



DIVISION OF  
CORPORATION FINANCE

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

January 28, 2019

Irene E. Song  
PACCAR Inc.  
irene.song@paccar.com

Re: PACCAR Inc.

Dear Ms. Song:

This letter is in regard to your correspondence dated January 2, 2019 concerning the shareholder proposal (the "Proposal") submitted to PACCAR Inc. (the "Company") by The Nicola Miner Revocable Trust (the "Proponent") for inclusion in the Company's proxy materials for its upcoming annual meeting of security holders. Your letter indicates that the Proponent has withdrawn the Proposal and that the Company therefore withdraws its December 19, 2018 request for a no-action letter from the Division. Because the matter is now moot, we will have no further comment.

Copies of all of the correspondence related to this matter will be made available on our website at <http://www.sec.gov/divisions/corpfin/cf-noaction/14a-8.shtml>. For your reference, a brief discussion of the Division's informal procedures regarding shareholder proposals is also available at the same website address.

Sincerely,

Courtney Haseley  
Special Counsel

cc: Andrew Behar  
As You Sow  
abehar@asyousow.org

**DIVISION OF CORPORATION FINANCE**  
**INFORMAL PROCEDURES REGARDING SHAREHOLDER PROPOSALS**

The Division of Corporation Finance believes that its responsibility with respect to matters arising under Rule 14a-8 [17 CFR 240.14a-8], as with other matters under the proxy rules, is to aid those who must comply with the rule by offering informal advice and suggestions and to determine, initially, whether or not it may be appropriate in a particular matter to recommend enforcement action to the Commission. In connection with a shareholder proposal under Rule 14a-8, the Division's staff considers the information furnished to it by the company in support of its intention to exclude the proposal from the company's proxy materials, as well as any information furnished by the proponent or the proponent's representative.

Although Rule 14a-8(k) does not require any communications from shareholders to the Commission's staff, the staff will always consider information concerning alleged violations of the statutes and rules administered by the Commission, including arguments as to whether or not activities proposed to be taken would violate the statute or rule involved. The receipt by the staff of such information, however, should not be construed as changing the staff's informal procedures and proxy review into a formal or adversarial procedure.

It is important to note that the staff's no-action responses to Rule 14a-8(j) submissions reflect only informal views. The determinations reached in these no-action letters do not and cannot adjudicate the merits of a company's position with respect to the proposal. Only a court such as a U.S. District Court can decide whether a company is obligated to include shareholder proposals in its proxy materials. Accordingly, a discretionary determination not to recommend or take Commission enforcement action does not preclude a proponent, or any shareholder of a company, from pursuing any rights he or she may have against the company in court, should the company's management omit the proposal from the company's proxy materials.

January 2, 2019

**VIA E-MAIL**

Office of Chief Counsel  
Division of Corporation Finance  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

**Re: *PACCAR Inc Shareholder Proposal of As You Sow Pursuant to Rule 14a-8 Under the Securities Exchange Act of 1934, As Amended***

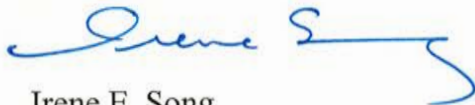
Ladies and Gentlemen:

By letter dated December 19, 2018 (the “*No-Action Request*”), we requested that the staff of the Securities and Exchange Commission concur that PACCAR Inc (the “*Company*”) could omit from its proxy statement and form of proxy for its 2019 Annual Meeting of Stockholders the shareholder proposal (the “*Proposal*”) and statements in support thereof received from As You Sow (the “*Proponent*”) on behalf of the Nicola Miner Revocable Trust.

Attached hereto as Exhibit A is a letter from the Proponent, received by the Company on December 27, 2018, stating that the Proponent is withdrawing the Proposal. Please include this letter as part of the decision record for the No-Action Request. In reliance on the attached letter of withdrawal, the Company hereby withdraws the No-Action Request.

If you have any questions, please contact me at (425) 468-7495.

Sincerely,



Irene E. Song

Enclosures

cc: Andrew Behar, As You Sow

**EXHIBIT A**

**(Proponent's Withdrawal Letter)**



AS YOU SOW

1611 Telegraph Ave, Suite 1450  
Oakland, CA 94612

[www.asyousow.org](http://www.asyousow.org)  
BUILDING A SAFE, JUST, AND SUSTAINABLE WORLD SINCE 1992

Irene Song  
Secretary  
PACCAR Inc.  
777 106th Avenue N.E.  
Bellevue, WA 98004  
(425) 468-7495  
[Irene.Song@PACCAR.com](mailto:Irene.Song@PACCAR.com)

December 27, 2018

Dear Ms. Song:

Upon further review of the no action request and the disclosures by the company to date, we have concluded that we are willing to withdraw our resolution subject to the proviso that you include this letter with your withdrawal of the no action request, and request that the SEC include this letter as part of the decision record.

The Proposal sought reporting consistent with the SASB Industrial Machinery and Goods standard. The Proponent notes that PACCAR's Materials Sourcing disclosure issued after the filing of our proposal appears to be in line with the SASB standard. Since the proposal submitted for the 2019 annual meeting emphasized the SASB Materials Sourcing disclosure requirements, the proponent is withdrawing the proposal.

The proponent notes, however, that other SASB recommended guidelines regarding Energy Management, Employee Health & Safety, Fuel Economy & Emissions in Use-phase, and Remanufacturing Design & Services may merit further disclosures. The proponent urges the company to expand its future disclosures consistent with those standards.

Best,

Andrew Behar  
As You Sow  
CEO



December 19, 2018

**VIA E-MAIL**

Office of Chief Counsel  
Division of Corporation Finance  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

**Re: *PACCAR Inc Shareholder Proposal of As You Sow Pursuant to Rule 14a-8 Under the Securities Exchange Act of 1934, As Amended***

Ladies and Gentlemen:

This letter is to inform you that PACCAR Inc (the “*Company*”) intends to omit from its proxy statement and form of proxy for its 2019 Annual Meeting of Stockholders (collectively, the “*2019 Proxy Materials*”) a shareholder proposal (the “*Proposal*”) and statements in support thereof received from As You Sow (the “*Proponent*”), which submitted the Proposal on behalf of The Nicola Miner Revocable Trust (the “*Trust*”).

Pursuant to Rule 14a-8(j), we have:

- filed this letter with the Securities and Exchange Commission (the “*Commission*”) no later than eighty (80) calendar days before the Company intends to file its definitive 2019 Proxy Materials with the Commission; and
- concurrently sent copies of this correspondence to the Proponent.

Rule 14a-8(k) and Staff Legal Bulletin No. 14D (Nov. 7, 2008) (“*SLB 14D*”) provide that shareholder proponents are required to send companies a copy of any correspondence that the proponents elect to submit to the Commission or the staff of the Division of Corporation Finance (the “*Staff*”). Accordingly, we are taking this opportunity to inform the Proponent that if the Proponent elects to submit additional correspondence to the Commission or the Staff with respect to the Proposal, a copy of that correspondence should be furnished concurrently to the undersigned pursuant to Rule 14a-8(k) and SLB 14D.

**THE PROPOSAL**

The Proposal sets forth the following resolution:

**Therefore, be it resolved:** Shareholders request that the Board of Directors issue a

report on sustainability to shareholders by 180 days after the 2019 Annual Meeting, at reasonable expense and excluding confidential information, prepared in consideration of the SASB Industrial Machinery and Goods standard, describing the company's policies, performance, and improvement targets related to material sustainability risks and opportunities.

A complete copy of the Proposal, as well as related correspondence from the Proponent, is attached to this letter as Exhibit A.

### **BASIS FOR EXCLUSION**

We hereby respectfully request that the Staff concur with our view that the Proposal may be excluded from the 2019 Proxy Materials pursuant to:

- Rule 14a-8(b) and Rule 14a-8(f)(1) because the Proponent failed to provide the requisite proof of continuous ownership in response to the Company's proper request for such information; and
- Rule 14a-8(i)(10) because it has been substantially implemented.

### **BACKGROUND**

The Proponent submitted two copies of the Proposal on behalf of the Trust to the Company on November 16, 2018, submitting one copy via e-mail and the other via Priority Mail Express. *See* Exhibit A. The Proponent's submission was deficient because it did not include verification of the Trust's ownership of the requisite number of Company shares for at least one year as of the date the Proponent submitted the Proposal. The Company reviewed its stock records, which did not indicate that the Trust was the record owner of any shares of Company securities.

Accordingly, on November 19, 2018, which was within 14 days of the date on which the Company received the Proposal, we notified the Proponent by e-mail of the Proposal's procedural deficiencies as required by Rule 14a-8(f) (the "*Deficiency Notice*"). In the Deficiency Notice, attached hereto as Exhibit B, we informed the Proponent of the requirements of Rule 14a-8 and explained how it could cure the procedural deficiencies. Specifically, the Deficiency Notice stated:

- the ownership requirements of Rule 14a-8(b), including that "To remedy this deficiency, you must submit sufficient proof of your ownership of the requisite number of PACCAR's shares covering the one-year period preceding and including the date the proposal was submitted. As clarified in SEC Staff Legal Bulletin No. 14G (Oct. 16, 2012), the date of submission is the date the proposal is postmarked or transmitted electronically, which for your proposal was November 16, 2018";

- the type of documentation necessary to demonstrate beneficial ownership under Rule 14a-8(b), including “a written statement from the ‘record’ holder of the proponent’s shares (usually a broker or a bank) verifying that the proponent continuously held the requisite number of the PACCAR’s shares for at least one year as of the date the proponent submits the proposal”; and
- that the Proponent’s response had to be postmarked or transmitted electronically no later than 14 calendar days from the date on which the Proponent received the Deficiency Notice.

The Deficiency Notice also included copies of Rule 14a-8, SEC Staff Legal Bulletin No. 14F (Oct. 18, 2011) (“*SLB 14F*”) and Staff Legal Bulletin No. 14G (Oct. 16, 2012) (“*SLB 14G*”).

By e-mail sent on November 30, 2018, the Proponent responded to the Deficiency Notice with proof of the Trust’s stock ownership in the form of a letter from Charles Schwab, dated November 29, 2018 (the “*Charles Schwab Letter*”). The Charles Schwab Letter stated, in pertinent part:

We’re writing to confirm information about the account listed above, which Charles Schwab & Co., Inc. holds as custodian. This account holds in trust 221 shares of PACCAR, INC PCAR common stock. These shares have been held in the account continuously for at least one year prior to and including *November 14, 2018*.

See Exhibit C (emphasis added).

As of close of business on December 18, 2018, the Company has not received further correspondence from the Proponent regarding the Trust’s ownership of Company shares.

## ANALYSIS

### **The Proposal May Be Excluded Under Rule 14a-8(b) And Rule 14a-8(f)(1) Because The Proponent Failed To Establish The Requisite Eligibility To Submit The Proposal.**

The Company may exclude the Proposal under Rule 14a-8(f)(1) because the Proponent did not substantiate its eligibility to submit the Proposal under Rule 14a-8(b) by providing the information described in the Deficiency Notice. Specifically, even though the Deficiency Notice requested proof of ownership for “the one-year period preceding and including the date the proposal was submitted. . . .which for your proposal was November 16, 2018”, the Proponent’s response addressed ownership for the one-year period preceding and including November 14, 2018.

Rule 14a-8(b)(1) provides, in part, that “[i]n order to be eligible to submit a proposal, [a



shareholder] must have continuously held at least \$2,000 in market value, or 1%, of the company's securities entitled to be voted on the proposal at the meeting for at least one year by the date [the shareholder] submit[s] the proposal." Staff Legal Bulletin No. 14 (July 13, 2001) ("**SLB 14**") specifies that when the shareholder is not the registered holder, the shareholder "is responsible for proving his or her eligibility to submit a proposal to the company," which the shareholder may do by one of the two ways provided in Rule 14a-8(b)(2).

Rule 14a-8(f) provides that a company may exclude a shareholder proposal if the proponent fails to provide evidence of eligibility under Rule 14a-8, including the beneficial ownership requirements of Rule 14a-8(b), so long as the company timely notifies the proponent of the problem and the proponent fails to correct the deficiency within the required time. In addition, SLB 14G provides specific guidance on the manner in which companies should notify proponents of a failure to provide proof of ownership for the one-year period required under Rule 14a-8(b)(1). SLB 14G expresses concern that companies' notices of defect may not adequately describe the defects or explain what a proponent must do to remedy defects in proof of ownership letters. In this case, the Company satisfied its obligations under Rule 14a-8 and SLB 14G by transmitting to the Proponent in a timely manner the Deficiency Notice, which (i) set forth the proof of ownership requirement, (ii) attached copies of Rule 14a-8, SLB 14F and SLB 14G, and (iii) identified the specific date on which the proposal was submitted and provided the explanation required under SLB 14G. See Exhibit B.

The Staff has consistently granted no-action relief to registrants where proponents have failed, following a timely and proper request by a registrant, to furnish adequate evidence of continuous share ownership for the precise one-year period preceding and including the submission date of the proposal. For example, in *PepsiCo, Inc. (Albert)* (avail. Jan. 10, 2013), the proponent submitted the proposal on November 20, 2012 and provided a broker letter that established ownership of company securities for one year as of November 19, 2012. While the company properly sent a deficiency notice to the proponent on December 4, 2012 specifically identifying the date as of which beneficial ownership had to be substantiated and how the proponent could substantiate such ownership, the proponent did not respond to such notice. The Staff concurred in the exclusion of the proposal because the broker letter was insufficient to prove continuous share ownership for one year as of November 20, 2012, the date the proposal was submitted. See also *Exxon Mobil Corp.* (avail. Feb. 13, 2017) (concurring with the exclusion of a shareowner proposal under Rule 14a-8(b) and Rule 14a-8(f) and noting that "the proponent appears to have failed to supply, within 14 days of receipt of ExxonMobil's request, documentary support sufficiently evidencing that she satisfied the minimum ownership requirement for the one-year period required by rule 14a-8(b)"; *Starbucks Corporation* (avail. Dec. 11, 2014) (letter from broker stating ownership for over one year prior to September 26, 2014 was insufficient to prove continuous ownership for one year as of September 24, 2014, the date the proposal was submitted) *Morgan Stanley* (avail. Jan. 15, 2013) (letter from broker stating ownership for one year as of November 6, 2012 was insufficient to prove continuous ownership for one year as of November 9, 2012, the date the

proposal was submitted); *Verizon Communications Inc.* (avail. Jan. 12, 2011) (first broker letter stating ownership “for more than a year” as of November 16, 2010 was insufficient to prove continuous ownership for a year preceding and including November 17, 2010, the proposal submission date, and second broker letter furnished by proponent was untimely and similarly worded); *Union Pacific Corp.* (avail. Mar. 5, 2010) (broker letter, stating ownership for the year preceding and including November 17, 2009, was insufficient to prove continuous ownership for proposal submitted on November 19, 2009); *General Electric Co. (Randall)* (avail. Dec. 16, 2009) (resubmitting a proposal under a revised cover letter, which had been backdated one day to coincide with a broker letter confirming ownership for at least one year as of October 27, 2009, was insufficient to prove continuous ownership for a year preceding and including October 28, 2009, the proposal submission date); *International Business Machines Corp.* (avail. Dec. 7, 2007) (letter from broker stating ownership as of October 15, 2007 was insufficient to prove continuous ownership for one year as of October 22, 2007, the date the proposal was submitted).

Here, the Proponent submitted the Proposal on November 16, 2018. The Deficiency Notice clearly stated the necessity to prove continuous ownership for “the one-year period preceding and including the date the proposal was submitted. . . . which for your proposal was November 16, 2018.” In doing so, we complied with the Staff’s guidance in SLB 14G by identifying the specific date on which the proposal was submitted and providing the Proponent with specific instruction as to Rule 14a-8’s proof of ownership requirements. The Charles Schwab Letter supplied by the Proponent in response to the Deficiency Notice confirmed that the Trust had held 221 shares of common stock in PACCAR for the one-year period through and including November 14, 2018, two days prior to the date of submission of the Proposal.

Accordingly, consistent with the precedent cited above, the Proposal is excludable because, despite receiving timely and proper notice pursuant to Rule 14a-8(f)(1), the Proponent has not sufficiently demonstrated that it continuously owned the requisite number of Company shares for the requisite one-year period prior to and including the date the Proposal was submitted to the Company, as required by Rule 14a-8(b).

### **The Proposal May Be Excluded Under Rule 14a-8(i)(10) Because It Has Been Substantially Implemented**

#### ***A. Guidance Regarding Substantial Implementation.***

Rule 14a-8(i)(10) permits a company to exclude a shareholder proposal from its proxy materials if the company has substantially implemented the proposal. The Commission stated in 1976 that the predecessor to Rule 14a-8(i)(10) was “designed to avoid the possibility of shareholders having to consider matters which already have been favorably acted upon by the management.” Exchange Act Release No. 12598 (July 7, 1976). Originally, the Staff narrowly interpreted this predecessor rule and granted no-action relief only when proposals were “‘fully’ effected” by the company. Exchange Act Release No. 19135 (Oct. 14, 1982). By 1983, the Commission recognized that the

“previous formalistic application of [the Rule] defeated its purpose” because proponents were successfully convincing the Staff to deny no-action relief by submitting proposals that differed from existing company policy by only a few words. Exchange Act Release No. 20091 (Aug. 16, 1993) (the “**1983 Release**”). Therefore, in the 1983 Release, the Commission adopted a revision to the rule to permit the omission of proposals that have been “substantially implemented” (*id.*) and the Commission codified this revised interpretation in Exchange Act Release No. 40018 (May 21, 1998) (the “**1998 Release**”). Thus, when a company has already taken action to address the underlying concerns and essential objectives of a shareholder proposal, the Staff has concurred that the proposal has been “substantially implemented” and may be excluded as moot. *See, e.g., Exelon Corp.* (avail. Feb. 26, 2010); *Exxon Mobil Corp.* (avail. Mar. 23, 2009); *Anheuser-Busch Companies, Inc.* (avail. Jan. 17, 2007); *ConAgra Foods, Inc.* (avail. July 3, 2006). At the same time, a company need not implement a proposal in exactly the manner set forth by the proponent. *See* 1998 Release, at n. 30 and accompanying text. *See, e.g., Hewlett-Packard Co.* (avail. Dec. 11, 2007) (proposal requesting that the board permit shareholders to call special meetings was substantially implemented by a proposed bylaw amendment to permit shareholders to call a special meeting unless the board determined that the specific business to be addressed had been addressed recently or would soon be addressed at an annual meeting). Differences between a company’s actions and a shareholder proposal are permitted as long as the company’s actions satisfactorily address the proposal’s essential objective.

Applying this standard, the Staff has consistently concurred with the exclusion of shareholder proposals that, like the Proposal, request a report containing information that a company has already publicly disclosed, even if not issued in the form of a report in response to a proposal. *Mondelez International, Inc.* (avail. Mar. 7, 2014) (concurring with the exclusion of a proposal requesting that the board produce a report on the company’s process for identifying and analyzing potential and actual human rights risks in the company’s operations and supply chain, where the company already disclosed its risk management process and the framework it used to assess potential human rights risks); *Pfizer Inc.* (avail. Jan. 11, 2013, recon. denied Mar. 1, 2013) (concurring with the exclusion of a proposal requesting that the board issue a report detailing measures implemented to reduce the use of animals and specific plans to promote alternatives to animal use, where the company cited its compliance with the Animal Welfare Act and published a two-page “Guidelines and Policy on Laboratory Animal Care” on its website); *Duke Energy Corporation* (avail. Feb. 21, 2012) (concurring with the exclusion of a proposal requesting that an independent board committee prepare a report on the company’s action to reduce greenhouse gases and other emissions where the company had provided disclosures regarding its energy efficiency programs and regulatory targets for renewable generation sources in its filings and on its website).

*See also Wal-Mart Stores, Inc.* (avail. Mar. 10, 2008); *PG&E Corps.* (avail. Mar. 6, 2008); *The Dow Chemical Co.* (avail. Mar. 5, 2008); *Johnson & Johnson* (avail. Feb. 22, 2008) (in each case, the Staff concurred in the exclusion, under Rule 14a-8(i)(10), of a proposal requesting that the company issue a report based upon the company having already publicly disclosed the subject matter of the requested report).

As discussed below, the Company has already substantially implemented the Proposal because its public disclosures about its existing policies, practices and procedures “compare favorably with the guidelines” of the Proposal and the Company has satisfactorily addressed the Proposal’s underlying concerns and its essential objectives, which are to have the Company manage and disclose performance on material sustainability factors in accordance with the Sustainability Accounting Standards Board (“*SASB*”) Industrial Machinery & Goods industry standard.

***B. The Company Has Satisfactorily Addressed the Proposal’s Underlying Concerns and Implemented its Essential Objectives.***

Substantial implementation under Rule 14a-8(i)(10) requires a company’s actions to have satisfactorily addressed both the proposal’s underlying concerns and its essential objective. Here, the Proposal’s underlying concerns and essential objectives are for the Company to make disclosures describing the Company’s policies, performance and targets related to material sustainability risks and opportunities, prepared in consideration of the SASB Industrial Machinery & Goods standard. The SASB Industrial Machinery & Goods standard provides companies in this industry with a framework for considering disclosures in the following areas, to the extent the company determines that such disclosures are material: Energy Management, Employee Health & Safety, Fuel Economy & Emissions in Use-phase, Materials Sourcing and Remanufacturing Design & Services. The Proposal particularly emphasizes the Company’s lack of disclosure related to Materials Sourcing. The Company, however, has already addressed these underlying concerns and essential objectives by developing, implementing and reporting on the rigorous environmental, social and governance standards it sets for itself. This year, the Company released its Environmental, Social and Governance Report<sup>1</sup> (the “*ESG Report*”), which includes disclosures related to each of the material sustainability issues prescribed in the SASB Industrial Machinery & Goods industry standard. In addition to the comprehensive ESG Report, the Company discloses information relevant to the SASB Industrial Machinery & Goods standard through the CDP (formerly Carbon Disclosure Project) website at <https://www.cdp.net/en> (the “*CDP Report*”) as well as in the Company’s Annual Report, available at [www.paccar.com/investors](http://www.paccar.com/investors) (for example, the number of trucks produced is shown on page 28 and the number of employees is shown on page 7 of the Annual Report).

As discussed above, a company’s actions may differ from a proposal “as long as the company’s actions satisfactorily address the proposal’s essential objectives.” Through its public disclosures, the Company has demonstrated its commitment to managing and reporting on each component of the SASB Industrial Machinery & Goods industry standard. The Company believes that with substantially all of the facets of the Proposal satisfied, it has addressed the Proposal’s essential objective and already substantially implemented the Proposal.

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<sup>1</sup> The full text of the ESG Report is attached to this letter as Exhibit D.

*C. The Company's Public Disclosures Compare Favorably with the Guidelines of the Proposal.*

The Proposal requests that the Company issue a report to shareholders on sustainability, prepared in consideration of the SASB Industrial Machinery and Goods industry standard. The ESG Report discloses certain metrics regarding the Company's performance on sustainability topics and actions the Company is taking with respect to certain sustainability issues. The ESG Report also contains web links to the Company's separate public disclosures that relate to certain environmental, social and governance topics. The Company's ESG Report and other public disclosures, as described above, compare favorably with the guidelines of the Proposal. Specifically, the Company provides disclosure for each component of the SASB Industrial Machinery and Goods industry standard:

- **Energy Management** – on pages 1 through 3 of the ESG Report, the Company reports its greenhouse gas emissions and energy usage, in each case over a five-year period, along with discussions of the Company's efforts relating to greenhouse gas emissions and energy usage. Company metrics regarding total energy consumed, percentage grid electricity and percentage renewable are available in Section C8 of the CDP Report.
- **Employee Health & Safety** – on pages 5 and 6 of the ESG Report, the Company describes its practices and procedures related to workplace safety, including its fatality rate of zero and its recordable injury/illness rate for a seven-year period.
- **Fuel Economy & Emissions in Use-phase** – on pages 3 and 4 of the ESG Report, the Company describes its research and development related to producing commercial vehicles that reduce environmental impacts, including development of zero emissions trucks, its use of low carbon and renewable fuels, its participation in programs that have reduced fuel consumption and other strategies it employs to improve fuel economy and emissions. Multiple sections of the CDP Report also discuss the Company's strategies and approach to managing fuel economy and emissions risks and opportunities.
- **Materials Sourcing** – on page 8 of the ESG Report, the Company outlines its management of risk associated with conflict minerals and critical materials, which includes a due diligence process based on the guidance provided by the Organisation for Economic Cooperation and Development, participation in relevant initiatives, limiting use of critical materials and the practice of entering into long-term agreements with high quality, reputable suppliers that adhere to PACCAR's Code of Supplier Conduct.
- **Remanufacturing Design & Services** – on page 5 of the ESG Report, the Company discloses that its aftermarket parts division sells remanufactured engines and many other remanufactured components.

Office of Chief Counsel  
Division of Corporation Finance  
December 19, 2018  
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As discussed above, a company “need not implement a proposal in exactly the manner set forth by the proponent.” Instead, actions by a company must “compare favorably with the guidelines” of the proposal.

The Company’s ESG Report and additional public disclosures about its sustainability practices, policies and procedures compare favorably with the Proposal and, accordingly, substantially implement the Proposal.

***D. The Conclusion that the Proposal Has Been Substantially Implemented is Consistent with Prior Staff Responses to Substantially Similar Proposals.***

The Staff has previously concurred with the exclusion of proposals that, like the Proposal, request a report on environmental issues where the company had already published a sustainability report. *See, e.g., Anthem, Inc.* (avail. Mar. 19, 2018); *Abercrombie & Fitch Co.* (avail. Mar. 28, 2012); *MGM Resorts Int’l* (avail. Feb. 28, 2012); *Alcoa Inc.* (avail. Feb. 3, 2009). In instances where the Staff has not concurred in exclusion, the published sustainability reports did not address a specific fundamental element of the requested report. *See, e.g., The TJX Companies, Inc.* (avail. Mar. 13, 2017); *Lowe’s Companies, Inc.* (avail. Mar. 10, 2017); *The Middleby Corp.* (avail. Feb. 7, 2017). Here, the Proposal is distinguishable from these instances of exclusion because the Company’s ESG Report, additional public disclosures and comprehensive policy on sustainability do address the fundamental request of the Proposal.

**CONCLUSION**

Based upon the foregoing analysis, we respectfully request that the Staff concur that it will take no action if the Company excludes the Proposal from its 2019 Proxy Materials.

We would be happy to provide you with any additional information and answer any questions that you may have regarding this subject. Correspondence regarding this letter should be sent to [irene.song@paccar.com](mailto:irene.song@paccar.com). I am also available by telephone at (425) 468-7495.

Sincerely,



Irene E. Song

Enclosures

cc: Andrew Behar, As You Sow  
Nicola Miner, Nicola Miner Revocable Trust

**EXHIBIT A**

**(Proponent's Proposal and Accompanying Correspondence, Submitted Electronically and  
via Priority Mail Express)**

## Irene Song

---

**From:** Kwan Hong Teoh <Kwan@asyousow.org>  
**Sent:** Friday, November 16, 2018 12:54 PM  
**To:** Irene Song; Kate Lamb  
**Cc:** Andy Behar; Paul Rissman  
**Subject:** PCAR - Shareholder Proposal  
**Attachments:** 19.PCAR.1 Paccar Filing Letter - Lead.pdf

**Categories:** External Message

Dear Ms. Song and Ms. Lamb,

Thank you Kate for taking my call earlier this afternoon and sharing your email contacts. As promised, I've enclosed an electronic version of a shareholder proposal for inclusion in PACCAR's 2019 proxy statement. A paper copy was sent via USPS to the PO box indicated in last year's proxy statement. Andy Behar, here cc-ed, would be the best point of contact for this resolution.

Receipt confirmation of this email would be appreciated. Thank you!

Best Regards,  
Kwan

**Kwan Hong Teoh**  
**Environmental Health Program**  
**Research Manager**

**As You Sow**

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Date Accepted (MM/DD/YYYY) Scheduled Delivery Time Insurance Fee COD Fee

Time Accepted 10:30 AM 3:00 PM 12 NOON \$ \$

Weight Flat Rate \$ Sunday/Holiday Premium Fee Return Receipt Fee Live Animal Transportation Fee

Acceptance Employee Initials \$ 24.70

**DELIVERY (POSTAL SERVICE USE ONLY)**

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AS YOU SOW

1611 Telegraph Ave, Suite 1450  
Oakland, CA 94612

[www.asyousow.org](http://www.asyousow.org)  
BUILDING A SAFE, JUST, AND SUSTAINABLE WORLD SINCE 1992

November 16, 2018

I. E. Song  
Corporate Secretary  
PACCAR Inc  
P.O. Box 1518  
Bellevue, Washington 98009

Dear Ms. Song:

*As You Sow* is filing a shareholder proposal on behalf of The Nicola Miner Revocable Trust ("Proponent"), a shareholder of PACCAR Inc., for action at the next annual meeting of PACCAR. Proponent submits the enclosed shareholder proposal for inclusion in PACCAR's 2019 proxy statement, for consideration by shareholders, in accordance with Rule 14a-8 of the General Rules and Regulations of the Securities Exchange Act of 1934.

A letter from Proponent authorizing *As You Sow* to act on its behalf is enclosed. A representative of the Proponent will attend the stockholders' meeting to move the resolution as required.

We are available to discuss this issue and are optimistic that such discussion could result in resolution of the Proponent's concerns. To schedule a dialogue, please contact Andrew Behar, CEO at [abehar@asyousow.org](mailto:abehar@asyousow.org).

Sincerely,

Andrew Behar  
CEO

Enclosures

- Shareholder Proposal
- Shareholder Authorization

**Whereas:** The Sustainability Accounting Standards Board (SASB) has established industry-specific standards that assist companies in disclosing financially material, decision-useful sustainability information to investors;

SASB standards are designed to identify a minimum set of sustainability issues most likely to impact the operating performance or financial condition of the typical company in an industry, regardless of location;

Businesses can use the SASB standards to better identify, manage, and communicate to investors sustainability information that is financially material. Use of the standards can benefit businesses by improving transparency, risk management, and performance. SASB standards can help investors by encouraging reporting that is comparable, consistent, and financially material, thereby enabling better investment and voting decisions;

Failure to adequately manage and disclose performance on material sustainability factors can pose significant regulatory, legal, reputational, and financial risk to a company and its shareholders;

Investors support disclosure in accordance with SASB standards: The SASB Investor Advisory Group, 32 global asset owners and asset managers (including six of the world's ten largest investment advisers) "[b]elieve SASB's approach—which is industry-specific and materiality-focused—will help provide investors with relevant and decision-useful information," and "[b]elieve that SASB standards can inform integration of sustainability factors into investment and/or stewardship processes, such as corporate engagement and proxy voting."<sup>1</sup> Members of the SASB Investor Advisory Group and SASB Alliance, "a growing movement of organizations that believe standardized, industry-specific, and materiality-based standards help companies and investors adapt to the market's expectations," comprise among others pension funds of six states;<sup>2</sup>

SASB identifies the Industrial Machinery & Goods industry's material sustainability issues as Energy Management; Employee Health & Safety; Fuel Economy & Emissions in Use-phase; Materials Sourcing; and Remanufacturing Design & Services. Presently, our company provides insufficient disclosure on these issues. For instance, our company does not disclose how it manages critical materials sourcing risks. Industrial goods companies are exposed to supply chain risks through the use of critical materials and conflict minerals in electronic components. These materials are characterized by availability that could be affected by geopolitical considerations, concentration of deposits in few countries, and low substitution ratios. By limiting use of critical and conflict materials and securing their supply, our company can mitigate the risk of supply disruptions and volatile input prices. The absence of this information challenges investors' ability to comprehensively evaluate our company's management of sustainability risks and opportunities;

**Therefore, be it resolved:** Shareholders request that the Board of Directors issue a report on sustainability to shareholders by 180 days after the 2019 Annual Meeting, at reasonable expense and excluding confidential information, prepared in consideration of the SASB Industrial Machinery and Goods standard, describing the company's policies, performance, and improvement targets related to material sustainability risks and opportunities.

---

<sup>1</sup> <https://www.sasb.org/investor-use/supporters/>

<sup>2</sup> <https://www.sasb.org/alliance-membership/organizational-members/>

**Supporting Statement:**

The reporting should include discussion of the company's strategic approach to managing risks associated with geopolitical conflict that may affect the availability of critical materials for its products.

November 14, 2018

Andrew Behar  
CEO  
As You Sow  
1611 Telegraph Ave., Ste. 1450  
Oakland, CA 94612

Re: Authorization to File Shareholder Resolution

Dear Mr. Behar,

The undersigned (the "Stockholder") authorizes *As You Sow* to file or co-file a shareholder resolution on Stockholder's behalf with Paccar, Inc. (the "Company") for inclusion in the Company's 2019 proxy statement, in accordance with Rule 14a-8 of the General Rules and Regulations of the Securities and Exchange Act of 1934. The resolution at issue relates to report on policies, performance, and improvement targets regarding material sustainability risks and opportunities, as summarized in the Sustainability Accounting Standards Board's Industrial Machinery and Goods standard, including managing risks associated with geopolitical conflict that may affect the availability of critical materials.

The Stockholder has continuously owned over \$2,000 worth of Company stock, with voting rights, for over a year. The Stockholder intends to hold the required amount of stock through the date of the company's annual meeting in 2019.

The Stockholder gives *As You Sow* the authority to address on Stockholder's behalf any and all aspects of the shareholder resolution, including designating another entity as lead filer and representative of the shareholder. The Stockholder understands that the Stockholder's name may appear on the company's proxy statement as the filer of the aforementioned resolution and that the media may mention the Stockholder's name in relation to the resolution.

The shareholder further authorizes *As You Sow* to send a letter of support of the resolution on Stockholder's behalf concerning the resolution.

Sincerely,



Karen Leech  
Special Power of Attorney  
The Nicola Miner Revocable Trust

**EXHIBIT B**

**(Deficiency Notice)**

## Irene Song

---

**From:** Irene Song  
**Sent:** Monday, November 19, 2018 5:56 PM  
**To:** abehar@asyousow.org  
**Cc:** Kate Lamb; kwan@asyousow.org  
**Subject:** Rule 14a-8 Proposal  
**Attachments:** Rule 14a-8 Shareholder proposals.pdf; Staff Legal Bulletin No 14F.PDF; Staff Legal Bulletin No 14G.PDF

Dear Mr. Behar:

PACCAR acknowledges receipt of your shareholder proposal for PACCAR's 2019 annual meeting.

Your proposal currently does not meet the requirement of SEC Rule 14a-8(b)(1) to show continuous ownership of PACCAR shares of at least \$2,000 in market value for at least one year by the date of the submission.

To remedy this deficiency, you must submit sufficient proof of your ownership of the requisite number of PACCAR's shares covering the one-year period preceding and including the date the proposal was submitted. As clarified in SEC Staff Legal Bulletin No. 14G (Oct. 16, 2012), the date of submission is the date the proposal is postmarked or transmitted electronically, which for your proposal was November 16, 2018.

As explained in Rule 14a-8(b), sufficient proof may be in the form of a written statement from the "record" holder of the proponent's shares (usually a broker or a bank) verifying that the proponent continuously held the requisite number of the PACCAR's shares for at least one year as of the date the proponent submits the proposal.

SEC Staff Legal Bulletin No. 14F (Oct. 18, 2011) provides the following sample language to include in a proof of ownership letter that would satisfy the requirements of Rule 14a-8(b):

As of [the date the proposal is submitted], [name of shareholder] held, and has held continuously for at least one year, [number of securities] shares of [company name] [class of securities].

If a proponent uses a written statement from the "record" holder of the proponent's shares as proof of ownership, please note that most large U.S. brokers and banks deposit their customers' securities with, and hold those securities through, the Depository Trust Company ("DTC"), a registered clearing agency that acts as a security depository (DTC is also known through the account name of Cede & Co.). Under SEC Staff Legal Bulletin No. 14F, only DTC participants are viewed as "record" holders of securities that are deposited at DTC. Therefore, the proponent will need to obtain proof of ownership from the DTC participant through which the securities are held. The proponent can confirm whether the broker or bank is a DTC participant by checking DTC's participant list, which is currently available on the Internet at <http://www.dtcc.com/~media/Files/Downloads/client-center/DTC/alpha.ashx>.

If the broker or bank that holds the proponent's shares is not on DTC's participant list, the proponent should be able to find out the identity of the DTC participant through which the proponent's shares are held by asking the proponent's broker or bank. If the DTC participant is not able to confirm the proponent's individual holdings but knows the holdings of the applicable broker or bank, the proponent may satisfy the proof of ownership requirement by obtaining and submitting two proof of ownership statements verifying that, at the time the proposal was submitted, the required amount of securities were continuously held for at least one year—one from the proponent's broker or bank confirming the proponent's ownership, and the other from the DTC participant confirming the broker or bank's ownership.

Please correct the deficiency and provide proof of ownership that demonstrates continuous ownership of the requisite securities for one year preceding and including the date of submission. Your response, including any appropriate

documentation of ownership, must be postmarked or transmitted electronically within 14 calendar days of receipt of this e-mail. If the deficiency is not timely corrected, the Company will consider the proposal ineligible for submission to the stockholders in PACCAR's 2019 proxy statement. For your reference, copies of Rule 14a-8, SEC Staff Legal Bulletin No. 14F and SEC Staff Legal Bulletin No. 14G are attached as exhibits to this letter. Please address any response to me by e-mail at Irene.Song@PACCAR.com or by mail to my attention at Law Department, PACCAR Inc, 777 106th Avenue NE, Bellevue, WA 98004.

Thank you,

Irene

**Irene Song**

Secretary

**PACCAR Inc**

(425) 468-7495



**EXHIBIT C**

**(Proof of Ownership and Accompanying Correspondence from Proponent)**

## Irene Song

---

**From:** Danielle Fugere <DFugere@asyousow.org>  
**Sent:** Friday, November 30, 2018 1:54 PM  
**To:** Irene Song; Andy Behar  
**Cc:** Kate Lamb; Kwan Hong Teoh  
**Subject:** RE: Rule 14a-8 Proposal  
**Attachments:** PCAR Proof of Ownership .pdf  
  
**Categories:** External Message

Ms. Song,

Attached please find a proof of ownership letter on behalf of Nicola Miner Revocable Trust for the filing referenced below. Please confirm receipt.

If you have any questions, please let me know.

Thank you,

Danielle

---

Danielle Fugere  
President  
**As You Sow**  
(510) 735-8141 (direct line) | (415) 577-5594 (cell)  
[dfugere@asyousow.org](mailto:dfugere@asyousow.org) | [www.asyousow.org](http://www.asyousow.org)

---

**From:** Irene Song [mailto:Irene.Song@PACCAR.com]  
**Sent:** Monday, November 19, 2018 5:56 PM  
**To:** abehar@asyousow.org  
**Cc:** Kate Lamb <Kate.Lamb@PACCAR.com>; kwan@asyousow.org  
**Subject:** Rule 14a-8 Proposal

Dear Mr. Behar:

PACCAR acknowledges receipt of your shareholder proposal for PACCAR's 2019 annual meeting.

Your proposal currently does not meet the requirement of SEC Rule 14a-8(b)(1) to show continuous ownership of PACCAR shares of at least \$2,000 in market value for at least one year by the date of the submission.

To remedy this deficiency, you must submit sufficient proof of your ownership of the requisite number of PACCAR's shares covering the one-year period preceding and including the date the proposal was submitted. As clarified in SEC Staff Legal Bulletin No. 14G (Oct. 16, 2012), the date of submission is the date the proposal is postmarked or transmitted electronically, which for your proposal was November 16, 2018.

As explained in Rule 14a-8(b), sufficient proof may be in the form of a written statement from the "record" holder of the proponent's shares (usually a broker or a bank) verifying that the proponent continuously held the requisite number of the PACCAR's shares for at least one year as of the date the proponent submits the proposal.

SEC Staff Legal Bulletin No. 14F (Oct. 18, 2011) provides the following sample language to include in a proof of ownership letter that would satisfy the requirements of Rule 14a-8(b):

As of [the date the proposal is submitted], [name of shareholder] held, and has held continuously for at least one year, [number of securities] shares of [company name] [class of securities].

If a proponent uses a written statement from the “record” holder of the proponent’s shares as proof of ownership, please note that most large U.S. brokers and banks deposit their customers’ securities with, and hold those securities through, the Depository Trust Company (“DTC”), a registered clearing agency that acts as a security depository (DTC is also known through the account name of Cede & Co.). Under SEC Staff Legal Bulletin No. 14F, only DTC participants are viewed as “record” holders of securities that are deposited at DTC. Therefore, the proponent will need to obtain proof of ownership from the DTC participant through which the securities are held. The proponent can confirm whether the broker or bank is a DTC participant by checking DTC's participant list, which is currently available on the Internet at <http://www.dtcc.com/~media/Files/Downloads/client-center/DTC/alpha.ashx>.

If the broker or bank that holds the proponent’s shares is not on DTC's participant list, the proponent should be able to find out the identity of the DTC participant through which the proponent's shares are held by asking the proponent’s broker or bank. If the DTC participant is not able to confirm the proponent’s individual holdings but knows the holdings of the applicable broker or bank, the proponent may satisfy the proof of ownership requirement by obtaining and submitting two proof of ownership statements verifying that, at the time the proposal was submitted, the required amount of securities were continuously held for at least one year—one from the proponent’s broker or bank confirming the proponent's ownership, and the other from the DTC participant confirming the broker or bank's ownership.

Please correct the deficiency and provide proof of ownership that demonstrates continuous ownership of the requisite securities for one year preceding and including the date of submission. Your response, including any appropriate documentation of ownership, must be postmarked or transmitted electronically within 14 calendar days of receipt of this e-mail. If the deficiency is not timely corrected, the Company will consider the proposal ineligible for submission to the stockholders in PACCAR’s 2019 proxy statement. For your reference, copies of Rule 14a-8, SEC Staff Legal Bulletin No. 14F and SEC Staff Legal Bulletin No. 14G are attached as exhibits to this letter. Please address any response to me by e-mail at Irene.Song@PACCAR.com or by mail to my attention at Law Department, PACCAR Inc, 777 106th Avenue NE, Bellevue, WA 98004.

Thank you,

Irene

**Irene Song**  
Secretary  
**PACCAR Inc**  
(425) 468-7495



November 29, 2018

NICOLA MINER REVOCABLE TRUST

\*\*\*

Account number ending in:

\*\*\*

Questions: Contact your advisor or  
call Schwab Alliance at  
1-800-515-2157.

---

**Important information regarding shares in your account.**

---

Dear Nicola Miner,

We're writing to confirm information about the account listed above, which Charles Schwab & Co., Inc. holds as custodian. This account holds in trust 221 shares of PACCAR, INC PCAR common stock. These shares have been held in the account continuously for at least one year prior to and including November 14, 2018.

These shares are held at Depository Trust Company under the nominee name of Charles Schwab & Co., Inc., which serves as custodian for the registration listed above.

**Thank you for choosing Schwab.** If you have questions, please contact your advisor or Schwab Alliance at 1-800-515-2157. We appreciate your business and look forward to serving you in the future.

Sincerely,

Jason Almquist  
Sr. Specialist, Institutional  
IST/STAR PHOENIX SERVICE  
2423 E Lincoln Dr  
Phoenix, AZ 85050

Independent investment advisors are not owned by, affiliated with, or supervised by Charles Schwab & Co., Inc. ("Schwab").

**EXHIBIT D**

**(ESG Report)**



## **PACCAR Environmental, Social and Governance (ESG) Report**

PACCAR 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 also designs and manufactures advanced powertrains, provides financial services, 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 ESG approach is focused on environmental leadership, social responsibility, ethical business conduct, and corporate governance practices that enhance shareholder value.

### **Environmental Leadership**

Reducing the environmental impact of our activities 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 environmental policy applies to all company activities. The company-wide environmental policy is posted on <https://www.paccar.com/about-us/environmental-social-and-governance-esg/environmental/environmental-policy/>.

Specific environmental requirements for supplier operations are detailed in the Supplier Code of Conduct available at <https://www.paccar.com/about-us/environmental-social-and-governance-esg/social/supplier-code-of-conduct/>.

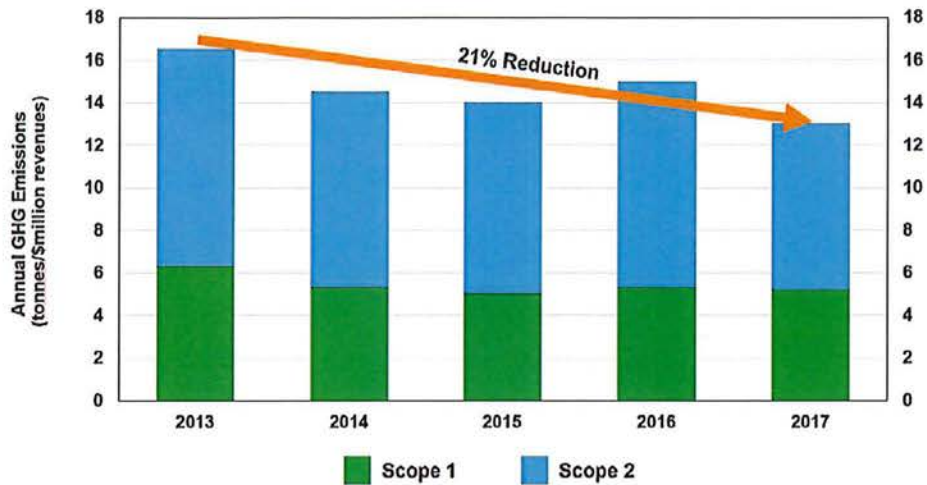
### **Operations**

PACCAR 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 clean manufacturing into every aspect of its business because it helps the environment and makes good long-term business sense.

PACCAR discloses greenhouse gas emissions and energy usage per unit of revenue. This normalizes the data for fluctuations in our business that occur due to industry cyclicality.

From 2013 to 2017 PACCAR reduced greenhouse gas emissions 21% on a per revenue basis as shown below:

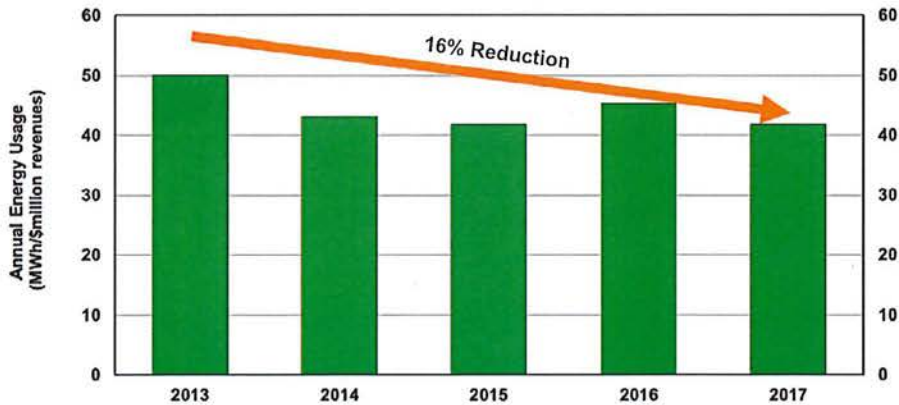
**PACCAR's Greenhouse Gas Emissions**



PACCAR has disclosed greenhouse gas emissions through CDP (formerly Carbon Disclosure Project) since 2014. In 2017, PACCAR achieved an A- score from CDP, demonstrating a robust approach to reducing greenhouse gas emissions in Kenworth, Peterbilt and DAF vehicles and from our global facilities. PACCAR's CDP report is available on the CDP website (<https://www.cdp.net/en>).

PACCAR reduced its energy usage over the same time period by 16% on a per revenue basis.

**PACCAR's Energy Usage**



PACCAR's hazardous air emissions have been reduced by over 200 tonnes per year in paint and other processes. The new state-of-the-art DAF Westerlo Cab Paint facility will reduce hazardous waste emissions even further.

PACCAR has focused on responsible environmental stewardship since its founding in 1905. As a result, the Company spends less than .01% of revenues on environmental remediation each



year. Ninety-three percent of PACCAR manufacturing locations are ISO 14001 certified and 75% are zero-waste-to-landfill.

## **Innovative Products**

A key element of PACCAR's environmental strategy is to offer our customers commercial vehicles that reduce environmental impacts. The company invests in technologies that reduce greenhouse gas emissions such as highly fuel efficient diesel engines, natural gas and biofuel engines, as well as next generation electric, hybrid, and hydrogen fuel cell powertrains. To develop these industry-leading products and technologies, PACCAR makes significant research and development and capital investments every year.

PACCAR's commitment to making the highest quality, most sustainable vehicles begins with product design. Our engineers use "Design for Environment" or Eco Design software to identify non-hazardous, lighter weight materials while improving overall vehicle recyclability.

### **PACCAR's Zero Emission Trucks**

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

Peterbilt and Kenworth are collaborating with supplier partners, environmental regulators and port authorities to develop electric trucks to meet potential new requirements for zero emissions port logistics. The battery electric Peterbilt Model 579 and the hydrogen fuel cell Kenworth T680 Zero Emission Cargo Transport are accumulating miles in field tests designed to understand the economics and customer usage of these technologies, and inform future production vehicles.

Peterbilt has designed a battery electric Model 520 truck for the refuse segment. The truck's 80-mile range and quiet operation is an excellent solution for residential neighborhood refuse 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. The DAF CF Electric is a 4x2 tractor unit developed for up to 40-tonne distribution applications. The DAF LF Electric is a medium-duty truck with a modular battery pack that can be scaled to the range required by customers.

### **Low Carbon and Renewable Fuels**

PACCAR is the market leader for natural gas heavy-duty vehicles. Based on the latest information from the research firm R.L. Polk, Kenworth and Peterbilt achieved market share of approximately 40% of compressed natural gas heavy-duty vehicle registrations in the U.S. and Canada in 2017.





In 2017, PACCAR introduced MX 13 and MX 11 engines that are certified to use B10/B20/B30 and XTL biofuels in Europe and B20 biofuel in the U.S. Biofuel capable unit sales represent 26% of PACCAR's total global truck sales.

PACCAR has partnered with suppliers Cummins and BAE Systems to produce a Kenworth T680 natural gas hybrid-electric truck. This prototype vehicle is designed to achieve a 250-mile range, including a 30-mile zero emissions range, using a near-zero emissions natural gas engine and lithium-ion batteries.

DAF has developed the DAF CF Hybrid truck featuring the efficient PACCAR MX-11 engine. This vehicle can drive with fully electric power, quiet operation and zero emissions in urban areas, while offering a much longer range to operate outside of cities.

### **Advanced Vehicles**

Two PACCAR teams are participating in the Department of Energy's SuperTruck II program, with ambitious goals to achieve 100% improvement in freight efficiency and 55% improvement in engine brake efficiency, improve fuel economy, reduce costs and reduce emissions. The PACCAR Technical Center, DAF and Kenworth, in collaboration with UPS, are participating in one of PACCAR's SuperTruck II projects. Peterbilt and Cummins are partnering in a separate Supertruck II project.

DAF's new XF and CF models, with highly efficient PACCAR MX engines, a new compact after-treatment system, and sophisticated software and aerodynamic optimization, reduce fuel consumption and CO2 emissions by 7% compared with previous models.

Peterbilt and Kenworth recently introduced enhancements to the Peterbilt Model 579 EPIQ and the Kenworth T680 Advantage trucks, which reduce fuel consumption and CO2 emissions by 8% over previous models. Enhancements included the PACCAR Powertrain, lower weight, predictive cruise control and a redesigned power distribution system.

Model year 2018 Kenworth, Peterbilt and DAF trucks reduce fuel consumption and CO2 emissions up to 14% compared to 2014 models.

### **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 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. In its latest platooning project, DAF is partnering 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**

The DAF Connect fleet management system gives fleet customers real-time information on vehicle and driver performance including fuel consumption, fleet utilization, idle time and route optimization. This information enables customers to improve fleet operating efficiency and reduce fuel consumption and CO2 emissions.

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.

More information is available on <https://www.paccar.com/about-us/environmental-social-and-governance-esg/environmental/product-sustainability/>.

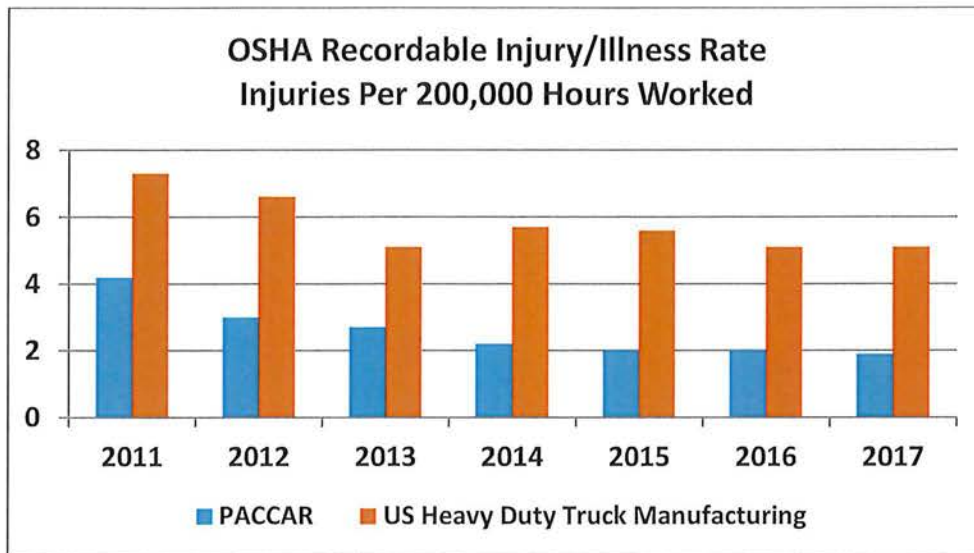
## **Social Responsibility**

### **Workplace Safety**

Continued focus on workplace safety keeps our employees safe and our facilities profitable. Safety is a key priority during employee orientation at all 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 all 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 all Company locations.

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.



## Employee Training and Well-Being

PACCAR’s employee training and development programs are extensive and comprehensive. All 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. Employee participation is encouraged and tracked. Many PACCAR divisions offer apprenticeship and tuition assistance programs to enhance skills through education. PACCAR also offers extensive internship programs to attract future employees.

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 an equal opportunity employer and provides a workplace free from discrimination and harassment. PACCAR values workplace diversity. Diversity councils, which are led by business leaders and staffed with employees, operate throughout PACCAR’s global business. Diversity councils have goals to enhance business success through diverse and inclusive workplaces.

## 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.

## **Philanthropy**

PACCAR's proud tradition of giving back to the community began 113 years ago with the founding of the company and continues today through PACCAR and the PACCAR Foundation. PACCAR has made more than \$200 million in grants around the world for education, social services, and the arts to enrich the communities in which its employees live and work.

PACCAR and its employees are proud to be long-standing supporters of United Way organizations across the United States. PACCAR and its employees generously donate money and volunteer time each year to United Way organizations in their communities.

More information can be found at <https://www.paccar.com/about-us/philanthropy/>

## **Code of Business Conduct**

The manner in which PACCAR conducts its business, and the opinion of our shareholders, employees, customers and the public, are all very important to the continued success of PACCAR. 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. All 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.

PACCAR has a long history of achieving high standards of performance related to human rights and compliance with laws and regulations in all countries where the Company does business.

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. The Code of Business Conduct also includes policies regarding conflicts of interest, bribery, corruption, discrimination, harassment, competition law, and other topics. The Code of Business Conduct can be found at <https://www.paccar.com/about-us/environmental-social-and-governance-esg/governance/code-of-business-conduct/>.

## **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's Supplier Code of Conduct addresses freedom of association, collective bargaining, working hours, slavery, legal employment age, compensation, human trafficking, discrimination, safe workplace, corruption, intellectual property, conflict minerals, product safety, whistle blower protections, hazardous waste, emissions, solid waste and wastewater minimization.

The Supplier Code of Conduct is available at <https://www.paccar.com/about-us/environmental-social-and-governance-esg/social/supplier-code-of-conduct/>.

PACCAR's State of California Transparency in Supply Chains Act policy can be found at <https://www.paccar.com/about-us/environmental-social-and-governance-esg/social/state-of-california-transparency-in-supply-chains-act/>.

## **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. 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.

More information about PACCAR's Conflict Minerals policy and critical materials can be found at <https://www.paccar.com/about-us/environmental-social-and-governance-esg/social/conflict-minerals-and-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.

### **Board of Directors**

PACCAR's Board of Directors is comprised of 11 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.

PACCAR's Corporate Governance Guidelines are available at <https://www.paccar.com/about-us/environmental-social-and-governance-esg/governance/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:

- 73% of PACCAR's directors are independent.
- Two of the 11 directors are women.
- 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 72.

### **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 95% or more of the shares voted in 2011, 2014 and 2017.

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 full information on the performance measures used in the long-term incentives granted to executives. <http://www.paccar.com/media/2729/2018-proxy.pdf>
- 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 5% of total auditor fees in 2017.
- A regulator has not taken action against a director or officer of the company in the past five years.

Additional governance information can be found at <https://www.paccar.com/about-us/environmental-social-and-governance-esg/governance/governance-guidelines/> and in PACCAR's Proxy Statement at <http://www.paccar.com/media/2729/2018-proxy.pdf>.