



PACCAR Australia

Modern Slavery Statement
2023



Introduction

This Statement is submitted on behalf of PACCAR Australia Pty Ltd (ABN 43 004 669 667) (**PACCAR Australia**) under section 13 of the *Modern Slavery Act 2018* (Cth) (**MSA**) to cover the reporting period of 1 January 2022 – 31 December 2022.

PACCAR Australia understands that modern slavery is a global issue. The latest *Global Estimates of Modern Slavery* from Walk Free, the International Labour Organization and the International Organization for Migration, suggest that 50 million people live in some form of modern slavery.

Criteria 1 & 2: Identity, Structure, Operations and Supply Chain

PACCAR Australia is a wholly owned subsidiary of PACCAR Incorporated (**PACCAR Inc**). PACCAR Inc is a leading manufacturer of premium commercial vehicles sold around the world under the Kenworth, Peterbilt and DAF brands. The corporate headquarters of PACCAR Inc is based in Bellevue WA, United States of America.

PACCAR Australia imports, manufactures, and distributes heavy-duty trucks and associated parts. PACCAR Australia's Kenworth trucks are designed, engineered, and manufactured in Australia to meet the world's toughest application and maintains its leadership in the heavy-duty truck market.

PACCAR Australia employs 1,398 individuals and its head office is located in Bayswater VIC. PACCAR Australia's Bayswater factory opened in 1970, with the first Australian-made Kenworth truck released in 1971. In 2017, PACCAR Australia celebrated the delivery of its 60,000th Australian-made truck. In 2021, PACCAR Australia debuted the 50th Anniversary Edition Legend SAR in conjunction with its 50th anniversary celebration, where more than 70,000 trucks have been built in Australia since inception. PACCAR Australia has third-party owned and controlled dealerships located in every state and territory in Australia, as well as in New Zealand and Papua New Guinea.

There are two wholly owned subsidiaries under PACCAR Australia: Peterbilt Motors Company Pty Ltd (a non-trading entity) and PACCAR Financial Pty Ltd (**PACCAR Financial**). PACCAR Financial provides financing to Kenworth and DAF Trucks in the form of chattel mortgages, hire purchase agreements, finance, and operating leases. PACCAR Financial employs 29 staff and shares the same supply chain as PACCAR Australia, albeit a small proportion of the supplier pool. Given PACCAR Australia's ownership and control over PACCAR Financial, references to PACCAR Australia in this Statement are taken to cover PACCAR Financial as well.

PACCAR Australia's workforce consists of 1,182 permanent employees, 161 agency contractors, 49 payroll contractors and 6 casual staff. We also have 3 employees whose work visas are linked to their employment with PACCAR Australia, and the cost of their visa application borne by PACCAR Australia, subject to an agreed minimum employment term with the organisation.

PACCAR Australia compiled a list of its tier 1 suppliers it transacted with during the 2022 calendar year, consisting of approximately 1,500 suppliers. Of those suppliers, 1,213 are based in Australia and New Zealand and 266 are based in North America (US, Mexico, and Canada) – equating to approximately 96% of our total tier 1 suppliers. The remaining 67 (4%) are based in Europe (United Kingdom, Finland, Germany, the Netherlands, Switzerland, Spain, Italy, and Slovakia), Asia (China, Taiwan, Hong Kong, Singapore, and India) and the Middle East (Israel).

Our suppliers provide a range of goods and services to PACCAR Australia, including tools, parts, and equipment; chemicals, fuel, oil and gas; stationary; fabrics and fabrication services; labour hire services; information and technology hardware and software; construction and building services; freight and transport services; advertising and marketing services; cleaning and maintenance services; courier and post services; catering and food services; legal and financial services; telecommunications and staff training services.

Criteria 3: Risks of Modern Slavery

PACCAR Australia acknowledges that modern slavery remains pervasive, and its prevalence often remains hidden. The risk of modern slavery within an organisation's operations and supply chain needs to be identified. Accordingly, PACCAR Australia has identified the potential risk of modern slavery within its operations and supply chain and undertake appropriate action to address and mitigate such risks.

Operations

PACCAR Australia's business operations involve manufacturing, an industry that is widely recognized as having a heightened susceptibility to modern slavery. Extensive literature on modern slavery highlights numerous factors contributing to the elevated risk within the manufacturing sector. Notably, manufacturing often entails substantial outsourcing and sub-contracting practices, primarily employed to reduce expenses. Unfortunately, these outsourcing and sub-contracting arrangements compromise supply chain transparency, thereby impeding effective oversight. Moreover, the imperative for contractors to generate profits can lead to cost-cutting measures, such as minimising worker wages. This combination of intensified cost pressures and insufficient accountability creates an environment conducive to the proliferation of modern slavery.

PACCAR Financial Pty Ltd provides financing to Kenworth and DAF Trucks whose operations are closely aligned to PACCAR Australia's. As such, the risks associated with such financing are aligned to the risks within PACCAR Australia's operations.

PACCAR Australia's workforce includes 161 agency contractors and 49 payroll contractors. With contractors comprising approximately 15% of the total workforce, PACCAR Australia is able to effectively respond to fluctuations in labour demand due to the cyclical nature of the truck manufacturing industry. By implementing this flexible structure, PACCAR Australia ensures job security and stability for its permanent employees.

Recognising the potential vulnerability of contractors during challenging business conditions, PACCAR Australia has taken measures to mitigate the risk of modern slavery. Most of our contractors are agency contractors, benefiting from arrangements made by the recruitment agency to secure suitable employment opportunities should downsizing occur within our organization. This proactive approach aims to safeguard contractors and reduce the likelihood of exploitative practices, aligning with our commitment to ethical and responsible labour practices.

We acknowledge that employees whose ability to work and reside in Australia is tied to employer sponsorship may be more vulnerable to exploitation due to their visa arrangement. To address this concern, PACCAR Australia safeguards the rights of these employees (3 in total) by adhering to the highest standards mandated by Australian laws and regulations. Since this group represents a small proportion of our overall workforce, PACCAR Australia is able to maintain visibility of these employees and manage this risk well.

Supply Chains

We understand that the cyclical nature of our industry can have an impact on our suppliers. To address this, we maintain open and transparent communication channels with our suppliers. We proactively notify them of any changes in our production requirements, allowing them to remain adaptable and mitigate any potential disruptions to their workforce to the best of their ability.

Tier 1 of our supply chain is made up of approximately 1,500 suppliers. The following goods and services that our suppliers provide as those that may pose a higher risk of modern slavery: tools, parts, and equipment; chemicals, fuel, oil, and gas; stationary; fabrics and fabrication services; labour hire services; information and technology hardware and software; construction and building services; cleaning and maintenance services; catering and food services.

We have conducted a mapping exercise to assess the potential risk associated with the geographic locations of our suppliers. Our findings indicate that approximately 3% of our tier 1 supply chain operates in regions that are considered higher risk areas for modern slavery, as identified by the *Global Slavery Index* published by Walk Free. These areas include China, Hong Kong, Taiwan, Singapore, India, and Israel. It is within this 3% cohort that our primary focus lies in addressing and evaluating the risks related to modern slavery in our supply chain.

Additionally, we have identified labour hire and catering services as high-risk industries that require our attention. PACCAR Australia engages with three labour hire businesses and one catering service, all of which are based in Australia, thereby reducing the geographical risk. Nevertheless, we have taken further steps to understand these businesses, ensuring thorough scrutiny of their operations and practices.

As part of our ongoing efforts, we are in the process of assessing the inherent risks associated with our tier 2 suppliers and beyond. Through this continuous assessment, we aim to enhance our knowledge and awareness of potential risks throughout the extended network of suppliers.

COVID-19 Pandemic

During the height of the COVID-19 pandemic, the risk of vulnerable workers falling victim to modern slavery would have amplified due to abrupt and unprecedented changes in businesses worldwide, drastic shifts in consumer behaviour, supply chain disruptions, and severe financial constraints. These circumstances have resulted in cost reductions, wage reductions, job losses, and heightened concerns regarding the vulnerability of workers at risk.

The truck manufacturing industry was deemed an essential industry during the pandemic. As such, PACCAR Australia was able to continue operating during the period. Apart from adjustments made to our operations to safeguard the health of our workforce, all manufacturing staff were given four weeks of paid leave in addition to their existing leave entitlements, while production was paused for adjustments to be made to the workplace. Furthermore, no redundancies took place during the pandemic.

The increase in demand for our products was paired with supply shortage caused by the pandemic. Many of our suppliers had difficulties with procurement and labour shortages. By working closely with our suppliers and maintaining frequent and in-depth communication regarding potential issues with supply shortage, we were able to minimise the disruption to our operations and that of our business partners'. By improving the continuity of business operations, we believe that such initiatives reduced the vulnerability of workers most at risk of modern slavery during such uncertain times.

Criteria 4: Actions to Assess and Address Modern Slavery

PACCAR Australia wants to take meaningful action in this space to respond to the risks of modern slavery occurring in our operations and supply chain. We acknowledge that these are complex and challenging issues to combat, and we aim to continually improve in our approach.

Other entities in the PACCAR Inc global group (**PACCAR Group**) report under modern slavery laws as well in the United Kingdom and California. As such, our wider corporate body has had some modern slavery policies and processes in place for some time that have assisted PACCAR Australia in its approach.

Internal Actions

Policy

A *Modern Slavery Policy* for PACCAR Australia was created which sets out the standard of conduct for employees and mechanism for dealing with any misconduct vis-à-vis modern slavery practices.

The Policy is applicable to all staff at every level and details the various pieces of legislative instruments that we expect our staff to comply with including the MSA, the *Modern Slavery Act 2018* (NSW), the *Australian Criminal Code Act 1995* (Cth) and Divisions 270 and 271 of same, and various international human rights instruments.

The Policy is designed to educate our staff on the definition of modern slavery and establish the link between modern slavery and human rights. It specifically highlights key areas within our operations and supply chains that we have identified as presenting higher risks of modern slavery, aiming to enhance staff education and awareness. The Policy outlines our essential processes for risk assessment and due diligence concerning modern slavery, emphasising the crucial role that staff play in mitigating these risks.

We emphasise to all staff their responsibility to identify and report any concerns related to modern slavery. To facilitate this, we provide channels for reporting, including our independently operated EthicsLine. The EthicsLine is accessible online and via a toll-free, confidential helpline that operates 24/7 in multiple languages.

Furthermore, the Policy outlines the various measures that PACCAR Australia can implement in the event of a breach, including referring cases involving criminal law violations to the appropriate authorities.

Code of Conduct

PACCAR Inc's *Statement of Company Principles* provides that we will conduct business to reflect the highest ethical standards, fulfil our legal obligations and meet our social responsibilities. PACCAR Inc has a *Global Code of Conduct* which has the purpose of ensuring we comply with the law and heightens awareness of the ethical aspects of our business so that we continue to uphold our Company Principles in daily decision making. The Code of Conduct is our framework for acting honestly and ethically.

The Code of Conduct embodies the PACCAR Group's culture of openness and non-retaliation, assuring staff that they will never face repercussions for asking questions or reporting concerns. It comprehensively covers a wide range of topics, including promoting harassment-free workplaces, fostering diversity and inclusion, defining appropriate workplace behaviour, opposing violence, upholding human rights, prioritising environmental health and safety, adhering to antitrust and fair competition practices, combating bribery and corruption, preventing money laundering, regulating business hospitality (gifts, entertainment, and travel), addressing conflicts of interest, managing charitable and political contributions, maintaining accurate business records, safeguarding confidential information, conducting audits and investigations, and protecting privacy.

Importantly, the Code of Conduct emphasizes that the PACCAR Group is committed to providing fair working conditions and respecting human rights, strictly prohibiting the use of slave labour, forced labour, or child labour. Furthermore, the PACCAR Group will not engage in partnerships with dealers, suppliers, or other third parties involved in human trafficking.

To assist staff in navigating complex situations, the Code of Conduct offers numerous resources. It equips them with guidance to answer questions, make difficult decisions, and report concerns or violations. Staff can utilize various channels, including the EthicsLine mentioned in the Policy above, to report their concerns confidentially and seek appropriate resolutions.

Training and Awareness

PACCAR Australia has taken measures to enhance employee awareness and understanding of modern slavery through an online training course provided by an external provider. This comprehensive training module is designed to educate employees on the concept of modern slavery and empower them to adopt ethical employment and procurement practices, contributing to the eradication of slavery from global operations and supply chains. The training is mandatory for salaried employees with work computer access, and completion rates are tracked and reported to PACCAR Australia's Board. To successfully complete the module, employees must achieve a perfect score of 100% on the final assessment.

Recognising the importance of knowledge dissemination from the outset, PACCAR Australia has included the online training course on modern slavery as a mandatory component of the learning path for new hires across both hourly and salaried positions. Additionally, a factsheet specifically addressing modern slavery has been compiled by PACCAR Australia and shared with hourly employees working on the production line through multiple channels, including the intranet, email, and noticeboards.

By focusing on building staff knowledge and fostering skill development, we aim to enable our employees to identify high-risk areas and recognize red flags associated with modern slavery. It is our priority to ensure that key personnel within the organization are fully aware of our legal obligations in this critical area.

External Actions

Supply Chain Mapping

We have utilised resources such as the *Commonwealth Modern Slavery Act – Guidance for Reporting Entities*, the *Global Slavery Index* and the *Hidden in Plain Sight Inquiry Report* to guide our supply chain mapping.

PACCAR Australia has collated a list of its 1,500 tier 1 suppliers and has broken down the list in relation to two common modern slavery indicators: geographic location and category of goods and services.

As noted above, we identified the following goods and services that our suppliers provide as those that may pose a higher risk of modern slavery: tools, parts, and equipment; chemicals, fuel, oil, and gas; stationary; fabrics and fabrication services; labour hire services; information and technology hardware and software; construction and building services; cleaning and maintenance services; catering and food services.

We then examined the geographic location of our suppliers and found that approximately 3% of our tier 1 supply chain is located in areas deemed to pose a higher risk of modern slavery based on the *Global Slavery Index* published by Walk Free, including China, Hong Kong, Taiwan, Singapore, India, and Israel. Of the 3% identified, only a small proportion supply goods and services which fall in higher risk categories. We continue to reassess actions we can take in relation to the 3% cohort to mitigate the risks that they present.

There are a few entities outside of this 3% cohort that we are also focusing on. We have undertaken some research in relation to the three labour hire companies that PACCAR Australia utilises. Two of those suppliers are reporting entities under the MSA and one reports under the UK Act, and therefore we have been able to obtain their modern slavery statements to examine what actions these entities are taking to assess and address the risks in their own operations and supply chains. Following our examination, we will continue to monitor these suppliers.

We are also aware that food and catering can be a high-risk industry. We utilise one entity for our catering requirements and have obtained the modern slavery statement of that supplier for examination. The statement provided us with a better understanding of where the risks are within this supplier's operations and supply chains. It also provided us with reassurance as the actions this supplier is taking to assess and address risk in their first reporting period are quite substantial, and we note the supplier is a signatory to international human rights instruments and is taking a proactive approach.

Suppliers

PACCAR Inc has in place a general *Supplier Code of Conduct* that requires suppliers to comply with the standards within as well as all laws, rules, and regulations in the countries in which they operate. PACCAR conducts periodic on-site supplier visits announced and unannounced, and suppliers who fail to meet the standards risk the loss of all existing and future business.

We have drafted specific correspondence addressing anti-modern slavery concerns, which has been forwarded to our full supply chain. This communication aims to initiate a dialogue with our suppliers, emphasising our expectation of their cooperation as we request their assistance in addressing this issue. Additionally, we have developed a *Modern Slavery Supplier Code of Conduct* (the **Code**) that applies to our suppliers and outlines the standards of practice we require them to uphold. It is also stated in the Code that compliance with the Code is expected from their subcontractors as well. PACCAR Australia seeks to collaborate with suppliers who are committed to strengthening our collective response to modern slavery.

The Code references various local and international instruments, legislation, and policies related to human rights and modern slavery, demanding supplier compliance with these laws and regulations. It includes a comprehensive list of relevant human rights and provides a clear definition of modern slavery. The Code encompasses several requirements concerning labour laws, including wages, working hours, employment conditions, and workplace health and safety.

We expect our suppliers to implement adequate measures to address the risks of modern slavery within their own operations and supply chains. This entails establishing policies, conducting due diligence processes, implementing remediation procedures, providing avenues for reporting without fear of retaliation, and conducting relevant training.

Furthermore, the Code empowers us to request assistance or information from our suppliers regarding modern slavery and their operations and supply chains. It grants us the authority to access and inspect their premises, documentation, and conduct staff interviews as necessary. The Code also covers closely related topics such as anti-corruption, tax evasion and fraud, diversity and inclusion, and sustainability, reflecting our expectations in these areas. Finally, the Code grants PACCAR Australia remedial rights in the event of any breach of the Code by our suppliers, allowing us to take appropriate actions to address non-compliance.

Contract Clauses

PACCAR Australia enhanced its *Purchase Order General Terms and Conditions* by incorporating specific contract clauses addressing modern slavery. These updated terms have been communicated to our suppliers, ensuring that they are aware of the new provisions. The inclusion of these clauses grants us contractual rights to conduct audits and observations pertaining to our suppliers' premises, documentation, and staff. Additionally, we have imposed various contractual obligations on our suppliers regarding modern slavery.

These obligations encompass the requirement for suppliers to provide warranties assuring that their conduct and actions are free from any form of modern slavery. Suppliers are obligated to promptly report to us if they become aware of any instances of modern slavery within their operations. Furthermore, suppliers are expected to establish and implement policies and processes that mitigate the risk of modern slavery. It is also crucial for suppliers to furnish us with accurate and truthful information concerning their compliance efforts.

Under this clause, we have established safeguards to protect individuals who disclose information regarding potential modern slavery incidents. We prioritise the protection of those who come forward with concerns or information related to modern slavery.

Supplier Questionnaire

In consultation with external consultants, we have developed a supplier questionnaire to effectively identify and evaluate the risks of modern slavery within our supply chains. The questionnaire was distributed to a carefully selected group of suppliers considered to pose higher risks in this regard. Majority of the targeted suppliers have responded by providing us with their completed questionnaires.

There is an ongoing effort to review the responses received. This comprehensive assessment will enable us to gain a deeper understanding of the potential modern slavery risks associated with these suppliers and their impact on our supply chain.

Criteria 5: Assessing Effectiveness

We conduct regular reviews of our internal policies and processes to ensure their effectiveness. By utilising the information obtained through our reporting channels, we aim to gain deeper insights into the inherent risks within PACCAR Australia's operations and supply chain. During the renewal of our business relationships, we will have the opportunity to engage in meaningful dialogues to assess whether our expectations and standards have been upheld.

Responses to the supplier questionnaire allow us to conduct a comprehensive analysis of the data. This analysis will enable us to develop a more robust understanding of the specific risks associated with modern slavery. Accordingly, we can refine and enhance our approach and processes in relation to modern slavery risks, ensuring we continuously improve our practices moving forward.

Criteria 6: Consultation

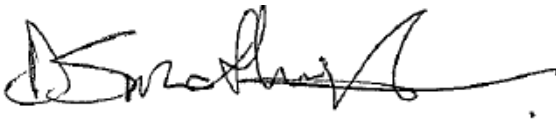
As detailed above, PACCAR Australia has two wholly owned subsidiaries: Peterbilt Motors Company Pty Ltd (non-trading entity), and PACCAR Financial which does not meet the reporting threshold under the MSA. PACCAR Financial provides financing to Kenworth and DAF Trucks in the form of chattel mortgages, hire purchase agreements, finance, and operating leases. PACCAR Financial employs 29 staff and shares the same supply chain as PACCAR Australia, albeit a small proportion of the supplier pool

PACCAR Australia and PACCAR Financial share the same Board or principal governing body. The liaison around PACCAR Australia's modern slavery approach involved multiple members of the Board and therefore directly involved PACCAR Financial, as such consultation happened as a natural consequence of the shared governance mechanisms.

From Our Principal Governing Body

PACCAR Australia makes this Statement in accordance with section 13 of the *Modern Slavery Act 2018* (Cth). PACCAR Australia's Board of Directors is its principal governing body for the purpose of the Act.

This Modern Slavery Statement was considered and approved of by the Board of PACCAR Australia on 28 June 2023.



Damian Smethurst

Managing Director

Responsible Member of PACCAR Australia's Principal Governing Body



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