CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
SCOTT M. STRINGER

KATHRYN E. DIAZ
GENERAL COUNSEL

OFFICE OF THE GENERAL COUNSEL

January 10, 2020

By e-mail: shareholderproposals@sec.gov

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

Re: Request by PACCAR Inc. to omit proposal submitted by the Comptroller of City of New York

Dear Counsel:

Pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, the Comptroller of the City of New York, on behalf of the New York City Employees' Retirement System, the New York City Teachers' Retirement System, the New York City Police Pension Fund, and the New York City Fire Pension Fund (together, the "Systems") submitted a shareholder proposal (the "Proposal") to PACCAR Inc. ("PACCAR" or the "Company"). The Proposal asks PACCAR to adopt a policy for improving board and top management diversity requiring that the initial lists of candidates from which new management-supported director nominees and chief executive officers recruited from outside the company are chosen by the board or relevant committee should include qualified female and racially/ethnically diverse candidates.

In a letter to the Division dated December 19, 2019 (the "No-Action Request"), PACCAR stated that it intends to omit the Proposal from its proxy materials to be distributed to shareholders in connection with the Company's 2020 annual meeting of shareholders. PACCAR argues that it is entitled to exclude the Proposal in reliance on Rule 14a-8(i)(10), on the ground that the Company has substantially implemented the Proposal; and Rule 14a-8(i)(7), as dealing with PACCAR's ordinary business operations. As discussed more fully below, PACCAR has not met its burden of proving its entitlement to exclude the Proposal on either basis, and the Systems respectfully request that PACCAR's request for relief be denied.

The Proposal

The Proposal states:

Resolved: Shareholders request that the Board of Directors of PACCAR Inc. ("PACCAR") adopt a policy for improving board and top management diversity (the

"Policy") requiring that the initial lists of candidates from which new management-supported director nominees and chief executive officers ("CEOs") recruited from outside the company are chosen by the board or relevant committee (each, an "Initial List") should include qualified female and racially/ethnically diverse candidates. The Policy should provide that any third-party consultant asked to furnish an Initial List will be requested to include such candidates.

Substantial Implementation

Rule 14a-8(i)(10) permits exclusion of a proposal that has been "substantially implemented." PACCAR argues that it has substantially implemented the Proposal by adopting only the portion of the Proposal applicable to board candidates. PACCAR claims that its partial implementation satisfies the "essential objective" of the Proposal because the portion of the Policy addressing outside CEO searches is "not relevant insofar as it fails to recognize PACCAR's actual practices for CEO appointments."[1]

Specifically, PACCAR asserts that it "has determined to cultivate leaders internally and promote from within for the CEO position." A strong commitment to internal succession planning is commendable, and the Proposal's supporting statement expressly recognizes the differences between external and internal CEO hires: "We do not intend for the Policy to be a substitute for robust internal succession planning, and we encourage PACCAR to maintain and disclose a process for fostering a diverse talent pipeline for executive management." However, circumstances may arise—such as abrupt CEO departure due to death, serious illness, scandal, or other opportunities, or loss of the best internal candidate(s)—that force the board to look outside the company to fill the CEO position. In that case, the CEO search element of the Proposal would come into play and would, in the Systems' opinion, help increase the likelihood of a diverse hire. Thus, adopting the Policy only for board searches does not constitute substantial implementation.

Ordinary Business

Rule 14a-8(i)(7) permits a company to omit a proposal that "deals with a matter relating to the company's ordinary business operations." PACCAR argues that it is entitled to exclude the Proposal on ordinary business grounds because it would micromanage the Company by "imposing upon PACCAR a specific strategy and method of promoting leadership diversity that would have limited connection to the process that the company is committed to in its ordinary business operations."[2]

PACCAR argues that the Proposal would supplant the Company's own efforts to increase diversity and promote inclusion in its executive ranks, which PACCAR urges are vital to increasing top leadership diversity given the Company's commitment to internal succession planning. But nothing in the Proposal would preclude PACCAR from continuing to pursue those initiatives. The Proposal specifically applies only to CEO searches outside the Company. To the

[1] No-Action Request, at 3.
[2] No-Action Request, at 5.

extent PACCAR is able to promote from within into the CEO job, the consideration of diverse candidates for that job will be driven by the Company's own diversity and inclusion initiatives. PACCAR does not, however, describe any policies in place in the event an outside CEO search becomes necessary, so the Proposal would supplement, rather than supplant, the judgment of the board and management regarding such searches.

Underlying the micromanagement doctrine is the Commission's belief that "matters of a complex nature upon which shareholders, as a group, [are] not in . . . a position to make an informed judgment" should not be the subject of shareholder oversight.[3] Top leadership diversity is not such a matter. Shareholders have been permitted to vote on a variety of proposals related to diversity and equal employment opportunity, including proposals asking companies to add LGBTQ status and/or gender identity to EEO policies,[4] provide information about pay equity[5] and enhance policies regarding sexual harassment.[6] Shareholders also vote to elect directors, with many considering diversity factors when casting such votes. Shareholders thus are in an excellent position to make an informed judgment on policies designed to increased top management diversity.

The Commission has also stated that micromanagement "may come into play in a number of circumstances, such as where the proposal involves intricate detail, or seeks to impose specific time-frames or methods for implementing complex policies."[7] The Proposal does not involve intricate detail of the kind present in proposals the Staff has allowed companies to exclude on micromanagement grounds. For example, in Ford Motor Company,[8] the Staff allowed exclusion on ordinary business grounds of a proposal asking Ford to produce an annual report on

climate science, including "detailed information on temperatures, atmospheric gases, sun effects, carbon dioxide production, carbon dioxide absorption, and costs and benefits at various degrees of heating and cooling." The Staff reasoned that the proposal addresses "the specific method of preparation and the specific information to be included in a highly detailed report."

Nor does the Proposal try to impose a specific time frame or method for implementing a complex policy. The policy promoted in the Proposal is notable for its simplicity: Initial Lists must include qualified diverse candidates for the CEO job. The Proposal does not attempt to control any other aspect of the CEO hiring process, including time-frames or actions taken after the production of the Initial List.

Proposals that are significantly more prescriptive than the Proposal have recently been deemed not excludable on micromanagement grounds. For example, the Staff declined to concur with Anadarko Petroleum Corporation[9] that a proposal seeking reporting on how the company planned to align its investments and operations with the Paris Climate Agreement's goal of

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[3] Exchange Act Release No. 40018, "Amendments to Rules on Shareholder Proposals" (May 21, 1998).
[4] See, e.g., Armor Holdings Inc. (available Apr. 3, 2007).
[5] See, e.g., MasterCard Inc. (available Apr. 24, 2019).
[6] CBS Corporation (available Mar. 15, 2019).
[7] Exchange Act Release No. 40018, "Amendments to Rules on Shareholder Proposals" (May 21, 1998)
[8] Ford Motor Company (available Mar. 2, 2004).
[9] Anadarko Petroleum Corporation (available Mar. 4, 2019)

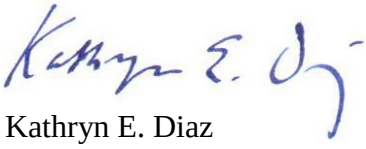
keeping global average temperature increases to well below 2°C micromanaged the company. Similarly, MasterCard Inc.[10] was unsuccessful in urging that a proposal requesting disclosure of the company's global median gender pay gap, including associated policy, reputational, competitive, and operational risks, and risks related to recruiting and retaining female talent, was excludable because it micromanaged the company. Accordingly, the Proposal's simple and straightforward request cannot fairly be characterized as micromanagement.

* * *

For the reasons set forth above, PACCAR has not satisfied its burden of showing that it is entitled to omit the Proposal in reliance on Rule 14a-8(i)(7) or (i)(10). The Systems thus respectfully request that PACCAR's request for relief be denied.

The Systems appreciate the opportunity to be of assistance in this matter. If you have any questions or need additional information, please contact me at (212) 669-2065.

Respectfully submitted,



Kathryn E. Diaz

cc: Irene E. Song
Corporate Secretary, PACCAR, Inc.
Irene.Song@paccar.com

[10] MasterCard Inc. (available Apr. 24, 2019)

PACCAR Inc

December 19, 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 Submitted by the Comptroller of the City of New York, Scott M. Stringer 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 ("***PACCAR***") intends to omit from its proxy statement and form of proxy for its 2020 Annual Meeting of Stockholders (collectively, the "***2020 Proxy Materials***") a shareholder proposal (the "***Proposal***") and statements in support thereof received from the Comptroller of the City of New York, Scott M. Stringer ("***Proponent***") on behalf of the New York City Employees' Retirement System, the New York City Teachers' Retirement System, the New York City Police Pension Fund and the New York City Fire Pension Fund (the "***Systems***"). A copy of the Proposal and related correspondence with the Proponent is attached as Exhibit A.

Pursuant to Rule 14a-8(j), PACCAR has:

- filed this letter with the Securities and Exchange Commission (the "***Commission***") no later than eighty (80) calendar days before PACCAR intends to file its definitive 2020 Proxy Materials with the Commission; and

- concurrently sent copies of this correspondence to the Proponent.

If the Proponent elects to submit additional correspondence regarding the Proposal to the Commission or the staff of the Division of Corporation Finance (the "***Staff***"), PACCAR asks the Proponent to furnish a copy of that correspondence to the undersigned pursuant to Rule 14a-8(k) and Staff Legal Bulletin No. 14D (Nov. 7, 2008). PACCAR currently intends to file its definitive 2020 Proxy Materials with the Commission on or about March 11, 2020.

P.O. Box 1518 Bellevue, Washington 98009 Telephone (425) 468-7400
PACCAR Building 777-106th Avenue N.E. Bellevue, Washington 98004

THE PROPOSAL

The Proposal sets forth the following resolution to be voted on by shareholders at the 2020 Annual Meeting:

> **Resolved:** Shareholders request that the Board of Directors of PACCAR Inc. ("PACCAR") adopt a policy for improving board and top management diversity (the "Policy") requiring that the initial lists of candidates from which new management-supported director nominees and chief executive officers ("CEOs") recruited from outside the company are chosen by the board or relevant committee (each, an "Initial List") should include qualified female and racially/ethnically diverse candidates. The Policy should provide that any third-party consultant asked to furnish an Initial List will be requested to include such candidates.

BASIS FOR EXCLUSION

PACCAR respectfully requests that the Staff concur with its view that the Proposal may be excluded from the 2020 Proxy Materials pursuant to:

- Rule 14a-8(i)(10) because it has been substantially implemented; and
- Rule 14a-8(i)(7) because it seeks to micromanage PACCAR's ordinary business operations.

ANALYSIS

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

A. Guidance Regarding Rule 14a-8(i)(10) and 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. In 1983, the Commission recognized that a formalistic application of the rule requiring full implementation "defeated [the rule's] purpose" and then adopted a revised interpretation of the rule to permit the omission of proposals that had been "*substantially* implemented." *Exchange Act Release No. 20091* (Aug. 16, 1983) and *Exchange Act Release No. 40018*, at n.30 (May 21, 1998) (emphasis added).

A "determination that the company has substantially implemented the proposal depends upon whether [the company's] particular policies, practices and procedures compare favorably with the guidelines of the proposal." *Texaco, Inc.* (Mar. 28, 1991). When a company has satisfied the proposal's underlying concerns and essential objectives, the proposal has been "substantially

implemented" and may be excluded under Rule 14a-8(i)(10). *NETGEAR, Inc.* (Mar. 31, 2015); *Pfizer Inc.* (Jan. 11, 2013, *recon. denied* Mar. 1, 2013); *Exelon Corporation* (Feb. 26, 2010); *Hewlett-Packard Company* (Dec. 11, 2007). Differences between the company's actions and a shareholder proposal are permitted so long as the company's actions satisfactorily address the proposal's essential objective. *Entergy Corp.* (Feb. 14, 2014) (concurring with the exclusion under Rule 14a-8(i)(10) of a proposal calling for a report "on policies the company could adopt to take additional near-term actions to reduce its greenhouse gas emissions" where the company already had forward-looking policies that described its efforts and goals to reduce greenhouse gas emissions); *The Dow Chemical Co.* (Mar. 5, 2008) (concurring with the exclusion under Rule 14a-8(i)(10) of a proposal requesting a "global warming report" evaluating how the company's efforts to diminish the effects of climate change may have affected the global climate when the company had already made statements about its efforts related to climate change in various disclosures).

B. PACCAR Has Satisfactorily Addressed the Proposal's Essential Objectives and Rendered the Proposal Moot.

Substantial implementation under Rule 14a-8(i)(10) requires a company's actions to have satisfactorily addressed the proposal's essential objective. The Proponent's supporting statement and language of the Proposal indicate that the essential objective of the Proposal is "improving board and top management diversity."

With respect to director candidates, PACCAR has addressed the Proposal's essential objective by approving changes to PACCAR's Guidelines for Board Membership (the "***Board Guidelines***").[1] The Board Guidelines now state that "[t]he Board recognizes the importance of having a diversity of gender, heritage and backgrounds to ensure that a variety of opinions and perspectives are represented on the Board; accordingly, *initial lists of candidates from which new director nominees are chosen will include qualified female and racially/ethnically diverse candidates*" (emphasis added). The language added to the Board Guidelines is the language requested by the Proposal. As such, the revised Board Guidelines directly address the Proposal's essential objective regarding director candidates.

The second portion of the Proposal that requests the same policy with respect to lists of candidates for external searches for CEOs is not relevant insofar as it fails to recognize PACCAR's actual practices for CEO appointments. In its 115-year history PACCAR has determined to cultivate leaders internally and promote from within for the CEO position. This commitment to internal succession planning is detailed in PACCAR's Corporate Governance Guidelines (the "***Governance Guidelines***").[2] The Governance Guidelines provide that the

[1] A copy of the Board Guidelines is attached to this letter as Exhibit B and is publicly available at https://www.paccar.com/about-us/board-of-directors/guidelines-for-board-membership/.
[2] A copy of the Governance Guidelines is attached to this letter as Exhibit C and is publicly available at https://www.paccar.com/about-us/board-of-directors/governance-guidelines/.

current CEO "annually reviews the Company's succession planning and development with the Compensation Committee and with the Board of Directors and provides recommendations for potential successors for all executive officers." The Governance Guidelines go on to state that the current CEO "provides to the Compensation Committee, on a continuing basis" recommendations as to who should be the CEO's successor.

While the Proposal requests a diversity policy with respect to external CEO searches, PACCAR believes that the essential objective of the Proposal will be more effectively accomplished through PACCAR's internal diversity and inclusion programs. Among these initiatives, PACCAR's diversity councils – led by business leaders at all major locations and staffed by employees – design and execute programs to promote diversity and inclusion in the workplace. Further, the PACCAR Women's Association seeks to increase the number of women in PACCAR leadership roles by providing educational, networking and mentoring opportunities to female employees at all levels.[3] The Executive Leadership Program, started in 2011, accelerates the development of PACCAR executives from its locations around the world and introduces them to the company's C-suite executives; female and racially/ethnically diverse executives participate in this program in ever-increasing numbers. PACCAR's support of these initiatives demonstrates its commitment to developing diverse employees into future leaders of the company.

In summary, PACCAR has addressed the essential objective of the Proposal by adopting the diversity policy requested for director candidates in the Board Guidelines. A separate diversity policy for external CEO candidates is not pertinent to PACCAR because PACCAR historically develops and promotes CEO candidates from within the company. Further, PACCAR has achieved the essential objective of the Proposal pertaining to top management diversity through its diversity and inclusion policies, programs and efforts, some of which are described above. As a result, the Proposal may be omitted pursuant to Rule 14a-8(i)(10) because it has been substantially implemented by PACCAR.

The Proposal May Be Excluded Under Rule 14a-8(i)(7) Because It Seeks to Micromanage PACCAR's Ordinary Business Operations.

A. Guidance Regarding Rule 14a-(8)(i)(7) and Micromanagement.

A company may exclude a shareholder proposal under Rule 14a-8(i)(7) if it "deals with a matter relating to the company's ordinary business operations." The underlying policy of the ordinary business exclusion is "to confine the resolution of ordinary business problems to management and the board of directors, since it is impracticable for shareholders to decide how to solve such problems at an annual shareholders meeting." *Exchange Act Release No. 40018* (May 21, 1998) (the "***1998 Release***"). The 1998 Release identified two central considerations that underlie this

[3] A copy of PACCAR's Environmental, Social and Governance Report, which contains a description of these initiatives, is attached to this letter as Exhibit D and is publicly available at https://www.paccar.com/about-us/environmental-and-social/.

policy. The first is that "[c]ertain tasks are so fundamental to management's ability to run a company on a day-to-day basis that they could not, as a practical matter, be subject to direct shareholder oversight." The second consideration relates to "the degree to which the proposal seeks to 'micro-manage' the company by probing too deeply into matters of a complex nature upon which shareholders, as a group, would not be in a position to make an informed judgment." *Id.* (citing Exchange Act Release No. 12999 (Nov. 22, 1976)).

In Staff Legal Bulletin No. 14J, the Staff noted that the analysis of whether a proposal seeks to micromanage a company looks only at the degree of micromanagement, and not at the proposal's subject matter. The Staff confirmed that it considers requests for exclusion based on micromanagement on a case-by-case basis and evaluates not only the nature of the proposal, but also "the circumstances of the company to which [the proposal] is directed." In Staff Legal Bulletin No. 14K, the Staff specified that in considering micromanagement arguments, it will "look to whether the proposal seeks intricate detail or imposes a specific strategy, method, action, outcome or timeline for addressing an issue, thereby supplanting the judgment of management and the Board."

The Staff has recently granted no-action relief on micromanagement grounds for several proposals that request a company to use a specified method for implementing a complex policy. For example, in *JPMorgan Chase & Co.* (Mar. 22, 2019), the proposal requested that the board adopt a policy prohibiting the vesting of equity-based awards for senior executives due to a voluntary resignation to enter government service. JPMorgan argued that the proposal improperly sought to implement a policy specifically prohibiting a particular type of compensation benefit for senior executives. The Staff concluded that the proposal "micromanages the Company by seeking to impose specific methods for implementing complex policies." *See also AbbVie Inc.* (Feb. 15, 2019) and *Johnson & Johnson* (Feb. 14, 2019) (each concurring that a proposal urging adoption of a policy prohibiting adjustments to financial performance metrics to exclude legal or compliance costs in determining the amount or vesting of senior executive incentive compensation awards micromanaged the company by seeking to impose specific methods for implementing complex policies).

B. The Proposal Improperly Micromanages PACCAR.

The Proposal seeks to micromanage PACCAR's approach to increasing diversity among the company's leadership. The Proposal seeks adoption of a policy related to external director and chief executive officer searches. Accordingly, the Proposal seeks to micromanage the Board's and management's decisions by imposing upon PACCAR a specific strategy and method of promoting leadership diversity that would have limited connection to the process that the company is committed to in its ordinary business operations.

As discussed above under the heading "PACCAR Has Satisfactorily Addressed the Proposal's Essential Objectives and Rendered the Proposal Moot," the PACCAR Board considered the Proposal and determined to implement it in part by formally revising the Board Guidelines to require that initial lists of candidates from which new director nominees are chosen include

qualified female and racially/ethnically diverse candidates. In light of PACCAR's approach to CEO development, the Board and management have focused their efforts on increasing diversity at the executive level through an enhanced approach of diversity and inclusion, and executive development programs at PACCAR. These programs are discussed in greater depth above.

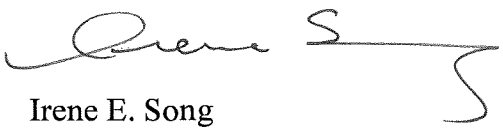
The Proposal attempts to micromanage PACCAR by "supplanting the judgment of management and the Board" in connection with the complex matter of increasing diversity in leadership development. As a result, the Proposal may be omitted pursuant to Rule 14a-8(i)(7) as it seeks to micromanage PACCAR.

CONCLUSION

Based upon the foregoing analysis, PACCAR respectfully requests that the Staff concur that, for the reasons stated above, it will take no action if PACCAR excludes the Proposal from its 2020 Proxy Materials.

As an Asian-American woman and a leader of the PACCAR Women's Association, I am proud and excited about the many steps that PACCAR is taking to enhance and foster diversity at all levels of the company, including the executive level. Correspondence regarding this letter should be sent to irene.song@paccar.com. I am also available by telephone at (425) 468-7495.

Sincerely,



Irene E. Song
Corporate Secretary

Enclosures

cc: Michael Garland, Assistant Comptroller of the City of New York

EXHIBIT A

(Proponent's Proposal and Related Correspondence)

CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
SCOTT M. STRINGER

MUNICIPAL BUILDING
ONE CENTRE STREET, 8TH FLOOR NORTH
NEW YORK, N.Y. 10007-2341
TEL: (212) 669-2517
FAX: (212) 669-4072
MGARLAN@COMPTROLLER.NYC.GOV

Michael Garland
ASSISTANT COMPTROLLER
CORPORATE GOVERNANCE AND
RESPONSIBLE INVESTMENT

November 13, 2019

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

Dear Ms. Song:

I write to you on behalf of the Comptroller of the City of New York, Scott M. Stringer. The Comptroller is the custodian and a trustee of the New York City Employees' Retirement System, the New York City Teachers' Retirement System, the New York City Police Pension Fund and the New York City Fire Pension Fund (the "Systems"). The Systems' boards of trustees have authorized the Comptroller to file this resolution and to inform you of their intention to present the enclosed proposal for the consideration and vote of stockholders at the Company's next annual meeting.

Therefore, we offer the enclosed proposal for the consideration and vote of shareholders at the Company's next annual meeting. It is submitted to you in accordance with Rule 14a-8 of the Securities Exchange Act of 1934, and I ask that it be included in the Company's proxy statement.

Letters from State Street Bank and Trust Company certifying the Systems' ownership, for over a year, of shares of PACCAR Inc. common stock are enclosed. Each System intends to continue to hold at least $2,000 worth of these securities through the date of the Company's next annual meeting.

We would welcome the opportunity to discuss the proposal with you. Should the Board of Directors approve a board and CEO diversity search policy that we consider responsive to the proposal, we will withdraw the proposal from consideration at the annual meeting.

Please feel free to contact me at (212) 669-2517 if you would like to discuss this matter.

Sincerely,

Michael Garland
Enclosures

Resolved: Shareholders request that the Board of Directors of PACCAR Inc. ("PACCAR") adopt a policy for improving board and top management diversity (the "Policy") requiring that the initial lists of candidates from which new management-supported director nominees and chief executive officers ("CEOs") recruited from outside the company are chosen by the board or relevant committee (each, an "Initial List") should include qualified female and racially/ethnically diverse candidates. The Policy should provide that any third-party consultant asked to furnish an Initial List will be requested to include such candidates.

Supporting Statement

PACCAR appears to have no people of color among its directors and CEO.

A growing body of empirical research indicates a significant positive relationship between firm value and the percentage of women and minorities in leadership. A 2012 Credit Suisse Research Institute study found that companies with one or more women directors delivered higher average returns on equity, better average growth and higher price/book value multiples.[1] A 2015 McKinsey study found that corporate leadership in the top quartile for racial and ethnic diversity were 35 percent more likely to have financial returns above their national industry median.[2]

Adopting a policy that requires consideration of women and minority candidates for every open director seat and external CEO search would assist the board in developing a diverse board and executive team. According to a 2016 *Harvard Business Review* study, including more than one woman or member of a racial minority in a finalist pool helps combat unconscious bias among interviewers and increases the likelihood of a diverse hire.[3] We believe that all of our portfolio companies should have a robust diversity search policy in place to institutionalize the board's commitment to achieving and maintaining racial and gender diversity over the long term, including beyond the terms of the incumbent directors and CEO.

The proposed rule resembles the Rooney Rule in the National Football League (NFL), which requires teams to interview minority candidates for head coaching and senior football operations openings and was recently expanded to include general manager jobs and equivalent front office positions. It does not dictate who should be hired, but instead widens the talent pool and requires a diverse set of candidates for consideration. While corporate boards may face differing circumstances, it is difficult to ignore the positive impact of the Rooney Rule on diversity. In the twelve years before the Rule was implemented, the NFL had four minority head coaches and one minority general manager. Twelve years after, the NFL had sixteen minority head coaches and eight minority general managers.[4]

The Policy described in this Proposal would apply to only those CEO searches that consider candidates from outside PACCAR. We do not intend for the Policy to be a substitute for robust

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[1] https://www.credit-suisse.com/articles/news-and-expertise/2012/07/en/does-gender-diversity-improve-performance.html

[2] http://www.diversitas.co.nz/Portals/25/Docs/Diversity%20Matters.pdf

[3] https://hbr.org/2016/04/if-there-only-your-candidiate-pool-theres-statisticallu-no-chance-shell-be-hired

[4] https://www.sec.gov/comments/s7-06-16/s70616-293.pdf

internal succession planning, and we encourage PACCAR to maintain and disclose a process for fostering a diverse talent pipeline for executive management.

We urge shareholders to vote for this Proposal.

STATE STREET.

Derek A. Farrell
Asst. Vice President, Client Services

State Street Bank and Trust Company
c/o NYC Office of the Comptroller
Municipal Building
One Centre Street
New York, NY 10007
Telephone: 347 749-2420
dfarrell@statestreet.com

November 13, 2019

Re: New York City Teachers' Retirement System

To whom it may concern,

Please be advised that State Street Bank and Trust Company, under DTC number 997, held in custody continuously, on behalf of the New York City Teachers' Retirement System, the below position from October 31, 2018 through today as noted below:

Security:	PACCAR INC
Cusip:	693718108
Shares:	240,498

Please don't hesitate to contact me if you have any questions.

Sincerely,

Derek A. Farrell
Assistant Vice President

STATE STREET.

Derek A. Farrell
Asst. Vice President, Client Services

State Street Bank and Trust Company
c/o NYC Office of the Comptroller
Municipal Building
One Centre Street
New York, NY 10007
Telephone: 347 749-2420
dfarrell@statestreet.com

November 13, 2019

Re: New York City Police Pension Fund

To whom it may concern,

Please be advised that State Street Bank and Trust Company, under DTC number 997, held in custody continuously, on behalf of the New York City Police Pension Fund, the below position from October 31, 2018 through today as noted below:

Security: PACCAR INC

Cusip: 693718108

Shares: 125,180

Please don't hesitate to contact me if you have any questions.

Sincerely,

Derek A. Farrell
Assistant Vice President

STATE STREET.

Derek A. Farrell
Asst. Vice President, Client Services

State Street Bank and Trust Company
c/o NYC Office of the Comptroller
Municipal Building
One Centre Street
New York, NY 10007
Telephone: 347 749-2420
dfarrell@statestreet.com

November 13, 2019

Re: New York City Fire Pension Fund

To whom it may concern,

Please be advised that State Street Bank and Trust Company, under DTC number 997, held in custody continuously, on behalf of the New York City Fire Pension Fund, the below position from October 31, 2018 through today as noted below:

Security:	PACCAR INC
Cusip:	693718108
Shares:	43,625

Please don't hesitate to contact me if you have any questions.

Sincerely,

Derek A. Farrell
Assistant Vice President

STATE STREET.

Derek A. Farrell
Asst. Vice President, Client Services

State Street Bank and Trust Company
c/o NYC Office of the Comptroller
Municipal Building
One Centre Street
New York, NY 10007
Telephone: 347 749-2420
dfarrell@statestreet.com

November 13, 2019

Re: New York City Employee's Retirement System

To whom it may concern,

Please be advised that State Street Bank and Trust Company, under DTC number 997, held in custody continuously, on behalf of the New York City Employee's Retirement System, the below position from October 31, 2018 through today as noted below:

Security:	PACCAR INC
Cusip:	693718108
Shares:	179,015

Please don't hesitate to contact me if you have any questions.

Sincerely,

Derek A. Farrell
Assistant Vice President

Irene Song

From: Irene Song
Sent: Tuesday, November 19, 2019 1:41 PM
To: Garland, Michael
Cc: jsologu@Comptroller.nyc.gov
Subject: Shareholder proposal - NYC Comptroller
Attachments: Rule 14a-8 Shareholder proposals.pdf; Staff Legal Bulletin No 14F.PDF; Staff Legal Bulletin No 14G.PDF

Dear Mr. Garland:

PACCAR acknowledges receipt of your shareholder proposal for PACCAR's 2020 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 14, 2019.

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 2020 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

CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
SCOTT M. STRINGER

MUNICIPAL BUILDING
ONE CENTRE STREET, 8TH FLOOR NORTH
NEW YORK, N.Y. 10007-2341
TEL: (212) 669-2517
FAX: (212) 669-4072
MGARLAN@COMPTROLLER.NYC.GOV

Michael Garland
ASSISTANT COMPTROLLER
CORPORATE GOVERNANCE AND
RESPONSIBLE INVESTMENT

November 22, 2019

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

Dear Ms. Song:

I write in response to your correspondence, dated November 19, 2019, regarding the eligibility of the New York City Employees' Retirement System, the New York City Teachers' Retirement System, the New York City Police Pension Fund and the New York City Fire Pension Fund (the "Systems") to submit a shareholder proposal to PACCAR Inc. (the "Company"), in accordance with SEC Rule 14a-8 (b).

Enclosed please find letters from State Street Bank and Trust Company, the Systems' custodian bank, certifying that at the time the shareholder proposal was submitted to the Company, each held, continuously since October 31, 2018, at least $2,000 worth of shares of the Company's common stock. I hereby declare that each intends to continue to hold at least $2,000 worth of these securities through the date of the Company's next annual meeting.

State Street Bank and Trust Company has confirmed that it is a DTC participant.

Sincerely,

Michael Garland
Enclosures

STATE STREET

Derek A. Farrell
Asst. Vice President, Client Services

State Street Bank and Trust Company
c/o NYC Office of the Comptroller
Municipal Building
One Centre Street
New York, NY 10007
Telephone: 347 749-2420
dfarrell@statestreet.com

November 21, 2019

Re: New York City Employee's Retirement System

To whom it may concern,

Please be advised that State Street Bank and Trust Company, under DTC number 997, held in custody continuously, on behalf of the New York City Employee's Retirement System, the below position from October 31, 2018 through today as noted below:

Security:	PACCAR INC
Cusip:	693718108
Shares:	179,015

Please don't hesitate to contact me if you have any questions.

Sincerely,

Derek A. Farrell
Assistant Vice President

STATE STREET.

Derek A. Farrell
Asst. Vice President, Client Services

State Street Bank and Trust Company
c/o NYC Office of the Comptroller
Municipal Building
One Centre Street
New York, NY 10007
Telephone: 347 749-2420
dfarrell@statestreet.com

November 21, 2019

Re: New York City Fire Pension Fund

To whom it may concern,

Please be advised that State Street Bank and Trust Company, under DTC number 997, held in custody continuously, on behalf of the New York City Fire Pension Fund, the below position from October 31, 2018 through today as noted below:

Security:	PACCAR INC
Cusip:	693718108
Shares:	43,625

Please don't hesitate to contact me if you have any questions.

Sincerely,

Derek A. Farrell
Assistant Vice President

STATE STREET.

Derek A. Farrell
Asst. Vice President, Client Services

State Street Bank and Trust Company
c/o NYC Office of the Comptroller
Municipal Building
One Centre Street
New York, NY 10007
Telephone: 347 749-2420
dfarrell@statestreet.com

November 21, 2019

Re: New York City Police Pension Fund

To whom it may concern,

Please be advised that State Street Bank and Trust Company, under DTC number 997, held in custody continuously, on behalf of the New York City Police Pension Fund, the below position from October 31, 2018 through today as noted below:

Security:	PACCAR INC
Cusip:	693718108
Shares:	125,180

Please don't hesitate to contact me if you have any questions.

Sincerely,

Derek A. Farrell
Assistant Vice President

STATE STREET.

Derek A. Farrell
Asst. Vice President, Client Services

State Street Bank and Trust Company
c/o NYC Office of the Comptroller
Municipal Building
One Centre Street
New York, NY 10007
Telephone: 347 749-2420
dfarrell@statestreet.com

November 21, 2019

Re: New York City Teachers' Retirement System

To whom it may concern,

Please be advised that State Street Bank and Trust Company, under DTC number 997, held in custody continuously, on behalf of the New York City Teachers' Retirement System, the below position from October 31, 2018 through today as noted below:

Security:	PACCAR INC
Cusip:	693718108
Shares:	240,498

Please don't hesitate to contact me if you have any questions.

Sincerely,

Derek A. Farrell
Assistant Vice President

Irene Song

From: Irene Song
Sent: Monday, December 9, 2019 5:18 PM
To: mgarlan@comptroller.nyc.gov
Subject: Revised guidelines for Board membership
Attachments: 2019 Guidelines For Board Membership.pdf

Hi Mike,

I'm pleased to inform you that our Nominating and Governance Committee met today and approved changes to PACCAR's Guidelines for Board Membership. I believe the changes are responsive to the proposal we received from the Comptroller of the City of New York for consideration at the Company's next annual meeting. Please see attached copy of the revised guidelines. They should be posted on PACCAR's website tomorrow.

In light of the revised guidelines for Board membership, we respectfully request that the Comptroller withdraw its board diversity proposal from consideration at PACCAR's next annual meeting.

Please let me know if you have any questions.

Kind regards,
Irene

Irene Song
Secretary
PACCAR Inc
(425) 468-7495

EXHIBIT B

(PACCAR's Guidelines for Board Membership)

GUIDELINES FOR BOARD MEMBERSHIP

The Board of Directors shall be composed of a majority of "independent" directors as defined by NASDAQ Rule 5605(a)(2). It shall also include the CEO and other senior Company executives as determined by the Board. The Board should represent a diversity of perspectives, skills and business experience relevant to the Company's global operations including international business, manufacturing, financial services and aftermarket customer programs. The Board recognizes the importance of having a diversity of gender, heritage and backgrounds to ensure that a variety of opinions and perspectives are represented on the Board; accordingly, initial lists of candidates from which new director nominees are chosen will include qualified female and racially/ethnically diverse candidates.

The Nominating and Governance Committee (the "Committee") considers the names of candidates submitted by management and members of the Board of Directors. It also considers recommendations by stockholders submitted in writing to the chairman of the Nominating and Governance Committee at P.O. Box 1518, 11th Floor, Bellevue, WA 98009. Nominations by stockholders must comply with the Company Bylaws requiring advance notice and meet the requirements described in the section on Stockholder Proposals and Director Nominations of the annual proxy statement. The Committee may also engage the services of a private search firm from time to time to assist in identifying and screening director candidates.

Basic Qualifications

To be a qualified independent director candidate, a person must have achieved significant success in business, education or public service, must not have a conflict of interest and must be committed to representing the long-term interests of the stockholders. In addition the candidate must have the following attributes:

- the highest ethical and moral standards and integrity;
- the intelligence, education and experience to make a meaningful contribution to board deliberations;
- the commitment, time and diligence to effectively discharge board responsibilities;
- mature judgment, objectivity, practicality and a willingness to ask difficult questions;
- the commitment to work together as an effective group member to deliberate and reach consensus for the betterment of stockholders and the long-term success of the Company.

Experience Qualifications

- Candidates from the field of business shall currently hold (or have been) a chief executive officer, chief operating officer, chief financial officer or a senior managerial position with a major corporation.
- Candidates from the field of education shall hold (or have held) a significant position at a prominent educational institution as a senior administrator.
- Candidates from the field of public service shall be individuals who have held a significant managerial or policy-making position as an elected or appointed official at the national or international level.

Evaluation Process

The Committee (and the Board) shall evaluate qualified candidates by assessing their background against these Guidelines. The Committee shall receive and review written biographies, conduct background investigations as appropriate, conduct personal interviews and collect additional information as it deems appropriate. The Committee shall select nominee(s) and recommend them to the independent members of the Board for approval.

EXHIBIT C

(PACCAR's Corporate Governance Guidelines)

PACCAR Inc
CORPORATE GOVERNANCE GUIDELINES

The Board of Directors of PACCAR adopted the following Corporate Governance Guidelines in furtherance of the Company's commitment to serve the long-term interests of its stockholders.

I. COMPOSITION OF THE BOARD

A. Size of the Board. The PACCAR bylaws provide that the Board shall determine the number of directors by resolution and that directors shall be elected at each annual meeting of stockholders for a term expiring at the next annual meeting of stockholders. The Board may elect candidates to fill director vacancies.

B. Membership Criteria. The Nominating and Governance Committee has established written criteria for the selection of new directors which is available at www.paccar.com/company/corporateresponsibility/boardguidelines.asp. A majority of the Board must consist of independent directors as defined in NASDAQ Rule 5605(a)(2). To be a qualified director candidate, a person must have achieved significant success in business, education or public service, must not have a conflict of interest and must be committed to representing the long-term interests of the stockholders. In addition the candidate must have other attributes listed in the Guidelines.

C. Retirement Age. The PACCAR bylaws state that a director's term expires on the day before the annual stockholder meeting following the director's 72nd birthday. No person age 72 or older is eligible for election as a director.

D. Director Responsibilities. The Nominating and Governance Committee is responsible for advising the Board with respect to the Board's membership and its governance. In fulfilling that responsibility, the Committee develops and the Board approves the "Responsibilities of PACCAR Directors." Those responsibilities are:

- Integrity;
- Good understanding of PACCAR's businesses;
- Understanding the importance of representing the total shareholder constituency and increasing shareholder value;
- Active, objective and constructive participation at Board and Committee meetings;
- Review and understanding of advance briefing materials;
- Sharing one's expertise, experience, knowledge and insights as they relate to the matters before the Board;
- Advancing PACCAR's purposes and reputation;
- Effectively contributing to management evaluation and succession planning;
- Availability to the Chief Executive Officer for consultation; and
- Regular attendance.

E. Changed Responsibilities. A Director who changes his or her principal employment or responsibility outside the Company, will offer to resign from the Board. The Nominating & Governance Committee will review the matter and recommend to the Board whether or not to accept the resignation. A Director should also notify the Chairman prior to

joining the board of another company to enable the Company to evaluate possible conflicts of interest.

F. Lead Director. The Board of Directors appoints one of its independent directors to serve as a lead director for a three-year term. The lead director presides over the executive sessions of the Board's independent directors.

II. DIRECTOR COMPENSATION

Only non-employee directors receive payment for serving on the Board. The Nominating and Governance Committee is responsible for recommending to the Board compensation and benefits for non-employee directors. In making its recommendation, the Committee reviews the compensation and benefits for directors of comparable companies to ensure that the Board attracts and retains highly qualified directors. The compensation program is designed to enable directors to build an equity interest in the Company to align their personal financial interest with those of the stockholders. All elements of director compensation constitute director fees consistent with the independence rules of NASDAQ and other legal requirements. Director compensation is disclosed each year in the Company's proxy statement.

III. BOARD OPERATIONS

A. Board Meetings. The Board determines its annual meeting schedule. There are generally four board meetings scheduled each calendar year. Directors also are expected to attend the annual stockholder meeting which is usually held in late April. Board meetings generally last at least four hours and involve presentations by key managers of operating entities and executive presentations on strategic policy issues. The Board usually visits at least one PACCAR facility every year. The agenda for each meeting is established by the Chairman with input from the directors. Meeting materials are distributed to directors in advance of the Board meeting to allow review.

B. Executive Sessions. The independent members of the Board meet in executive session without the participation of any member of management at least twice each year.

C. Board Committees. The Board currently has four committees: the Audit Committee, the Compensation Committee, the Executive Committee and the Nominating and Governance Committee. The responsibilities and authorities of the Audit, Compensation and Nominating and Governance Committees are described in the committee charters which are posted on PACCAR's website. The Executive Committee consists of at least three Board members and is authorized to act on routine Board matters when the Board is not in session. From time to time the Board may decide to form a new committee or disband an existing committee depending on the then current circumstances.

1. Committee membership. Committee members are appointed by the Board of Directors in consultation with the Chairman and Chief Executive Officer. In general, committee chairpersons and members should rotate periodically, but the Board believes that such rotation may be waived in individual cases where there are reasons to maintain an individual Director's committee membership. All members of the Audit, Compensation and Nominating and Governance Committees are independent directors.

2. Committee agenda. Each committee has a chairperson who, in consultation with the appropriate members of management, will develop the committee's agenda and will direct management to prepare and distribute appropriate written materials prior to the meeting.

3. Committee meetings. The committee chairperson, in consultation with committee members, will determine the frequency and length of committee meetings. Committees should regularly meet in executive session. The Committee chairperson is responsible for apprising the full Board on a regular basis of all committee proceedings, determinations and recommendations.

D. Director Orientation and Continuing Education. Directors participate in an orientation program that includes historical and background information on the Company, a review of the Company's key programs, presentations by senior managers and facility visits. The Company provides opportunities for directors to attend continuing education programs and reimburses directors for programs attended.

E. Board Self-Evaluation. The Board and each of its committees perform a self-evaluation at least annually. The purpose of the evaluation is to increase the effectiveness of the Board and the committees, as well as the individual members. Each committee reports the results of its evaluation to the Chair of the Nominating and Governance Committee annually and shares the results with the entire Board.

IV. CEO EVALUATION AND MANAGEMENT SUCCESSION

The Compensation Committee annually meets in executive session to review the CEO's compensation and attainment of established performance goals as set forth in its charter. The Committee chair communicates the results of the review to the independent members of the Board in executive session and to the Executive Chairman and the CEO.

The CEO annually reviews the Company's succession planning and development with the Compensation Committee and with the Board of Directors and provides recommendations for potential successors for all executive officers. The CEO provides to the Compensation Committee, on a continuing basis, his recommendation as to his successor should he be unable to serve.

V. CODES OF CONDUCT

Each director is required to comply with the applicable provisions of the Company's Code of Business Conduct. Directors are expected to be mindful of their fiduciary obligations to the Company and avoid any action, position or interest that conflicts, or appears to conflict, with the interest of the Company.

VI. BOARD INTERACTION WITH THIRD PARTIES

Management speaks for the Company in contacts with investors, stockholders, the press, customers and others. The Company has published on its website a means for stockholders and interested persons to make their concerns known to non-management directors, in accordance

with applicable laws and stock exchange listing requirements. Concerns involving accounting, internal auditing controls or auditing matters will be directed to the Audit Committee chairman in accordance with the procedure outlined.

VII. BOARD ACCESS TO MANAGEMENT AND INDEPENDENT ADVISORS

Directors have full access to all members of management and to independent advisors. The Board and its committees may retain counsel or consultants with respect to any issue without consulting or obtaining the approval of any officer of the Company in advance. Further, as set forth in their respective charters:

- The Nominating and Governance Committee has sole authority to retain and terminate any search firm to be used to identify director candidates.
- The Compensation Committee has sole authority to retain and terminate compensation consultants used to advise it with respect to executive compensation.
- The Audit Committee has sole authority to retain and terminate the independent auditors.

VIII. STOCK OWNERSHIP GUIDELINES

All non-employee directors are expected to hold at least five times their annual cash retainer in Company stock, and/or deferred stock units while serving as a director. Directors have five years from election to the Board to attain this ownership threshold. In addition, the chief executive officer of the Company is expected to hold five times his base salary in Company stock and/or deferred stock units. The other named executive officers are expected to hold three times their base salary in Company stock and/or deferred stock units. Other executive officers are expected to hold one times their base salary in Company stock and/or deferred stock units. All executive officers have three years from the January 1st following their promotion to a qualifying position to attain this ownership threshold.

Executives who are not in compliance with the ownership threshold must retain all vested restricted stock and at least fifty percent (50%) of after-tax shares acquired through the exercise of stock options until the applicable stock ownership threshold is met.

Directors and Company executive officers are prohibited from hedging their ownership of PACCAR stock, including trading in options, puts, calls or other derivative instruments related to PACCAR stock or debt. Directors and Company executive officers are also prohibited from purchasing PACCAR stock on margin, borrowing against PACCAR stock held in a margin account or pledging PACCAR stock as collateral for a loan.

IX. GUIDELINES SUBJECT TO PERIODIC REVIEW

The Nominating and Governance Committee will review these Guidelines periodically to assure that they are in accordance with sound corporate governance. It will recommend to the Board appropriate revisions to enable the Board to discharge its responsibilities more effectively. The Guidelines are not intended to change or interpret any law, regulation or Company policy.

EXHIBIT D

(PACCAR's Environmental, Social and Governance Report)

PACCAR Inc

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-and-social/environmental/environmental-policy/.

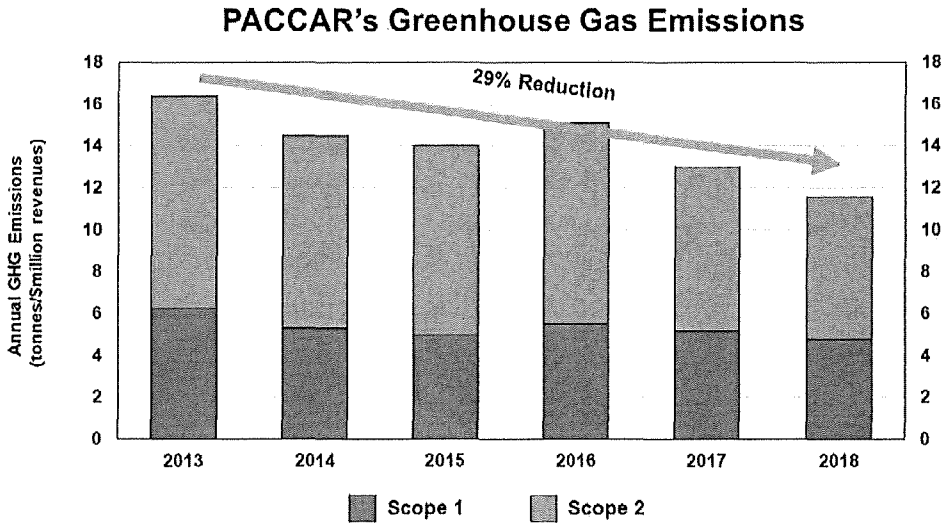
Specific environmental requirements for supplier operations are detailed in the Supplier Code of Conduct available at https://www.paccar.com/about-us/environmental-and-social/social/supplier-code-of-conduct/.

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.

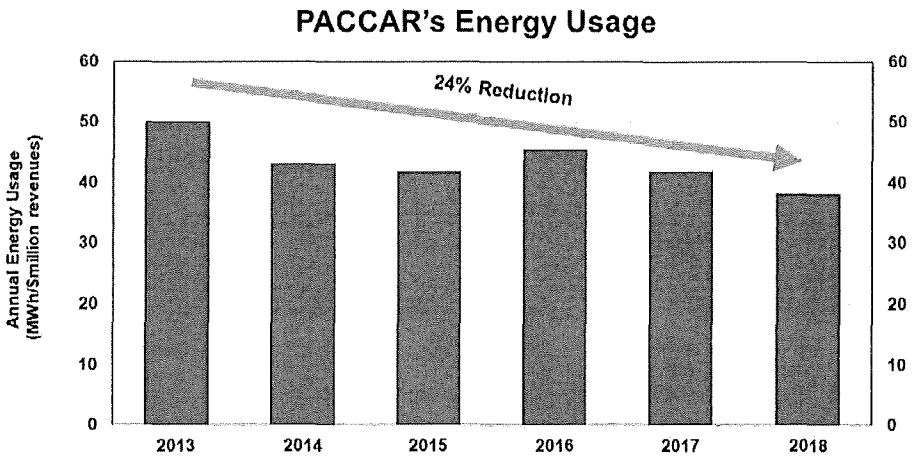
PACCAR discloses greenhouse gas emissions and energy usage per unit of revenue. This normalizes the data for fluctuations in our business that occur due to industry cyclicality.

From 2013 to 2018, PACCAR reduced greenhouse gas emissions 29% on a per revenue basis as shown below:



PACCAR has disclosed greenhouse gas emissions through CDP (formerly Carbon Disclosure Project) since 2014. In 2018, PACCAR achieved an A score from CDP, placing in the top 2% of over 6,000 companies reporting and 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 24% on a per revenue basis.



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 and Kenworth Chillicothe Cab Paint facilities will reduce hazardous waste emissions even further.

PACCAR has focused on responsible environmental stewardship since its founding in 1905. Eighty-eight percent of PACCAR manufacturing locations are ISO 14001 certified and 88% 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 electric Kenworth T680 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 90-mile range and quiet operation is an excellent solution for residential neighborhood refuse operations.

The DAF CF Hybrid has been developed for driving electrically with zero emissions in urban areas, while offering a much longer range to operate beyond those urban areas, thanks to the latest, ultra-clean diesel technology. The combination of electric and diesel power ensures the highest logistical efficiency.

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 37-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 50% of compressed natural gas heavy-duty vehicle registrations in the U.S. and Canada in 2018.

PACCAR's MX 13 and MX 11 engines are certified to use B10/B20/B30 and XTL biofuels in Europe and B20 biofuel in the U.S. Biofuel capable unit sales represent 45% of PACCAR's total global truck sales.

PACCAR has partnered with Toyota Motor North America to develop zero-emission Kenworth T680 trucks powered by Toyota hydrogen fuel cell electric powertrains for use in drayage operations. The hydrogen fuel cell electric powered Kenworth T680s will have a range of over 300 miles under normal drayage operating conditions.

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 model year 2018 XF and CF models were honored as International Truck of the Year. These trucks are equipped with highly efficient PACCAR MX engines, a new compact after-treatment system, and sophisticated software and aerodynamic optimization, reducing 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 2019 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.

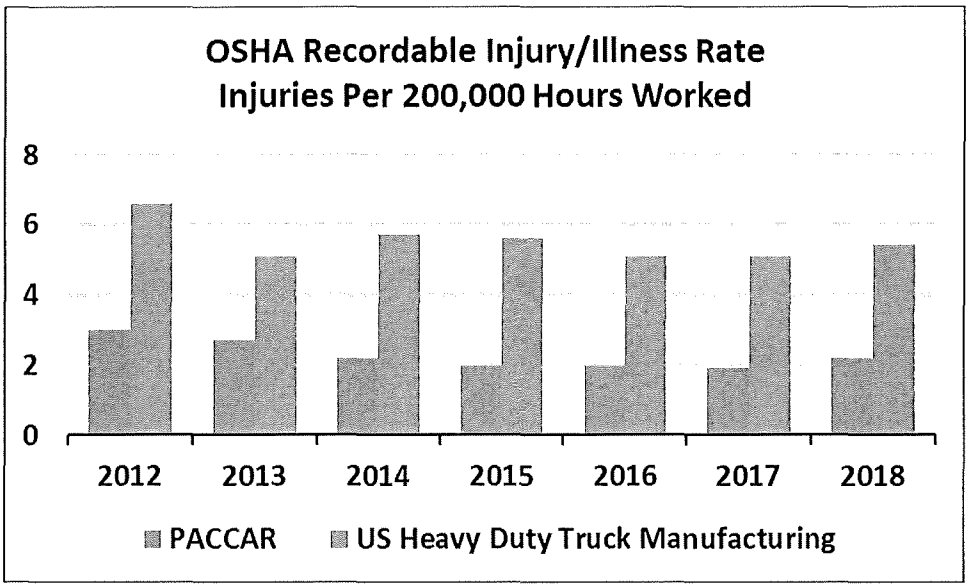
PACCAR has introduced technologies that train drivers to operate vehicles more efficiently. Kenworth and Peterbilt's Driver Performance Assistant offers interactive in-dash coaching to drivers to reduce fuel consumption and CO2 emissions. DAF's EcoDrive Training enhances driver efficiency, resulting 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-and-social/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. The PACCAR Women's Association seeks to increase women in PACCAR leadership roles by providing educational, networking and mentoring opportunities to female employees at all levels. More information about PACCAR's commitment to diversity and inclusion can be found at https://jobs.paccar.com/content/Diversity-and-Inclusion/?locale=en_US.

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/board-of-directors/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-and-social/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-and-social/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-and-social/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. In selecting nominees for the Board of Directors, the Nominating and Governance Committee recognizes the importance of having a diversity of gender, heritage and backgrounds to ensure that a variety of opinions and perspectives are represented on the Board.

PACCAR's Corporate Governance Guidelines are available at https://www.paccar.com/about-us/board-of-directors/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. https://www.paccar.com/media/2857/2019-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 7% of total auditor fees in 2018.
- 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/board-of-directors/governance-guidelines/ and in PACCAR's Proxy Statement at https://www.paccar.com/media/2857/2019-proxy.pdf.