

PACCAR Inc

AUDIT COMMITTEE CHARTER

I. STATEMENT OF PURPOSE

The purpose of the Committee is to assist the Board of Directors in fulfilling its oversight responsibility by monitoring (i) the integrity of the Company's financial statements and financial reporting process; (ii) the performance of the internal audit function; (iii) the engagement of the independent auditors and the independent auditors' qualifications, objectivity, independence and performance; and (iv) the compliance by the Company with legal and regulatory requirements, including the Company's disclosure controls and procedures.

II. ORGANIZATION

A. Charter. At least annually, the Committee shall review this charter and any proposed changes shall be submitted to the Board of Directors for approval.

B. Members. The members of the Committee shall be appointed by the Board of Directors and shall number at least three. The Board of Directors shall also designate one of the members to be chairman. The members of the Committee shall meet the independence, experience and expertise requirements of the NASDAQ Stock Market Inc and applicable law.

C. Meetings. In planning meetings, the Committee shall ensure that sufficient opportunities exist for members to meet separately in executive session with the independent auditors, the head of the internal audit staff, and with management. A quorum at any Committee meeting shall be a majority of the members. Any decision or action of the Committee reduced to writing and signed by all of the members of the Committee shall be as effective as if it had been made at a meeting duly called and held.

III. RESPONSIBILITIES

The principal responsibilities of the Audit Committee are:

A. Engagement of Independent Auditors. The Committee shall have the ultimate authority to select, evaluate and, where appropriate, replace the independent auditor. The Committee shall be directly responsible for the compensation and oversight of the work of the independent auditor (including resolution of any disagreements with management) for the purpose of preparing or issuing an audit report or related work. The independent auditor shall report directly to the Committee.

The Committee shall preapprove all auditing services, and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by its independent auditor, subject to the de minimis exceptions for non-audit services under applicable law, which are approved by the Audit Committee prior to the completion of the audit. The Committee may form and delegate authority to subcommittees consisting of one or more members, including the

authority to grant preapprovals of audit and permitted non-audit services, provided such approval actions shall be reported to the full Committee at its next scheduled meeting.

The Committee shall have the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting or other advisors. The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the independent auditor for the purpose of rendering or issuing an audit report and to any advisors employed by the Committee.

B. Determination as to Independence and Performance of Independent Auditors. The Committee shall receive periodic written reports from the independent auditors as required by the Independence Standards Board Standard 1 (or any successor regulation) regarding the auditor's independence and delineating all relationships between the Company and the auditor. The report shall be provided annually, and the Committee shall take appropriate action to satisfy itself of the auditor's independence. The Committee shall review the performance of the Company's independent auditors annually. In doing so, the Committee shall consult with management and the head of the internal audit staff. The Committee also shall obtain and review a report by the independent auditors describing their internal control procedures, issues raised by their most recent internal quality control review or by any inquiry or investigation by governmental or professional authorities for the preceding five years and the response of the independent auditors.

C. Performance of Internal Auditors. The Committee shall annually review the experience and qualifications of the senior members of the internal auditor staff and the quality control procedures of the internal auditors.

D. Audits by Internal and Independent Auditors. The Committee shall discuss with the head of the internal audit staff and the independent auditors the overall scope and plans for their respective audits, including the adequacy of staffing and other factors that may impact the effectiveness and timeliness of such audits

E. Review of Internal Controls. The Committee shall review with management and the independent auditors management's annual internal control report, including any attestation made by the independent auditors. Management and the head of the internal audit staff shall report periodically to the Committee regarding any significant deficiencies in the design or operation of the Company's internal controls, material weaknesses in internal controls and any fraud (regardless of materiality) involving persons having a significant role in the internal controls, as well as any significant changes in internal controls implemented by management during the most recent reporting period of the Company.

F. Review of Disclosure Controls and Procedures. The Committee shall periodically review with management the Company's disclosure controls and procedures, management's conclusions about the efficacy of such disclosure controls and procedures, including any significant deficiencies in, or material non-compliance with, such controls and procedures.

G. Review of Annual SEC Filings. The Committee shall review with management and the independent auditors the financial information to be included in the Company's Annual Report on Form 10-K, including the disclosures under "Management's Discussion and Analysis

of Financial Condition and Results of Operations.” Based on such review and discussion, the Committee shall make a determination whether to recommend to the Board of Directors that the audited financial statements be included in the Company’s Form 10-K.

H. Review of Quarterly SEC Filings and Other Communications. The Committee shall review and discuss with management and the independent auditors the quarterly financial information to be included in the Company’s earnings release and the Quarterly Reports on Form 10-Q, including the disclosures under “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and may discuss any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards, applicable law or listing standards.

I. Review of Certain Matters with Management and Independent Auditors. Periodically the Committee shall review with management and the independent auditors critical accounting policies and practices, significant financial reporting issues and judgments made in connection with preparation of the Company’s financial statements, the effect of new or proposed regulatory and accounting initiatives on the Company’s financial statements and other public disclosures.

J. Consultation with Independent Auditors. The Committee shall review with the independent auditors any problems or difficulties the auditors may have encountered in connection with the annual audit or otherwise, material alternative treatment of financial information discussed with management, the ramifications of the use of such alternative disclosures and the auditor's preferred treatment, and any material written communications with management.

K. Preparation of Report for Proxy Statement. The Committee shall produce the report required to be included in the Company’s annual proxy statement, all in accordance with applicable rules and regulations.

L. Policies for Employment of Former Audit Staff. The Committee shall approve guidelines for the Company’s hiring of former employees of the independent auditors, which shall meet the requirements of applicable law and listing standards.

M. Establishment of “Whistleblowing” Procedures. The Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting matters, internal accounting controls or auditing matters and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

N. Review of Legal and Regulatory Compliance. The Committee shall periodically review with management and the independent auditors any correspondence with, or other action by, regulators or governmental agencies and any employee complaints or published reports that raise concerns regarding the Company’s financial statements, accounting or auditing matters or compliance with the Company’s Code(s) of Business Conduct and Ethics. The Committee shall also meet periodically with the General Counsel of the Company to review material legal affairs of the Company and the Company’s compliance with applicable law and listing standards.

O. Review of Certain Transactions with Directors and Related Parties. The Committee shall review and approve any related party transactions consistent with its policies and procedures and Item 404 of the Securities and Exchange Commission Regulation S-K.

P. Compliance with Code of Business Conduct and Ethics. The Committee shall review annually a summary of compliance with the Company's code of business conduct and ethics code.

Q. Review Risk Management. The Committee shall discuss with management the Company's risk exposures and the steps management has taken to monitor and control such exposures.

R. Access to Records, Consultants and Others. The Committee shall have full authority (i) to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company; (ii) to retain and determine compensation for outside legal, accounting or other consultants to advise the Committee; and (iii) to request any officer or employee of the Company, or the Company's outside counsel or independent auditors to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

S. Procedures. The Committee shall evaluate its performance annually and adopt such procedures as appropriate to carry out its responsibilities pursuant to this Charter and perform such other duties delegated by the Board from time to time. The Committee shall make regular reports to the Board of Directors.