

PACCAR of Canada Ltd.
Supply Chains Act Report
For the Year Ended December 31, 2023

Introduction

PACCAR of Canada Ltd. (“PACCAR of Canada”) has prepared this report (the “Report”) pursuant to the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (Canada) (the “Act”). This Report describes the steps taken to enhance transparency in our supply chains by outlining the steps taken during the 2023 financial year to prevent and reduce the risk that forced labour or child labour is used in the production of goods in Canada or elsewhere, or of goods imported into Canada. This has been done in accordance with the reporting criteria outlined in Sections 11(1) and 11(3) of the Act.

PACCAR of Canada does not report under similar legislation in any other jurisdiction. However, PACCAR of Canada’s parent company, PACCAR Inc, reports under similar legislation in California.¹

Structure and Activities

PACCAR of Canada is organized under the *Canada Business Corporations Act* and has its head office in Mississauga, ON.

PACCAR of Canada’s principal operations include: (i) a manufacturing facility at its Sainte-Thérèse plant, QC, which assembles mainly class 7 trucks; (ii) PACCAR Parts distribution centres in Mississauga, ON and Montreal, QC, which collectively act as a distributor of replacement parts; (iii) a company-owned dealership, Kenworth Montreal, based in Montreal, QC; and (iv) national sales offices in Mississauga, ON, which are responsible for selling and distributing Kenworth and Peterbilt brand class 7 and 8 trucks to Canadian dealerships and the Canadian market. PACCAR of Canada employs more than 1,100 employees in Canada, the majority of which are located in QC.

PACCAR of Canada is wholly owned by PACCAR Inc. PACCAR Inc is organized under the laws of Delaware, USA and headquartered in Bellevue, WA, USA. PACCAR Inc is a global technology leader in the design, manufacture, and customer support of premium light-, medium- and heavy-duty trucks under the Kenworth, Peterbilt and DAF nameplates. PACCAR Inc also designs and manufactures advanced diesel engines, provides financial services, information technology, and distributes truck parts related to its principal business. PACCAR Inc and its *circa* 75 directly and indirectly controlled subsidiaries deliver products and services to customers in more than 100 countries through an extensive dealer network of 2,200 locations. PACCAR of Canada believes that its USA-based parent company, PACCAR Inc, is not a reporting entity under the Act.

As a wholly owned subsidiary of PACCAR Inc, PACCAR of Canada is subject to and benefits from PACCAR Inc’s policies, procedures, due diligence, and supply chains. For purposes of this Report, PACCAR Inc and its directly and indirectly controlled subsidiaries are collectively referred to as “PACCAR”.

Supply Chains

Truck assembly plants in Sainte-Thérèse, QC, CAN; Denton, TX, USA; Chillicothe, OH, USA; Renton, WA, USA and Mexicali, B.C., Mexico assemble trucks that are destined to the Canadian market.

¹ California Transparency in Supply Chains Act Statement can be found [here](#).

Components and replacement parts are sourced globally, but primarily from North American suppliers in respect of products sold in Canada.

The sourcing of components used in PACCAR's manufacturing plants in Canada, the United States, and Mexico – which are the plants that manufacture Peterbilt and Kenworth trucks destined to the Canadian market – is managed by PACCAR Inc's personnel in the United States. This is also the case respecting the sourcing of replacement parts distributed to Canadian customers by PACCAR of Canada.

PACCAR's suppliers provide a range of goods and services that form part of PACCAR of Canada's supply chains, including tools, parts, equipment, chemicals, fuel, oil and gas, fabrication services, labour hire services, information and technology hardware and software, construction and building services, freight and transport services, advertising and marketing services, cleaning and maintenance services, courier and post services, catering and food services, legal and financial services, telecommunications, and staff training services.

Policies on Forced Labour and Child Labour and Due Diligence Processes

PACCAR of Canada's policies and codes on forced and child labour are managed by PACCAR Inc. PACCAR of Canada is committed to ensuring its suppliers do not use forced labour or child labour or engage in human trafficking. PACCAR Inc's Supplier Code of Conduct prohibits suppliers from using forced labour or child labour of any kind. PACCAR Inc's Supplier Code of Conduct can be found in PACCAR Inc's 2024 ESG Report, which can be accessed [here](#).

PACCAR Inc has a Code of Conduct (the "Code") that is applicable to PACCAR of Canada. The Code requires officers and employees to conduct business ethically and with social responsibility, and comply with all applicable laws, rules, and regulations. The Code also contains PACCAR's commitment to human rights, including that "PACCAR does not use or condone the use of slave, forced, or child labor, nor will PACCAR engage in or partner with, dealers, suppliers, or other third parties who engage in, human trafficking." PACCAR expects employees, dealers, other business partners, and suppliers to adhere to the highest standards of integrity and will only retain parties that operate in compliance with human rights laws. Employees receive biennial training on the Code, which is published on the PACCAR Inc intranet that is accessible to PACCAR of Canada's employees. Any employee determined to have violated the Code is subject to discipline, up to and including termination. PACCAR Inc's Code of Conduct can be accessed [here](#).

PACCAR of Canada expects all contracted business partners in the supply chain to uphold high standards of conduct and to protect their employees from harm and exploitation. PACCAR of Canada communicates its expectations clearly. Obligations for business partners include ethical behaviour clauses that form an important and integral part of PACCAR of Canada's contracts. 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 supply base. On appropriate occasions, and when a business relationship is up for renewal, ethical practice is part of the dialogue. Personnel from PACCAR Inc's organization routinely visit supplier locations and observe supply chain practices and working conditions and the company continues to develop due diligence processes to identify the risk of forced labour and child labour within its supply chain.

PACCAR of Canada's recruitment and equal opportunities policy ensures fairness and equity and compliance with the Act. Recruitment processes include ensuring employees are eligible to work in Canada. PACCAR of Canada's recruitment and equal opportunities policy also ensures employees are

remunerated fairly and, for greater certainty, in accordance with applicable law. Labour hire agencies are vetted. PACCAR of Canada vets all labour hire agencies and only uses agencies that have been vetted.

In the area of hiring, recruitment processes are transparent. Communication to discuss job opportunities and to confirm the details of any offer made takes place directly with candidates. There are robust procedures in place for the vetting of new employees and agency staff, which enable PACCAR of Canada to confirm candidate identities and age, and ensure employees are paid competitively.

Policies and procedures are subject to ongoing review to ensure fairness and good practice.

Additionally, all PACCAR employees, including PACCAR of Canada's, are instructed to report any potential violation of law or ethics to the PACCAR Inc Ethics Hotline. Reporting may be made anonymously. Details are published on the PACCAR Inc intranet.

Potential Risks in Operations and Supply Chains

PACCAR of Canada considers the risk of forced labour or child labour occurring within our operations to be low considering our workforce and our policies and procedures that govern our employment relationships. From a geographical risk perspective, PACCAR of Canada's employees are located in Canada, which has a low prevalence of child and forced labour, a low risk of vulnerability to child and forced labour and a fairly robust governmental response addressing child and forced labour (see Walk Free, Global Slavery Index 2023, found [here](#)).

PACCAR of Canada's supply chains involve manufacturing, an industry that is widely recognized as having a heightened susceptibility to forced labour in certain regions and for certain types of products. Certain goods and services that our suppliers provide may pose a higher risk include: tools, parts, and equipment; chemicals, fuel, oil, and gas; stationary; fabrics and fabrication services; labour hire services; information and technology hardware and software; construction and building services; cleaning and maintenance services; catering and food services. As a whole, PACCAR of Canada views the risks of Modern Slavery in our supply chains as low, as the inherent risks in our supply chains are mitigated by the policies and due diligence processes set out above.

No forced or child labour have been detected in PACCAR of Canada's operations and supply chains, therefore no measures have been needed to remediate their use, nor the loss of income to vulnerable families that could have resulted from such measures.

Training

Employees receive training on the Code, which is mandatory for PACCAR of Canada employees. This training is provided within the first 6 months of hire, and every two years thereafter. Additional compliance training, including on prevention of forced labour, child labour and human trafficking, is provided by PACCAR Inc, which includes training on the requirements of legislation such as UK Modern Slavery Act and the Australian Modern Slavery Act, to its divisions' purchasing and supplier quality personnel in the UK, Australia, China and India. It intends to include the Act in its training materials and extend the training to PACCAR of Canada in future compliance training sessions. Additionally, all employees, including PACCAR of Canada's, are instructed to report any potential violation of law or ethics to the PACCAR Ethics Hotline.

Measuring Effectiveness

PACCAR of Canada will continue to re-evaluate the need to implement measure to assess the effectiveness of the processes in place based on the evaluation of risks as described in this Report.

Approval

This report was approved by PACCAR of Canada's Board of Directors pursuant to section 11(4)(a) of the Act on May 20, 2024.

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entity listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

R. Preston Feight

Chairman and Chief Executive Officer

20th day of May, 2024.

/s/ R. Preston Feight

I have the authority to bind PACCAR of Canada Ltd.