

# 2022 Modern Slavery Statement

## PACCAR Australia

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 2021 – 31 December 2021.

PACCAR Australia understands that modern slavery is prevalent around the world today, including in Australia, and that the latest estimates suggest that over 40 million people in the world are victims of some form of modern slavery.

### **Criteria 1 and 2: Identification, 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. PACCAR Inc is headquartered in Bellevue, Washington in the 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 is the heavy-duty market leader.

PACCAR Australia employs approximately 1,421 people and is administered by its head office in Bayswater North in Victoria. 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 60,000<sup>th</sup> Australian-made truck. In 2021, PACCAR Australia debuted the 50<sup>th</sup> Anniversary Edition Legend SAR in conjunction with its 50<sup>th</sup> 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 of PACCAR Australia: Peterbilt Motors Company Pty Ltd which is a non-trading entity, and PACCAR Financial Pty Ltd which does not meet the reporting threshold under the MSA. PACCAR Financial Pty Ltd provides financing to Kenworth and DAF Trucks in the form of chattel mortgages, hire purchase agreements, financing and operating leases. PACCAR Financial Pty Ltd employs 29 staff, and shares the same supply chain as PACCAR Australia, though it utilises a small proportion of those suppliers. Given PACCAR Australia's ownership and control over PACCAR Financial Pty Ltd, it is required to describe the risks of modern slavery within this subsidiary, as well as the actions taken to assess and address those risks. The details of same are provided below and apply equally to both PACCAR Australia and PACCAR Financial Pty Ltd.

Of our 1,421 person workforce, PACCAR Australia employs 1,055 permanent employees, 306 agency contractors, 56 payroll contractors and 4 casual workers. We also have seven employees whose visas are linked to PACCAR Australia, in that PACCAR Australia has funded the cost of those visa applications and should the relevant employee resign from their position prior to completing the agreed minimum term of employment with PACCAR Australia, they will be required to repay the cost of their visa application. Those employees would also need to find another organisation to take over sponsorship of their visas to maintain its validity.

PACCAR Australia collated a list of its tier 1 suppliers it transacted with during the 2021 reporting period which consists of approximately 1,300 suppliers. Of those suppliers, 982 are based in Australia and New Zealand and 253 are based in North America (US, Mexico and Canada) – equating to approximately 96% of our total tier 1 suppliers. The remaining 53 (4%) are based in Europe (specifically in Finland, Germany, Ireland, the Netherlands, Switzerland, Spain, Italy and Slovakia), the United Kingdom, Asia (specifically in China, Taiwan, Japan, Hong Kong, Singapore and India) and South America (Mexico).

Our suppliers provide a range of goods and services to PACCAR Australia, including: various tools, parts, and equipment; chemicals, fuels, oils and gases; 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 the nature of modern slavery means that the prevalence of same is often hidden, and that on the data available the risks are widespread. We understand that every entity has risks of modern slavery within its own operations and supply chains and that this risk must be identified and acknowledged.

PACCAR Australia has taken the time to identify the risks of modern slavery potentially present within our operations and supply chains, so that we may take more appropriate action to address and mitigate those risks.

#### **Operations**

PACCAR Australia's operations include manufacturing and we acknowledge that this is known to be a higher risk industry in relation to modern slavery. The literature pertaining to modern slavery demonstrates several reasons for the manufacturing industry to be at a higher risk. Manufacturing can involve a large degree of outsourcing and sub-contracting, often as a cost-saving mechanism. Outsourcing and sub-contracting reduce the visibility an entity has over its supply chain and the need for contractors to make a profit can force cuts to outgoings such as wages. Increased cost pressure paired with a lack of accountability creates an environment where modern slavery is more likely to be pervasive.

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 employs 306 agency contractors and 56 payroll contractors. By maintaining about 25% of the workforce as contractors, PACCAR Australia is able to adapt to the fluctuating demand for labour during changes in business conditions, which addresses the cyclical nature of the truck manufacturing industry. We have structured the workforce in a way that creates job security and stability for the permanent employees. We recognise the vulnerability of contractors during dire business conditions, and how that may translate to heightened risk of modern slavery. For that reason, the majority of our contractors are agency contractors, where suitable employment opportunities are arranged for the contractors by the recruitment agency should there be workforce downsizing within the organisation.

We also acknowledge that where an employee's right to work and live in Australia depends on employer sponsorship, such employees may be more vulnerable to exploitation due to their visa arrangement. Accordingly, PACCAR Australia takes care to ensure that the rights of such employees (seven of them) are upheld to the highest standards in accordance with Australian laws and regulations. Given these workers make up only a very small part of our workforce, PACCAR Australia is able to maintain visibility of these employees and manage this risk well.

#### **Supply Chains**

We understand that the elasticity of demand for goods and services in our business can also impact our suppliers. For that reason, we have a very open dialogue with our suppliers, and we inform them when we see shifts in production so that they can keep agile and avoid/minimise disruption to the workforce wherever possible.

Tier 1 of our supply chain is made up of approximately 1,400 suppliers. We acknowledge that there is considerable work involved in maintaining sufficient visibility over all 1,400 suppliers; the risk of modern slavery may increase with lack of accountability and oversight.

Our tier 1 supply chain has been reviewed for the 2021 reporting period. 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, fuels, oils and gases; 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.

The geographic location of our suppliers has also been considered to better understand the potential risk. Approximately 2% of our tier 1 supply chain are located in areas that we consider (based on the available literature) to pose a higher risk of modern slavery including China, India, Mexico, Singapore, Slovakia and Spain. Of that 2% only a portion supply the goods and services identified above that we consider to be higher risk categories and therefore are suppliers in which two modern slavery risk indicators co-exist.

It is this 2% cohort that is our primary focus in addressing and assessing the risks of modern slavery in our supply chain.

Separate to this 2% cohort, we have also selected labour hire and catering services as particularly high-risk industries that we would like to focus on. PACCAR Australia utilises three labour hire businesses, and one catering service. All are based in Australia so pose a lower risk geographically. However, further steps were taken to investigate these businesses as provided for below.

We are still in the process of analysing the risks inherent within our tier 2 suppliers and those beyond and aim to make further progress in gaining a thorough understanding of our supply chain in future reporting periods.

#### COVID-19 Pandemic

PACCAR Australia understands that the COVID-19 pandemic has increased the risk of vulnerable workers being exposed to modern slavery. The pandemic caused sudden and unprecedented changes in businesses all over the world. Enormous shifts in consumer sentiment and demand, business closures, order cancellations, and budgetary pressures on a vast scale have led to cost-cuts, wage-cuts, loss of employment and increased fear of each of these for vulnerable workers. Some of the impacts specific to our industry have been regional shutdowns, container shortages, exorbitant ocean and air-freight costs, significantly curtailed air-freight capacity and port congestion.

The truck manufacturing industry was deemed an essential industry during the pandemic. We made several adjustments to our operations to protect our workforce since the outbreak of COVID-19. During the height of the COVID-19 outbreak in the prior year, all manufacturing employees were given additional four weeks of paid leave while production was paused to enable the business to readjust the workplace to ensure the health and safety of our workers. As part of PACCAR Australia's commitment to employee wellbeing, the four-week paid leave was in addition to their existing leave entitlements, in that none of their existing leave balances were impacted during this period.

During the height of the COVID-19 outbreak, social distancing and mandatory use of personal protective equipment mandatory was enforced regardless of government requirement. Production schedules were split into morning and afternoon shifts to facilitate social distancing requirements whilst maintaining target truck build rates. All office-based employees were encouraged to work from home where they had the capacity to and were also reminded of their requirement to socially distance if they were working in the office. Furthermore, additional financial resources were committed to set up temporary structures to conduct COVID-19 rapid antigen tests for all employees working onsite.

A Safe Work Handbook was developed to ensure all Line Managers understood the changes, processes, procedures and recommendations to prevent outbreaks in the workplace and minimise disruption to the production schedule. The Handbook included site entry procedures, cleaning and sanitising, social distancing, employee education, facility signage, forms and a pandemic response team amongst other measures. Regular business updates were released to the employees to communicate PACCAR Australia's approaches to the changing government guidelines and to also serve as a reminder of everyone's responsibility to ensure the ongoing safety of those working around them.

WorkSafe Victoria attended our premises to do audits on several occasions and provided their approval of same as well as informing us that our set up is industry leading. All of those changes remain in place to date and we consider these changes mitigate the increased risk of modern slavery that the pandemic has presented to our operations.

We have experienced an increase in demand for our products and therefore we require more product from our suppliers. This increase paired with the turmoil created by the pandemic has placed notable pressures upon our supply base. Many of our suppliers have struggled to procure raw material and component parts, especially from international suppliers. Our suppliers are also experiencing labour shortages.

To alleviate these pressures, we have been working more closely than ever with our suppliers so that we can adjust to the disruption caused by the pandemic. We have requested that our suppliers hold more inventory, modified our logistics arrangements and maintained more frequent and in-depth communication with suppliers regarding any supply shortages.

We have found that if we have notification of potential supply shortages earlier, then we have greater opportunity to take corrective action in a way that ensures that there is no ultimate disruption to the flow of business. We also collaborate with our suppliers so that they can recommend substitute products if they are unable to supply the exact parts specified.

Given the above, no redundancies took place during the pandemic.

#### **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 are aiming 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 educates staff on the definition of modern slavery and explains the connection between modern slavery and human rights. Within the Policy we have highlighted for our staff the key areas of our operations and supply chains that we have identified as posing higher risks of modern slavery to raise their education and awareness. We have set out in the Policy the key risk assessment and due diligence processes that we are taking in relation to modern slavery and remind staff that they are instrumental in mitigating risk.

We advise all staff that they have a responsibility to detect and report on any concerns that they may have in relation to modern slavery and provides avenues through which they can do so, including our independently run EthicsLine. EthicsLine is available online and via a toll-free confidential helpline call centre that is available 24 hours a day, seven days a week and operates in multiple languages.

Finally, the Policy provides various measures that can be taken by PACCAR Australia in the event of any breach of the Policy including referral action to proper authorities in cases involving breaches of the criminal law.

## Code of Conduct

PACCAR Inc's Statement of Company Principles provides that we will *conduct business so as 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 enshrines the PACCAR Group's open door, non-retaliatory culture reminding staff that they will never be penalised for asking questions or reporting concerns.

The Code of Conduct covers topics such as harassment-free workplaces; diversity and inclusion; appropriate workplace behaviour; anti-violence; commitments to human rights; environment, health and safety; antitrust and fair competition; anti-bribery and corruption; anti-money laundering; business hospitality – gifts, entertainment and travel; conflicts of interest; charitable and political contributions; retaining proper business records; confidential information; audits and investigations and privacy.

The Code of Conduct states that the PACCAR Group provides fair working conditions and respects human rights – not using or condoning the use of slaver, forced or child labour. The PACCAR Group will not engage in or partner with dealers, suppliers or other third parties who engage in human trafficking.

The Code of Conduct contains numerous resources for our staff to help them answer questions, make difficult decisions and report concerns and violations through various avenues including through EthicsLine, as detailed within the Policy above.

## Training and Awareness

PACCAR Australia arranged for employees to undertake an online training course on modern slavery designed by an external provider. The training module has been developed to help employees understand what modern slavery is, and what employees can do to practice ethical employment and procurement practices, to eradicate slavery from global operations and supply chains. The module is mandatory for salaried employees with access to work computer, and the completion rate is tracked and reported to PACCAR Australia's Board. The module finishes with a test and is marked as complete only when employees achieve a 100% score for the assessment.

PACCAR Australia is also arranging for the online training course on modern slavery to be added to the mandatory learning path for new starters in the organisation (hourly and salaried staff). Furthermore, a factsheet about modern slavery was compiled by PACCAR Australia to be distributed to hourly employees in the production line via multiple channels (i.e. intranet, email and noticeboards).

We are focussed on building up staff knowledge in relation to modern slavery and developing skillsets so that our staff can identify high risk areas and red flags. We are also ensuring key personnel are aware of our legal obligations in this 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 1,400 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 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, fuels, oils and gases; 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 2% of our tier 1 supply chain is located in areas that we consider (based on the available literature) to pose a higher risk of modern slavery including China, India, Mexico, Singapore, Slovakia and Spain. Of that 2% only a portion supply the goods and services identified above that we consider to be higher risk categories.

We are considering how we can target the suppliers in this 2% cohort in future actions to mitigate the risks that they present.

There are a few entities outside of this 2% cohort that we are also focussing 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 prepared specific anti-modern slavery correspondence to send to our full supply chain advising our suppliers that we want to have a dialogue with them in this area, and that we are expecting their cooperation in due course as we request their assistance.

We have also created a Modern Slavery Supplier Code of Conduct (the Code) that is applicable to all of our suppliers and articulates the standards of practice that we expect of our suppliers. We also inform our suppliers that we expect their subcontractors to comply with the Code. PACCAR Australia wants to partner with suppliers who are willing to join us in strengthening our response to modern slavery.

The Code refers to numerous local and international human rights and modern slavery related instruments and legislation and requires supplier compliance with those laws and policies. The Code lists relevant human rights and defines modern slavery. Within the Code are various requirements around compliance with all applicable labour laws including in relation to wages, working hours and employment conditions, as well as workplace health and safety.

We require our suppliers to take adequate measures in relation to the risks of modern slavery within their own operations and supply chains including having in place policies, due diligence processes, remediation processes, retaliation-free reporting avenues, and training.

The Code requires our suppliers to comply with requests that we may make for assistance or information related to modern slavery and their operations and supply chains including allowing us to enter and inspect their premises, documentation and conduct staff interviews.

Our expectations in relation to the following closely related topics are also within the Code: anti-corruption, tax evasion and fraud, diversity and inclusion and sustainability.

Finally, the Code provides PACCAR Australia with remedial rights in the event of any breach of the Code by our suppliers.

#### Contract Clauses

PACCAR Australia has updated its Purchase Order General Terms and Conditions with additional contract clauses specific to modern slavery and the updated terms were rolled out to our suppliers. These clauses provide us with contractual rights of auditing and observation of our suppliers in relation to their premises, documentation and staff. We also impose various contractual obligations upon our suppliers in relation to modern slavery and require them to provide a number of warranties in relation to their conduct and actions not constituting modern slavery, requirements to report to us if they become aware of modern slavery, requirements to put in place policies and processes, and to provide us with true and accurate information. We also provide for the protection of disclosing persons underneath this clause.

#### Supplier Questionnaire

In consultation with external consultants on modern slavery, we previously designed a supplier questionnaire for the purposes of identifying and assessing the risks of modern slavery in our supply chains. The questionnaire was distributed to a selection of higher risk suppliers for completion. The majority of the targeted suppliers have provided us with their responses to the questionnaire. We will be reviewing their responses to develop a better understanding of the modern slavery risks these suppliers may present to our supply chain.

#### **Criteria 5: Assessing Effectiveness**

Our internal policies and processes are subject to regular review. We will utilise the information obtained through our reporting avenues to better understand inherent risks within PACCAR Australia's operations and supply chain. When our business relationships are up for renewal there will be the opportunity for dialogue around whether our expectations have been upheld. As we have received responses to the supplier questionnaire, we will be able to develop a more comprehensive idea on risks pertaining to modern slavery once the data has been analysed. This would in turn assist us with fine tuning our approach and processes in relation to modern slavery risks going 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 Pty Ltd which does not meet the reporting threshold under the MSA. PACCAR Financial Pty Ltd provides financing to Kenworth and DAF Trucks in the form of chattel mortgages, hire purchase agreements, financing and operating leases. PACCAR Financial Pty Ltd employs 29 staff, and shares the same supply chain as PACCAR Australia, though utilises only a small portion of the same suppliers.

PACCAR Australia and PACCAR Financial Pty Ltd 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 22 June 2022.



Andrew Hadjidakou

Managing Director

Responsible Member of PACCAR Australia's Principal Governing Body