rights of dignity, fairness, and respect
- Safety – the well-being of the people and communities where they work and live
- Public infrastructure – roads for operating trucks safely, affordably, and reliably
- Environment – sustaining air, land, and water quality and the health of communities
- Climate – achieving science-based targets aligned with the Paris Agreement goals.

**Public comment is a civic duty**

PACCAR engages with government agencies and policymakers seeking public comment and technical input on legislative, regulatory, and other public policy issues effecting supply chains, manufacturing, sales, and operations of medium- and heavy-duty commercial vehicles. This public input is vital for elected officials and career civil servants who rely on the expertise of engineers, scientists, economists, business analysts, and other industry professionals to ensure that the public policies they are pursuing will achieve positive real-world outcomes and avoid negative unintended consequences.

PACCAR is also a member of trade associations including the Truck and Engine Manufacturers Association, National Association of Manufacturers, American Trucking Associations, Truck Renting and Leasing Association, U.S. Chamber of Commerce, European Automobile Manufacturers Association, and several state manufacturing and business associations where PACCAR facilities are located. Trade associations provide a collective industry perspective and bring additional expertise to help inform public policy debates and rulemaking activities in areas such as vehicle safety, electrification, emissions reduction, alternative fuels, tax and trade policies, automation, and driver assistance technologies.

## Supplier Code of Conduct

PACCAR expects its suppliers to comply with the standards set forth in its Supplier Code of Conduct, and all laws, rules and regulations in the countries in which they operate. PACCAR selects suppliers after detailed reviews of their operations. PACCAR conducts periodic on-site supplier visits, announced and unannounced, for various reasons, including verification and auditing of contract compliance. These expectations apply to all PACCAR suppliers, their

affiliates and locations worldwide. Suppliers who fail to meet these standards risk the loss of all existing and future business with PACCAR. PACCAR suppliers will:

- Comply with all applicable laws concerning minimum employment age, working conditions, compensation and benefits; never employ slave, indentured or forced labor, or engage in human trafficking.
- Treat employees with dignity and respect; never discriminate on the basis of race, color, gender, gender identity or expression, sexual orientation, nationality, religion, age, or marital status.
- Respect the laws of each country governing the right of employees to join or not to join lawful organizations.
- Enhance employee safety and health through proper workplace design, operational controls, preventative maintenance, and safe work procedures.
- Comply with anti-corruption laws in every country in which they do business. Never directly or indirectly receive or offer bribes, kickbacks, or other corrupt payments, to or from any person or organization including government and private organizations, their officials, agents and employees.
- Accurately record and disclose information regarding business activities and performance in accordance with applicable laws and regulations as well as prevailing industry business practices.
- Respect intellectual property rights and safeguard customer information and technologies by implementing processes that protects those rights.
- Use due diligence to avoid the possibility of inclusion of conflict minerals in their products.
- Establish product design and manufacturing processes that assure the integrity and safety of their products and inform PACCAR immediately if a question arises concerning the safety of a product sold to PACCAR.
- Implement processes to protect the confidentiality of employees who in good faith report potential unethical or illegal activity.
- Use, maintain and dispose of hazardous and non-hazardous waste as required by applicable laws and regulations.
- Minimize production of solid waste, wastewater, and hazardous air emissions by implementing appropriate conservation measures.
- Notify PACCAR immediately of any violation of these standards.

## State of California Transparency in Supply Chains Act

PACCAR is committed to ensuring that its suppliers do not use slave labor or engage in human trafficking. PACCAR's Supplier Code of Conduct prohibits suppliers from using forced labor of any kind.

PACCAR suppliers certify that they comply with laws regarding minimum employment age,

working conditions and compensation, and do not engage in slavery or human trafficking. Noncompliance is grounds for termination and elimination from the PACCAR supply base.

## Conflict Minerals and Critical Materials

PACCAR is committed to complying with the Dodd-Frank Act's disclosure requirements concerning "Conflict Minerals" – tin, tungsten, tantalum, and gold – whose sourcing has been identified with human rights abuses in the Democratic Republic of Congo and adjoining countries (the "Conflict Area"). PACCAR has developed a due diligence process, based on the guidance provided by the Organisation for Economic Cooperation and Development (OECD), to mitigate the risk of inclusion of Conflict Minerals in its products. This process requires the Company and its suppliers to perform due diligence and document either (1) that the Conflict Minerals used to manufacture products for PACCAR originate outside the Conflict Area or come from recycled or scrap sources, or (2) if sourced from within the Conflict Area that they come from mines or smelters certified by an independent third party not to benefit armed groups ("Conflict-Free"). PACCAR is participating in the Automotive Industry Action Group and the Conflict-Free Smelter Program developed by the Electronic Industry Citizenship Coalition, Incorporated and Global e-Sustainability Initiative to identify the sources of Conflict Minerals in its products. If any sources within the Conflict Area are identified, PACCAR will work with its suppliers, in accordance with OECD guidance, to take reasonable steps to verify that they are Conflict-Free.

A critical material is defined as a material both essential in use and subject to the risk of supply restriction. PACCAR uses a limited number of critical materials in its business, including platinum group metals. PACCAR does not directly source any critical materials. Rather, these materials are present primarily in exhaust aftertreatment system components provided by suppliers. PACCAR mitigates risk from critical materials by entering long-term agreements with high quality, reputable suppliers that adhere to PACCAR's Code of Supplier Conduct. PACCAR is also prepared to work with alternative suppliers in the case of supply disruption of critical materials.

# Corporate Governance

PACCAR has excellent corporate governance policies and practices that enhance stockholder returns. Its policies ensure that the Company is governed in accordance with the highest standards of integrity and in the best interest of its stockholders.

## Sustainability

The Board of Directors and the Nominating & Governance Committee hold responsibility for environmental, social, and governance strategy. The Executive Operating Committee, pictured below, has responsibility for executing the ESG strategy.



**PACCAR Executive Operating Committee**
First Row Left to Right: Lily Ley, John Rich, Kevin Baney, Preston Feight, Mike Dozier, Harald Seidel, Laura Bloch, Jason Skoog.
Second Row Left to Right: Michael Barkley, Todd Hubbard, Darrin Siver, Harrie Schippers, Harry Wolters, Mike Walton, Paulo Bolgar.

The ESG strategy is delivered by Corporate Functions working collaboratively with PACCAR Divisions performing task including ESG risk and opportunity assessments, scenario analysis, planning, project delivery and collaboration across a matrix of directors and managers.

Board of Directors
Nominating & Governance Committee

Executive Operating Committee (Officers appointed by Board of Directors)

Sustainability
- Senior Director of Corporate Development
- Director of Sustainability
- Corporate Department Representatives
- Divisional Sustainability Managers
- Diversity Councils
- Women's Association

## Board of Directors

PACCAR's Board of Directors is comprised of 12 directors who bring a diversity of perspectives, skills and business experience relevant to the Company's global operations. Each director has achieved significant success in business, education or public service and has demonstrated the highest ethical standards and integrity as well as mature judgment, objectivity, practicality and a willingness to ask difficult questions. The directors are committed to work together to reach consensus for the betterment of the stockholders and the long-term viability of the Company. In selecting nominees for the Board of Directors, the Nominating and Governance Committee recognizes the importance of having a diversity of gender, heritage and backgrounds to ensure that a variety of opinions and perspectives are represented on the Board; accordingly, initial lists of candidates from which new director nominees are chosen will include qualified female and racially/ethnically diverse candidates.

PACCAR's Corporate Governance Guidelines are available at https://www.paccar.com/about-

us/board-of-directors/governance-guidelines/ and are structured to ensure the Board has the necessary authority and practices to evaluate business operations and to make decisions independent of PACCAR's management. Each director is expected to act with integrity, understand the importance of representing the entire shareholder constituency and increasing shareholder value, contribute actively and objectively at Board and Committee meetings and participate in management evaluation and succession planning.

Key facts about the Board of Directors include:

- 75% of PACCAR's directors are independent.
- 3 of 12 directors are women.
- 9 of 12 directors have been CEO and/or Chair
- 17% of directors are racially/ethnically diverse
- One director serves as the lead independent director.
- The Board is required to evaluate its performance on an annual basis.
- Directors are required to own PACCAR stock and/or deferred stock units in an amount equal to five times their annual cash retainer.
- All directors on the Compensation, Nominating & Governance and Audit Committees are independent.
- The average compensation of non-employee directors is comparable to the median of company peers.
- The Board has a mandatory retirement age of 74.

## Executive Compensation

PACCAR's compensation programs are directed by the Compensation Committee of the Board of Directors, which is composed exclusively of independent directors. The objective of the programs is to attract and retain high-quality executives, link incentives to the Company's performance and align the interests of management with those of stockholders. The Company emphasizes pay for performance and uses equity-based incentive programs designed to compensate executives for generating outstanding performance for stockholders. Each of the Company's Say-on-Pay proposals was approved by 90% or more of the shares voted in 2011, 2014, 2017, 2020, and 2023.

Key compensation practices include:

- PACCAR does not have an employment agreement with its CEO or any other officer.
- No employees are eligible for multi-year guaranteed bonuses.
- PACCAR does not discount, backdate, reprice or retroactively grant equity awards and prohibits the buy-out of underwater options.
- The Company prohibits the hedging or pledging of Company stock or purchasing of stock on margin by executive officers.
- The CEO does not have a golden parachute.

- The CEO is required to own PACCAR stock in an amount equal to five times the CEO's annual base salary.
    - PACCAR discloses information on the performance measures used in the long-term incentives granted to executives. https://www.paccar.com/investors/sec-filingsdata-archive/
    - The Company does not provide for excise tax gross-ups on change-in-control payments.

## Shareholder Rights

The Company's corporate governance structure provides for meaningful and significant stockholder input in director elections and governance. Stockholders have the opportunity to include their own proposals and director nominees for election in the Company's proxy and to present them at the annual meeting of stockholders. The Nominating and Governance Committee of the Board of Directors regularly reviews developments in corporate governance and recommends governance enhancements to the Board of Directors.

PACCAR's excellent stockholder rights and corporate governance practices include:

- PACCAR has one class of stock with equal voting rights.
- All common shareholders are entitled to vote for all current director nominees.
- Directors are elected annually.
- Shareholders have a proxy access right.
- Shareholders holding 25% of PACCAR's total outstanding shares may convene a special meeting.
- There are no material restrictions on shareholders' right to call special meetings.
- The Company does not have a controlling shareholder.
- The Company does not have a poison pill in effect.

## Audit and Risk Oversight

The Company's audit committee is made up of four independent directors. The committee reviews the Company's annual and quarterly financial statements, monitors the integrity and effectiveness of the audit process and reviews the corporate compliance programs. It also monitors the Company's system of internal controls over financial reporting and oversees the internal audit function.

- There are four financial experts serving on PACCAR's audit committee.
- The Company has not restated its financial statements for any period within the past five years.
- The Company has timely released all financial disclosure filings in the past five years.
- The Company has disclosed no material weaknesses in its internal controls in the past five years.
- Non-audit fees represented 11.3% of total auditor fees in 2022.

- A regulator has not taken action against a director or officer of the company in the past five years.
- The Nominating and Governance Committee Charter states that the Committee has responsibility for environmental, social and governance matters.

Additional governance information can be found at https://www.paccar.com/about-us/board-of-directors/governance-guidelines/ and in PACCAR's Proxy Statement at https://www.paccar.com/investors/sec-filingsdata-archive/.