Kenworth Toronto Ltd. - Transparency on Supply Chain Report (S-211)

Fighting Against Forced Labour in Supply Chains Act: 2025

Table of Contents

Introduction 3
Section A: Structure, Activities, and Supply Chains 3
Section B: Policies and Due Diligence Processes 3
Section C – Forced Labour and Child Labour Risks 4
Section D – Remediation Measures 5
Section E – Remediation of Loss of Income 6
Section F – Training 6
Section G – Assessing Effectiveness 6
Attestation 7

Introduction

The following report has been drafted by Kenworth Toronto Ltd. ("Kenworth"), operating as Kenworth Truck Centres, in accordance with Section 11 of the Fighting Against Forced Labour and Child Labour in Supply Chains Act (the "Act") for the financial year ending April 30th, 2025. This is a report covering the following entity:

Entity	Business Number
Kenworth Toronto Ltd.	896738069RC0001

Under the act, Kenworth qualifies as an entity due to its presence with a place of business, business activities, and assets in Canada. Moreover, it satisfies two of the three size-related thresholds concerning assets. Importantly, Kenworth fulfills the reporting obligation for entities as a producer of goods in Canada and importer of goods produced outside of Canada that pays applicable duties for all goods brought into Canada.

Kenworth is steadfast in its commitment to uphold honesty and integrity in all its business operations. In alignment with the Act, this report has been prepared to disclose the measures that Kenworth has implemented, as well as those it plans to undertake, to mitigate the risks associated with modern slavery within its business framework.

Section A: Structure, Activities, and Supply Chains

Kenworth Truck Centres is a privately owned, multi-location heavy-duty truck dealership headquartered in Ontario, Canada. A diverse customer base spanning transportation, logistics, construction, and municipal sectors is served by 11 locations across the province.

A centralized organizational structure is maintained, with strategic decision-making being led by a senior leadership team that reports to the owners. At each dealership location, a parts department, service shop, and truck sales division are included, supported by centralized corporate functions such as finance, HR, IT, and procurement.

The retail sale of new and used Kenworth trucks, parts and accessories, service and maintenance, and leasing solutions are included in the core activities. Diagnostic, warranty, and maintenance services are provided, and the customer experience and internal efficiency are enhanced by leveraging an ERP system for inventory management.

The supply chain is comprised of Tier 1 manufacturers such as PACCAR (Kenworth's parent), major Original Equipment Manufacturer (OEM) parts distributors, and regional logistics providers. Inventory is managed using an ERP system that integrates forecasting, customer ordering, and internal replenishment. Parts delivery to fleet customers and inter-branch transfers are included in the distribution model to optimize inventory.

Section B: Policies and Due Diligence Processes

As of the most recent financial year, Kenworth Truck Centres has not implemented a formal due diligence policy specifically targeting the risks of forced and child labour within its operations and supply chain. However, the company acknowledges the importance of ethical sourcing and is actively exploring ways to enhance supply chain integrity.

Kenworth Truck Centres sources products and parts mainly from PACCAR Inc., its parent company and only supplier located outside of Canada. PACCAR Inc. upholds a comprehensive Supplier Code of Conduct, provides

biennial training on its Code, and conducts regular third-party audits. The Code sets high standards relating to labour practices, human rights, and environmental responsibility. [1]

Kenworth Truck Centres bases its own supply chain practices and processes on the documentation and standards established by PACCAR Inc. As a result, it benefits from alignment with a supplier that prioritizes compliance with international labour standards and ethical business conduct.

While Kenworth Truck Centres has not independently implemented formal policies or due diligence processes over the past financial year, it remains committed to upholding the highest standards of ethical labour practices and fostering a responsible, sustainable supply chain. The company will continue to rely on OEM partners such as PACCAR's established practices to help mitigate the risks of forced and child labour within its supply chain. Kenworth Truck Centres encourages transparency throughout its supply chain and supports efforts to trace the origin of materials where feasible.

Section C – Forced Labour and Child Labour Risks

Over the past financial year, we did not start the process of identifying risks. However, to understand where in the supply chain forced labour and child labour risks may exist, Kenworth Truck Centres recently carried out a risk assessment process. This process was guided by insights provided by the Walk Free Global Slavery Index, the Organization for Economic Co-operation and Development's (OECD) Due Diligence Guidance for Responsible Business Conduct, and by the US Department of Labour's List of Goods Produced by Child Labour or Forced Labour. These documents were chosen due to their recognized authority in addressing forced labour and child labour risks for Canadian entities. Through this analysis, our organization identified potential forced labour and child labour risks associated with specific countries.

This risk identification exercise does not presuppose the actual use of forced labour and child labour within our operations or supply chains, rather, it is aimed at recognizing potential scenarios where such risks might arise, thereby further enabling Kenworth Truck Centres to implement effective preventive measures. Our assessment acknowledges that no industry is entirely exempt from the risks of forced and child labour and there are inherent vulnerabilities within certain sectors of our supply chain, particularly in regions where regulatory frameworks and enforcement mechanisms might not be robust.

The analysis considered specific geographic regions that, according to the Walk Free Global Slavery Index and other credible sources, present a higher risk of forced and child labour practices. This geographic risk assessment, was combined with an assessment of at-risk-goods categories, further enabling a targeted lens to our risk assessment.

Risk Assessment Findings

Through our analysis, we focused on the company's top seven suppliers, representing approximately 97% of overall procurement spend. These suppliers are geographically located within Canada and the United States.

The findings revealed a varying prevalence of forced and child labour risk across our supplier base. Procurement from Canada, which accounts for 27% of our total spend, carries a very low prevalence of forced labour and child labour. The United States, representing 100% of our import spend and 70% of our total spend, exhibits a relatively low prevalence forced labour and child labour.

As part of our due diligence process, we examined the U.S. Department of Labor's List of Goods Produced by Child Labour or Forced Labour to identify any potential risks associated with the products sourced by our organization. Cross-referencing this data with our import portfolio, we have determined that none of our imported products currently fall into categories at heightened risk for forced, child or forced child labour.

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[1] PACCAR Supplier Code of Conduct (November 2024) & PACCAR Canada Supply Chains Act Report

Overall, our risk assessment indicates a relatively low exposure to forced and child labour within our supply chain relative to our total procurement expenditures. Nonetheless, we remain committed to continuously monitoring these risks and proactively enhancing our management practices.

Kenworth Truck Centres operates exclusively within Canada, a jurisdiction with strong labour protections that significantly reduce the risk of forced or child labour in our direct operations. All imported goods and parts are sourced solely from our parent company, PACCAR, which is based in the United States and serves as our only supplier outside of Canada.

While we recognize that certain upstream activities in the manufacturing of components—such as electronics, rubber, steel, and raw materials—may involve sourcing from regions with weaker labour enforcement, we rely on the responsible sourcing practices implemented by PACCAR to mitigate these risks.

PACCAR has adopted a robust Supplier Code of Conduct that explicitly prohibits the use of child or forced labour and requires compliance with all applicable local and international labour laws. Non-compliant suppliers face the risk of removal from PACCAR's supply chain. In addition, PACCAR aligns major legislation, including:

- The U.S. and Canadian Supply Chains Acts, through publicly available disclosures detailing its efforts to prevent forced and child labour.
- Conflict Minerals regulations, as demonstrated through its annual Conflict Minerals Report, outlines due diligence in sourcing tin, tungsten, tantalum, and gold from conflict-free regions.
  (PACCAR Conflict Minerals Report 2024)
  (PACCAR Supply Chains Act Statement)

PACCAR further supports its risk management approach by conducting third-party audits when necessary and delivering biennial training on its Code of Conduct. As a dealer, Kenworth Truck Centres aligns fully with these measures and supports the ethical standards set by our parent company.

At this time, Kenworth Truck Centres is not implementing independent due diligence activities such as supplier questionnaires, as we rely on the comprehensive frameworks and oversight provided by PACCAR to address potential risks related to forced and child labour within our supply chain.

Section D – Remediation Measures

For the most recently completed financial year, our assessments have not identified any confirmed instances of forced, child or forced child labour within our operations or supply chains. Accordingly, no remediation actions have been required or taken during this period.

Nonetheless, in accordance with the United Nations Guiding Principles on Business and Human Rights and the expectations outlined in the Fighting Against Forced Labour and Child Labour in Supply Chains Act (S-211), we recognize the critical importance of having clear, actionable remediation protocols in place should such issues arise in the future.

While no instances of forced labour and child labour within our operations or supply chains have been identified, should they be in the future, remediation measures could include:

a) *Immediate Engagement and Remediation*: In the event of instances of forced labour and child labour within our operations or those of our suppliers, swift action will be taken. We will engage directly with affected individuals and communities to assess the impact and devise appropriate remedial measures, which may include financial compensation, assistance in securing alternative employment, and facilitating access to education and healthcare services.

b) *Supplier Corrective Action and Support*: Collaborating with suppliers to implement corrective actions, which may involve training, capacity-building, or other support needed to eliminate root causes and prevent recurrence.

c) *Policy and Process Review:* Triggering a review of existing internal policies and due diligence procedures to identify gaps, strengthen controls, and ensure alignment with emerging legal and ethical obligations.

d) *Stakeholder Transparency*: Maintaining a transparent approach by communicating significant remediation efforts and outcomes to key stakeholders, while respecting privacy and confidentiality considerations. This reinforces our organizational commitment to ethical conduct and accountability.

Section E – Remediation of Loss of Income

Over the past financial year, Kenworth has not identified any confirmed instances of forced labour and child labour within its operations or supply chains. Following a structured supply chain risk assessment, the organization has determined that its overall exposure to such risks remains relatively low. Consequently, no measures were required or taken during this period to remediate loss of income for vulnerable individuals or communities.

Nonetheless, Kenworth acknowledges the potential socioeconomic impact that forced, and child labour can have, particularly on vulnerable families. In alignment with its ethical commitments and the intent of the Fighting Against Forced Labour and Child Labour in Supply Chains Act, the organization remains prepared to act decisively should such situations arise.

Furthermore, all imported parts and components are sourced from our parent company and sole supplier outside of Canada, PACCAR, which maintains formal policies prohibiting forced and child labour and requires its suppliers to comply with all applicable labour laws. The preventative measures implemented by PACCAR are designed to avoid exploitation without displacing legitimate employment or causing unintended economic harm to vulnerable families.

Remediation efforts may include the facilitation of alternative income-generating opportunities for affected individuals, support for continued access to education, and collaboration with local non-governmental organizations (NGOs) to deliver targeted support aimed at restoring livelihoods and promoting long-term community resilience.

Section F – Training

Over the past financial year, Kenworth Truck Centres has not conducted formal training programs related to forced and child labour in the supply chain. However, as a subsidiary, Kenworth Truck Centres relies on the training programs and ethical compliance practices of its parent company, PACCAR, which serves as its sole supplier outside of Canada.

PACCAR provides biennial training on its Supplier Code of Conduct to relevant personnel across its supply chain network. This training covers critical topics such as the identification and prevention of forced and child labour, compliance with local and international labour laws, and expectations for ethical sourcing practices.

Given this established framework, Kenworth Truck Centres aligns with and supports the training measures implemented by PACCAR. No additional training programs are currently planned, as the company's procurement and sourcing activities are conducted in accordance with PACCAR's standards and oversight mechanisms.

Through this alignment, Kenworth Truck Centres continues to promote awareness of ethical labour practices and remains committed to upholding the principles outlined in the Fighting Against Forced Labour and Child Labour in Supply Chains Act.

Section G – Assessing Effectiveness

Kenworth Truck Centres does not currently maintain formal policies, metrics, or procedures to assess the effectiveness of its efforts in preventing the use of forced or child labour within its operations or supply chains.

This approach is largely due to the nature of our operations, which are conducted entirely within Canada—a jurisdiction with strong labour protections and low inherent risk of such practices.

We recognize, however, that potential risks may still exist upstream in the supply chain, particularly in the sourcing of raw materials and components from global markets. To address this, Kenworth Truck Centres aligns itself with the due diligence frameworks of its parent company and sole supplier outside of Canada, PACCAR. PACCAR enforces strict supplier standards, performs periodic audits, and issues transparency reports in accordance with legislation such as the U.S. and Canadian Supply Chains Acts.

While Kenworth Truck Centres currently relies on PACCAR's established compliance mechanisms, we acknowledge the importance of assessing effectiveness proactively. As industry standards evolve or if concerns arise, we remain open to enhancing our approach to monitoring and evaluating supply chain practices to ensure continued alignment with ethical sourcing principles.

Attestation

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 or entities 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.

X CARLOS QUIRA

Full Name

X CFO

Title

X September 2, 2025

Date

X

Signature*