

# PACCAR Inc

March 15, 2022

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of PACCAR Inc, which will be held at 10:30 a.m. on Tuesday, April 26, 2022, in person at the PACCAR Parts Distribution Center, located at 405 Houser Way North, Renton, Washington, and online.

The principal business of the Annual Meeting is stated on the attached Notice of Annual Meeting of Stockholders. We will also provide an update on the Company's activities. The Board of Directors recommends a vote **FOR** Items 1 and 2 and a vote **AGAINST** Item 3.

Your **VOTE** is important. Whether or not you plan to attend the Annual Meeting, please vote your proxy either by mail, telephone or the internet.

Sincerely,

A handwritten signature in black ink that reads "Mark Pigott". The signature is written in a cursive style with a large, looped "P" and "G".

Mark C. Pigott  
Executive Chairman of the Board



**Notice of Annual Meeting of Stockholders**

The Annual Meeting of Stockholders of PACCAR Inc will be held at 10:30 a.m. on Tuesday, April 26, 2022, in person at the PACCAR Parts Distribution Center, located at 405 Houser Way North, Renton, Washington, and online, for these purposes:

1. To elect as directors the eleven nominees named in the attached proxy statement to serve a one-year term ending in 2023.
2. To approve an amendment to the Amended and Restated Certificate of Incorporation to eliminate supermajority vote provisions.
3. To vote on a stockholder proposal regarding special stockholder meetings if properly presented at the meeting.
4. To transact such other business as may properly come before the meeting.

Stockholders entitled to vote at this meeting are those of record as of the close of business on February 28, 2022.

**IMPORTANT: The vote of each stockholder is important regardless of the number of shares held. Whether or not you plan to attend the meeting, please complete and return your proxy form.**

Directions to the PACCAR Parts Distribution Center can be found on the back cover of the attached proxy statement. For the health and safety of our stockholders and employees, there is a limit on the number of stockholders who may attend the meeting in person and all in-person attendees are required to provide proof of COVID-19 vaccination. Stockholders must register in advance to attend the meeting, whether in person or online. Registration for the meeting is at [register.proxypush.com/pcar](https://register.proxypush.com/pcar).

By order of the Board of Directors

A handwritten signature in black ink that reads "Michael Beers".

M. R. Beers  
Secretary

Bellevue, Washington  
March 15, 2022

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## PROXY STATEMENT

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The Board of Directors of PACCAR Inc issues this proxy statement to solicit proxies for use at the Annual Meeting of Stockholders at 10:30 a.m., local time, on Tuesday, April 26, 2022, in person at the PACCAR Parts Distribution Center in Renton, Washington, and online. This proxy statement includes information about the business matters that will be voted upon at the meeting. The executive offices of the Company are located at 777 106<sup>th</sup> Avenue N.E., Bellevue, Washington 98004. This proxy statement and proxy form were sent to stockholders on or about March 15, 2022.

### GENERAL INFORMATION

#### Voting Rights

Stockholders eligible to vote at the meeting are those identified as owners at the close of business on the record date, February 28, 2022. Each outstanding share of common stock is entitled to one vote on each of the items presented at the meeting. At the close of business on February 28, 2022, the Company had 347,674,693 shares of common stock outstanding and entitled to vote.

Stockholders may vote at the meeting (in person or online) or by proxy. Execution of a proxy does not affect the right of a stockholder to attend the meeting. **The Board recommends that stockholders exercise their right to vote by promptly completing and returning the proxy form either by mail, telephone or the internet.**

#### Voting by Proxy

Mark C. Pigott and Mark A. Schulz are designated proxy holders to vote shares on behalf of stockholders at the 2022 Annual Meeting. The proxy holders are authorized to:

- vote shares as instructed by the stockholders who have properly completed and returned the proxy form;
- vote shares as recommended by the Board when stockholders have executed and returned the proxy form, but have given no instructions; and
- vote shares at their discretion on any matter not identified in the proxy form that is properly brought before the Annual Meeting.

The Trustee for the PACCAR Inc Savings Investment Plan (the “SIP”) votes shares held in the SIP according to each member’s instructions on the proxy form. If no voting instructions are received, the Trustee will vote the shares in direct proportion to the shares for which it has received timely voting instructions, as provided in the SIP.

#### Proxy Voting Procedures

The proxy form allows registered stockholders to vote in one of three ways:

*Mail.* Stockholders may complete, sign, date and return the proxy form in the pre-addressed, postage-paid envelope provided.

*Telephone.* Stockholders may call the toll-free number listed on the proxy form and follow the voting instructions given.

*Internet.* Stockholders may access the internet address listed on the proxy form and follow the voting instructions given.

Telephone and internet voting procedures authenticate each stockholder by using a control number. The voting procedures will confirm that your instructions have been properly recorded. Stockholders who vote by telephone or internet should not return the proxy form.

Stockholders who hold shares through a broker or agent should follow the voting instructions received from that broker or agent.

*Revoking Proxy Voting Instructions.* A proxy may be revoked by a later-dated proxy or by written notice to the Secretary of the Company at any time before it is voted. Stockholders who hold shares through a broker should contact the broker or other agent if they wish to change their vote after executing the proxy.

### **Online Availability of Annual Meeting Materials**

**Important Notice Regarding the Availability of Proxy Materials for the Annual Stockholder Meeting to be held at 10:30 a.m. on April 26, 2022, in person at the PACCAR Parts Distribution Center in Renton, Washington, and online. The 2022 proxy statement and the 2021 Annual Report to stockholders are available on the Company's website at [www.paccar.com/2022annualmeeting](http://www.paccar.com/2022annualmeeting).**

Stockholders who hold shares in a bank or brokerage account who previously elected to receive the annual meeting materials electronically and now wish to change their election and receive paper copies may contact their bank or broker to change their election.

Stockholders who receive annual meeting materials electronically will receive a notice when the proxy materials become available with instructions on how to access them over the internet.

### **Multiple Stockholders Sharing the Same Address**

Registered stockholders at a shared address who would like to discontinue receipt of multiple copies of the annual report and proxy statement in the future should write to EQ Shareowner Services, Attn: Householding, P.O. Box 64854, St. Paul, Minnesota 55164-0854. Street name stockholders at a shared address who would like to discontinue receipt of multiple copies of the annual report and proxy statement in the future should contact their bank or broker.

Some street name stockholders elected to receive one copy of the 2021 Annual Report and 2022 Proxy Statement at a shared address prior to the 2022 Annual Meeting. If those stockholders wish to change that election, they may do so by contacting their bank, broker or PACCAR at 425.468.7581 or P.O. Box 1518, Bellevue, Washington 98009.

### **Vote Required and Method of Counting Votes**

The presence at the Annual Meeting – in person, online or by duly authorized proxy – of a majority of all the stock issued and outstanding and having voting power shall constitute a quorum for the transaction of business. Abstentions are counted as shares present at the meeting.

### **Item 1: Election of Directors**

In an uncontested director election, each director nominee shall be elected by the affirmative vote of the majority of the votes cast with respect to that director's election at any meeting for the election of directors at which a quorum is present. A majority of votes cast means that the number of shares voted "for" a director's election exceeds 50 percent of the number of votes cast with respect to that director's election. Votes cast include votes "against" but exclude "abstentions" and "broker nonvotes" with respect to that director's election. Pursuant to the Company's Bylaws, an incumbent director that is not elected by a majority vote will tender his or her resignation subject to acceptance by the Board. The Company's Certificate of Incorporation does not provide for

cumulative voting. Proxies signed, dated and returned unmarked will be voted **FOR** all of the nominees. **Please note that brokers and custodians may not vote on the election of directors in the absence of specific client instruction. Those who hold shares in such accounts are encouraged to provide voting instructions to the broker or custodian.**

If any nominee is unable to act as director because of an unexpected occurrence, the proxy holders may vote the proxies for another person or the Board of Directors may reduce the number of directors to be elected.

**Item 2: Amendment to Amended and Restated Certificate of Incorporation**

Proxies signed, dated and returned unmarked will be voted **FOR** Item 2.

To be approved, Item 2 must receive the affirmative vote of two-thirds of the shares outstanding. Abstentions will have the effect of a vote against the item.

**Item 3: Stockholder Proposal**

Proxies signed, dated and returned unmarked will be voted **AGAINST** Item 3.

To be approved, Item 3 must receive the affirmative vote of a majority of shares present in person, online or by proxy and entitled to vote at the Annual Meeting. Abstentions will have the effect of a vote against the item.

**STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS**

The following persons are known to the Company to be the beneficial owner of five percent or more of the Company’s common stock as of December 31, 2021 (amounts shown are rounded to whole shares):

| <b>Name and Address of Beneficial Owner</b>                                      | <b>Shares Beneficially Owned</b> | <b>Percent of Class</b> |
|--|----------------------------------|-------------------------|
| BlackRock, Inc. . . . .<br>55 East 52 <sup>nd</sup> Street<br>New York, NY 10055 | 23,751,523(a)                    | 6.8                     |
| The Vanguard Group . . . . .<br>100 Vanguard Blvd.<br>Malvern, PA 19355          | 35,786,296(b)                    | 10.3                    |

- (a) BlackRock, Inc. and its subsidiaries reported on Schedule 13G filed February 1, 2022 that BlackRock has sole voting power over 20,419,171 shares and sole dispositive power over 23,751,523 shares.
- (b) The Vanguard Group reported on Schedule 13G filed January 10, 2022 that it has shared voting power over 550,960 shares; sole dispositive power over 34,366,575 shares and shared dispositive power over 1,419,721 shares.

## STOCK OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

The following list includes all shares of the Company's common stock beneficially owned by each Company director and Named Executive Officer, and by Company directors and executive officers as a group as of February 28, 2022 (amounts shown are rounded to whole share amounts).

| Name   | Shares<br>Beneficially Owned | Percent<br>of Class |
|--|------------------------------|---------------------|
| Michael T. Barkley   | 100,416(a)                   | *                   |
| Dame Alison J. Carnwath  | 8,558(b)                     | *                   |
| C. Michael Dozier  | 47,530(a)                    | *                   |
| Franklin L. Feder  | 10,381(b)                    | *                   |
| R. Preston Feight  | 161,284(a)                   | *                   |
| Beth E. Ford   | 33,803(b)                    | *                   |
| Kirk S. Hachigian  | 39,513(b)                    | *                   |
| Roderick C. McGeary  | 26,084(b)                    | *                   |
| John M. Pigott   | 2,313,545(b)(c)              | *                   |
| Mark C. Pigott   | 3,951,018(d)                 | 1.14                |
| Ganesh Ramaswamy   | 4,596(b)                     | *                   |
| Harrie C. Schippers  | 165,225(a)                   | *                   |
| Mark A. Schulz   | 25,652(b)                    | *                   |
| Darrin C. Siver  | 83,397(a)                    | *                   |
| Gregory M. E. Spierkel   | 40,612(b)                    | *                   |
| <b>Total of all directors and executive officers as a group (19 individuals)</b> | <b>7,134,132</b>             | <b>2.05</b>         |

\* Does not exceed one percent.

- (a) Includes shares allocated in the SIP for which the participant has sole voting and investment power as follows: R. P. Feight 9,641; H. C. Schippers 1,508; M. T. Barkley 21,516; C. M. Dozier 11,197; D. C. Siver 13,929. Also includes restricted shares for which the participant has voting power as follows: R. P. Feight 15,166. Also includes restricted stock units (RSUs) without voting rights to be settled in shares of common stock as follows: R. P. Feight 40,344; H. C. Schippers 22,680; M. T. Barkley 8,408; C. M. Dozier 8,117; D. C. Siver 8,573. Also includes options to purchase shares exercisable within 60 days of February 28, 2022 as follows: R. P. Feight 59,504; H. C. Schippers 89,761; M. T. Barkley 39,482; C. M. Dozier 19,468; D. C. Siver 29,052. Also includes deferred cash awards accrued as stock units without voting rights under the Deferred Compensation Plan that are settled in shares of common stock: M. T. Barkley 1,088; D. C. Siver 2,403.
- (b) Includes shares in the Restricted Stock and Deferred Compensation Plan for Non-Employee Directors (the "RSDC Plan") over which the participant has sole voting but no investment power. Also includes deferred stock units without voting rights in the RSDC Plan to be settled in shares of common stock as follows: A. J. Carnwath 8,558; F. L. Feder 10,381; B. E. Ford 33,803; K. S. Hachigian 39,513; R. C. McGeary 26,084; J. M. Pigott 36,948; G. Ramaswamy 4,596; M. A. Schulz 16,681; G. M. E. Spierkel 40,612.
- (c) Includes shares held in the name of a spouse and/or children to which beneficial ownership is disclaimed.
- (d) Includes 99,429 shares allocated in the SIP for which he has sole voting and investment power. Also includes options to purchase 194,332 shares exercisable within 60 days of February 28, 2022, and deferred cash awards accrued as 218,955 stock units without voting rights under the Deferred Compensation Plan and the Long-Term Incentive Plan that are settled in shares of common stock. Includes shares held in the name of a spouse and/or children to which beneficial ownership is disclaimed.

## **EXPENSES FOR SOLICITATION**

Expenses for solicitation of proxies will be paid by the Company. In addition to the mailing of these proxy materials, solicitation may be made by directors, officers and employees of the Company through electronic, telephone or personal solicitation, which will be made without additional compensation. The Company has retained D. F. King & Co., Inc. to aid in the solicitation of stockholders for a fee of approximately \$11,000 plus reimbursement of expenses. The Company will request banks and brokers to solicit proxies from their customers and will reimburse those banks and brokers reasonable out-of-pocket costs for this solicitation.

### **ITEM 1: ELECTION OF DIRECTORS**

Eleven directors are to be elected at the meeting. The persons named below have been designated by the Board as nominees for election as directors for a term expiring at the Annual Meeting of Stockholders in 2023. All of the nominees are currently serving as directors of the Company.

### **BOARD NOMINEES FOR DIRECTORS (TERMS EXPIRE AT THE 2022 ANNUAL MEETING)**

MARK C. PIGOTT, age 68, is Executive Chairman of the Company and has held that position since April 2014. Mr. Pigott was Chairman and Chief Executive Officer of the Company from January 1997-April 2014, Vice Chairman from January 1995-December 1996, Executive Vice President from December 1993-January 1995, Senior Vice President from January 1990-December 1993, and Vice President from October 1988-December 1989. He served as a director of Franklin Resources Inc., an investment management company, from 2011-2021. He is the brother of John M. Pigott, a director of the Company. He has served as a director of the Company since 1994. Mr. Pigott has the attributes and qualifications listed in the Company guidelines for board membership including engineering and business degrees from Stanford University, thorough knowledge of the global commercial vehicle industry and an outstanding record of profitable growth generated through 43 years with the Company. PACCAR has benefited from an excellent record of industry-leading stockholder returns generated under his leadership.

DAME ALISON J. CARNWATH, age 69, has been a senior adviser to Evercore Partners, an independent corporate finance advisory firm (formerly known as Lexicon Partners) since 2005, and chair of the advisory board at Living Bridge Equity Partners, LLP, a private equity firm (formerly known as ISIS Equity Partners, LLP) since 1999, both based in the United Kingdom. She has served as a director of Collier Capital Ltd. since 2015, a director and audit committee chair of EG Group since 2021 and a director of ASDA Group since 2021, all United Kingdom-based companies. She has been a member of the supervisory board and chair of the audit committee of BASF, a leading chemical company based in Germany, since 2014 and she has served as a director of Zurich Insurance Group since 2012. She previously served as chair of Land Securities plc, the United Kingdom's largest property company listed on the London Stock Exchange (2008-2018); as non-executive chair of MF Global Holdings Ltd. (2008-2010); and as a non-executive director of BP p.l.c. (2018-2021) and the Man Group plc (2001-2013), both based in the United Kingdom. She has served as a director of the Company since 2005. Dame Alison has the attributes and qualifications listed in the Company guidelines for board membership including certification as a chartered accountant, service as chair (1999-2004) and chief executive (2001) of the Vitec Group plc, a British supplier to the broadcast industry, and 32 years' experience in international finance and investment banking including three years as a managing director of Donaldson, Lufkin and Jenrette (1997-2000).



FRANKLIN L. FEDER, age 70, served as chief executive officer, Alcoa Latin America & Caribbean of Alcoa Inc., a global producer of bauxite, alumina and aluminum, from 2004-2014. He previously served as vice president and director of corporate development of Alcoa Inc. from 1999-2004, chief financial officer of Alcoa Latin America from 1994-1999 and director corporate planning from 1990-1994. He was also managing partner of Technomic Consultores from 1978-1988, and a partner at Booz, Allen & Hamilton from 1989-1990. He has served as a director of Minerals Technologies Inc. since 2017. He has also served as a director of Companhia Brasileira de Alumínio and AES Tiete Energia since 2016 and of Prumo Logística S.A. since 2019, all Brasil-based companies. He previously served as a director of Intercement from 2017-2020, a director of Loma Negra Corporation from 2018-2020, a director of Unigel from 2016-2018, a director of Grupo Dahma from 2015-2016, and a director of Alexander Proudfoot from 2014-2016. He has served as a director of the Company since 2018. Mr. Feder has the attributes and qualifications listed in the Company guidelines for board membership including an M.B.A. from IMD in Lausanne, Switzerland and a B.A. from the Getúlio Vargas Foundation in Sao Paulo, Brasil.

R. PRESTON FEIGHT, age 54, is Chief Executive Officer of the Company and has held that position since July 2019. Mr. Feight served as Executive Vice President of the Company from September 2018-June 2019, PACCAR Vice President and President of DAF Trucks from April 2016-August 2018, General Manager of Kenworth Truck Company and Vice President of PACCAR from January 2015-March 2016, Kenworth Assistant General Manager for Marketing and Sales from April 2012-December 2014, Kenworth Chief Engineer from August 2008-March 2012. Previously he worked as an engineer at Ford for six years and as an engineer at Allied Signal for two years. He has served as a director of the Company since 2019. Mr. Feight has the attributes and qualifications listed in the Company guidelines for board membership including a B.S. in mechanical engineering from Northern Arizona University, an M.S. in engineering management from the University of Colorado and thorough knowledge of the global commercial vehicle industry gained through 24 years with the Company.

BETH E. FORD, age 58, is president and chief executive officer at Land O'Lakes, a member-owned agricultural production and dairy cooperative and has held that position since July 2018. She previously served as Land O'Lakes' chief operating officer, business units, from 2017-2018, group executive vice president and chief operating officer from 2015-2017 and as executive vice president and chief supply chain and operations officer from 2012-2015. Ms. Ford served as executive vice president and head of supply chain at International Flavor and Fragrances (2008-2011). She has served as director of Blackrock, Inc. since 2021. Ms. Ford also served as a director of Clearwater Paper Corporation (2013-2018). She is on the Dean's Advisory Committee for the College of Business at Iowa State University and the Columbia University Business School – Deming Center Board of Advisors. She has served as a director of the Company since 2015. Ms. Ford has the attributes and qualifications listed in the Company guidelines for board membership including an M.B.A. from Columbia University Business School and a B.B.A. from Iowa State University. Ms. Ford has a background in agribusiness, chemicals, consumer package goods, publishing and oil and gas gained through 35 years in operating and senior leadership positions with global companies including International Flavor and Fragrances, PepsiCo, Hachette Book Group, Scholastic Corporation and Mobil Corporation.

KIRK S. HACHIGIAN, age 62, served as executive chairman of JELD-WEN Holding, Inc., a global manufacturer of windows and doors from 2016-2019; and as JELD-WEN's chairman and chief executive officer from 2014-2016. He served as chairman and chief executive officer of Cooper Industries plc, a global manufacturer of electrical products, from 2005 to 2012. Prior to joining Cooper in 2001, Mr. Hachigian was an executive with General Electric Company for eight years, including assignments in Mexico and Asia. He has served as lead director for Allegion plc and director of NextEra Energy Inc. since 2013 and as a director of Cabinetworks Group from 2021-2022. He has served as a director of the Company since 2008. Mr. Hachigian has the attributes and qualifications listed in the Company guidelines for board membership including a B.S. degree in mechanical engineering from University of California at Berkeley and an M.B.A. from the University of Pennsylvania's Wharton School.

RODERICK C. MCGEARY, age 71, served in consulting and audit roles with KPMG LLP from 1972-2000 culminating in the position as co-vice chairman of consulting (1997-1999). He has served as a director of Raymond James Financial, Inc. since September 2015. He was chairman of BearingPoint Inc., formerly KPMG Consulting, LLC, a management and technology consulting firm, from 2004-2009 and was its interim chief executive officer from 2004-2005. He has served as a director of Cisco Systems since 2003. He has served as a director of the Company since 2012. Mr. McGeary has the attributes and qualifications listed in the Company guidelines for board membership including a B.S. degree in accounting from Lehigh University, strong experience as a certified public accountant and extensive experience in management and technology consulting.

JOHN M. PIGOTT, age 58, is a partner in Beta Business Ventures, LLC, a private investment company concentrating in natural resources, and was a partner in the predecessor company Beta Capital Group, LLC since 2003. He is the brother of Mark C. Pigott, a director of the Company. He has served as a director of the Company since 2009. Mr. Pigott has the attributes and qualifications listed in the Company guidelines for board membership including an engineering degree from Stanford, an M.B.A. from UCLA and a background in manufacturing gained through 12 years with the Company including five years as a senior manager of Company truck operations in the United Kingdom and in the United States. He is a substantial long-term stockholder in the Company.

GANESH RAMASWAMY, age 53, has served as Vice President and President, Global Services, for Johnson Controls International, a global provider of building technologies and solutions, since December 2019. From 2015 to 2019, Mr. Ramaswamy served in executive leadership roles at Danaher Corporation, a diversified manufacturer of life sciences, diagnostics, and industrial products and services. His roles at Danaher included Group Executive, Marking & Coding; President, Videojet Technologies; and Senior Vice President, High Growth markets for Beckman Coulter Diagnostics. From 2011 to 2015, Mr. Ramaswamy served in various executive roles at Pentax Medical, a provider of endoscopic imaging devices and solutions, including as President of Pentax Medical from 2013 to 2015. Earlier in his career, Mr. Ramaswamy served in roles of increasing responsibility with the General Electric Company in product development, quality management, service operations, and general management. Mr. Ramaswamy brings a broad range of experiences from diverse industries in the areas of global business management, technology-based innovation, commercial strategies in emerging markets, and business systems. Mr. Ramaswamy has the attributes and qualifications listed in the Company guidelines for board membership including a Ph.D. in mechanical engineering from the University of Pennsylvania, an M.B.A. from the University of Wisconsin – Milwaukee, an M.S. in mechanical engineering from Auburn University, and a B.Tech. in mechanical engineering from the University of Kerala.

MARK A. SCHULZ, age 69, is currently president and chief executive officer of M. A. Schulz and Associates, a management consulting firm, and a founding partner in Fontinalis Partners, LLC, a transportation technology strategic investment firm. He served as president of international operations at Ford Motor Company from 2005 until his retirement in 2007 and in a variety of executive roles during 35 years with Ford, including running Ford's Mazda, Jaguar, Land Rover and Aston Martin affiliates and setting up manufacturing and distribution operations in South America, Europe, Asia and Africa. He served as a director of Dana Incorporated (2008-2018), as a director of YRC Worldwide, Inc. (2007-2009) and as a director of the National Committee of United States-China Relations and the United States-China Business Council. He has served as a director of the Company since 2012 and as lead director since January 2020. Mr. Schulz has the attributes and qualifications listed in the Company guidelines for board membership including engineering degrees from Valparaiso University and the University of Michigan, an M.B.A. from the University of Detroit, an M.S. in management from the Massachusetts Institute of Technology and over 35 years of management experience in the automotive industry worldwide.

GREGORY M. E. SPIERKEL, age 65, served as chief executive officer of Ingram Micro Inc., a worldwide distributor of technology products, from 2005-2012. He previously served as president from March 2004-April 2005. During his 14-year tenure with that company he held other senior positions including executive vice president. He has served as a director of MGM Resorts International since 2013 and as a director of Schneider Electric (Paris) since 2014. He has served as a director of the Company since 2008. Mr. Spierkel has the attributes and qualifications listed in the Company guidelines for board membership including an M.B.A. from Georgetown University and 32 years of management experience around the world including seven years as chief executive of Ingram Micro.

**THE BOARD RECOMMENDS A VOTE FOR EACH OF THE NOMINEES.**

**BOARD GOVERNANCE**

The Board of Directors has determined that the following persons served as independent directors in 2021 as defined by Nasdaq Rule 5605(a)(2): Dame Alison J. Carnwath, Franklin L. Feder, Beth E. Ford, Kirk S. Hachigian, Roderick C. McGeary, Ganesh Ramaswamy, Mark A. Schulz and Gregory M. E. Spierkel.

The Board of Directors maintains a corporate governance section on the Company's website, which includes key information about its governance practices. The Company's Corporate Governance Guidelines, its Board committee charters and its Code of Business Conduct and Code of Ethics for Senior Financial Officers are located at [www.paccar.com/about-us/board-of-directors](http://www.paccar.com/about-us/board-of-directors). The Corporate Governance Guidelines prohibit the Company's directors and executive officers from hedging or pledging their ownership of PACCAR stock. Employees, other than executive officers, are generally permitted to engage in transactions designed to hedge or offset market risk.

The Company's leadership structure includes an Executive Chairman, a Chief Executive Officer and an independent lead director who serves for a three-year term. M. A. Schulz currently serves as lead director. This leadership structure, in which the roles of the Executive Chairman and Chief Executive Officer are separate, together with an experienced and engaged lead director and independent key committees, is appropriate for the Company because it effectively allocates authority, responsibility and oversight between management, the Executive Chairman and the independent members of the Board.

The Company has policies to ensure a strong and independent board. The Board regularly meets in executive session without management. The lead director presides over the executive sessions of the Board's independent directors. Seventy-three percent of the Company's eleven current directors are independent as defined under Nasdaq rules.

The Board oversees risk through management presentations at Board meetings and through its Audit, Compensation and Nominating and Governance Committees. The Audit Committee charter provides that the Committee shall discuss with management the Company's risk exposures, including cybersecurity risk, and the steps management has taken to monitor and control such exposures. As part of this process, the Committee receives periodic reports from the Company's internal auditor and from its general counsel and the Committee reports to the full Board at least four times a year. The Compensation Committee oversees risk arising from the Company's compensation programs and annually reviews how those programs manage and mitigate risk. The Nominating and Governance Committee oversees potential environmental, social and governance (ESG) risks and monitors legal developments and trends.

Stockholders may contact the Board of Directors by writing to: The Board of Directors, PACCAR Inc, 11<sup>th</sup> Floor, P.O. Box 1518, Bellevue, WA 98009, or by e-mailing [PACCAR.Board@paccar.com](mailto:PACCAR.Board@paccar.com). The Corporate Secretary will receive, process and acknowledge receipt of all written stockholder communications. Suggestions or concerns involving accounting, internal controls or auditing matters will be directed to the Audit Committee chairman. Concerns regarding other matters will be directed to the individual director or committee named in the correspondence. If no identification is made, the matter will be directed to the Executive Committee of the Board.

The Board of Directors met four times during 2021. Each member attended at least 75 percent of the combined total of meetings of the Board of Directors and the committees of the Board on which each served. All Company directors are expected to attend each annual stockholder meeting. All directors attended the annual stockholder meeting in April 2021.

The Board has four standing committees. The members of each committee in 2021 are listed below with the chair of each committee listed first:

| <u>Audit<br/>Committee</u> | <u>Compensation<br/>Committee</u> | <u>Executive<br/>Committee</u> | <u>Nominating and<br/>Governance<br/>Committee</u> |
|----------------------------|-----------------------------------|--------------------------------|--|
| R. C. McGeary              | G. M. E. Spierkel                 | M. C. Pigott                   | M. A. Schulz                                       |
| A. J. Carnwath             | B. E. Ford                        | J. M. Pigott                   | A. J. Carnwath                                     |
| F. L. Feder                | K. S. Hachigian                   | M. A. Schulz                   | B. E. Ford   |
| G. M. E. Spierkel          | G. Ramaswamy                      |                                | R. C. McGeary                                      |

#### **Audit Committee**

The Audit Committee has responsibility for the selection, evaluation and compensation of the independent auditors and approval of all services they provide. The Committee annually assesses the independent public accounting firm’s qualifications, independence, performance and whether there should be a rotation of the Company’s independent accounting firm. The Committee and its chairperson are involved in the selection of the audit firm’s lead engagement partner. 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 monitors the Company’s system of internal controls over financial reporting and oversees the internal audit function.

The Company has a rigorous and thorough cybersecurity protocol. The Company’s information security risk council updates the Audit Committee throughout the year and also prepares reports for the Board of Directors.

The Audit Committee charter describes the Committee’s responsibilities. It is posted at [www.paccar.com/about-us/board-of-directors/audit-committee-charter](http://www.paccar.com/about-us/board-of-directors/audit-committee-charter). All four members of the Audit Committee meet the independence and financial literacy requirements of the SEC and Nasdaq rules. The Board of Directors designated all four members of the Audit Committee as financial experts. The Committee met six times in 2021.

#### **Compensation Committee**

The Compensation Committee has responsibility for reviewing and approving salaries and other compensation matters for executive officers. It administers the Long-Term Incentive Plan, the Senior Executive Yearly Incentive Compensation Plan and the Deferred Compensation Plan. The Committee establishes base salaries and annual and long-term performance goals for executive officers. It considers the opinion of the CEO when determining compensation for the executives that report to him. It also evaluates the CEO’s performance annually in executive session. It approves the attainment of annual and long-term goals by the executive officers.

The Committee has authority to employ a compensation consultant to assist in the evaluation of the compensation of the Company's CEO and other executive officers. It did not employ a compensation consultant in 2021.

The Compensation Committee charter describes the Committee's responsibilities. It is posted at [www.paccar.com/about-us/board-of-directors/compensation-committee-charter](http://www.paccar.com/about-us/board-of-directors/compensation-committee-charter). All four members of the Committee meet the director independence requirements of the SEC and Nasdaq rules and the "nonemployee director" requirements of Rule 16b-3 of the Securities Exchange Act of 1934 (the "Exchange Act"). The Committee met five times in 2021.

### **Nominating and Governance Committee**

The Nominating and Governance Committee is responsible for evaluating director candidates and selecting nominees for approval by the independent members of the Board of Directors. It also makes recommendations to the Board on corporate governance matters, including director compensation, and environmental and social matters.

The Committee has established written criteria for the selection of new directors, which are available at [www.paccar.com/about-us/board-of-directors/guidelines-for-board-membership](http://www.paccar.com/about-us/board-of-directors/guidelines-for-board-membership). The criteria state that a diversity of perspectives, skills and business experience relevant to the Company's global operations should be represented on the Board. The 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. Initial lists of director candidates include qualified racially/ethnically and gender diverse candidates. 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 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; and
- the commitment to work together as an effective group member to deliberate and reach consensus for the betterment of the stockholders and the long-term viability of the Company.

The Committee considers the names of director candidates submitted by management and members of the Board of Directors. It also considers recommendations by stockholders submitted in writing to: Chairman, Nominating and Governance Committee, PACCAR Inc, 11<sup>th</sup> Floor, P.O. Box 1518, Bellevue, WA 98009. Nominations by stockholders must include information set forth in the Company's Bylaws. The Committee engages the services of a private search firm from time to time to assist in identifying and screening director candidates. The Committee evaluates qualified director candidates and selects nominees for approval by the members of the Board of Directors.

The Company's Bylaws provide for proxy access by eligible stockholders. Stockholder nominations require compliance with Article III, Section 7 of the Bylaws.

The Nominating and Governance Committee charter describes the Committee's responsibilities. It is posted at [www.paccar.com/about-us/board-of-directors/nominating-and-governance-committee](http://www.paccar.com/about-us/board-of-directors/nominating-and-governance-committee). Each of the four Committee members meets the independence requirements of the Nasdaq rules. The Committee met four times in 2021.

## Executive Committee

The Executive Committee acts on routine Board matters when the Board is not in session. The Committee took action two times in 2021.

## Board Composition and Diversity

PACCAR's Board of Directors is committed to a broad range of experience and expertise that will build on the Company's 116-year record of success. The composition of the Board reflects different genders, ethnicities, and geographic and cultural backgrounds that enhance the Board's understanding of our employees, customers, dealers and other stakeholders.

| <b>Board Diversity Matrix (as of March 15, 2022)</b> |               |             |
|--|---------------|-------------|
| Total Number of Directors                            | 11            |             |
|  | <b>Female</b> | <b>Male</b> |
| <b>Part I: Gender Identity</b>                       |               |             |
| Directors  | 2             | 9           |
| <b>Part II: Demographic Background</b>               |               |             |
| Asian  | —             | 1           |
| White  | 2             | 8           |
| LGBTQ+   | 1             |             |

## COMPENSATION OF DIRECTORS

The following table provides information on compensation for non-employee directors who served during the fiscal year ended December 31, 2021:

### Summary Compensation

| Name                 | Fees Earned or<br>Paid in Cash<br>(a) (\$) | Stock<br>Awards<br>(b) (\$) | All Other<br>Compensation<br>(c) (\$) | Total<br>(d) (\$) |
|----------------------|--|-----------------------------|---------------------------------------|-------------------|
| A. J. Carnwath       | 140,000                                    | 150,039                     | 5,000                                 | 295,039           |
| F. L. Feder          | 120,000                                    | 150,039                     | 5,000                                 | 275,039           |
| B. E. Ford           | 130,000                                    | 150,039                     | 5,000                                 | 285,039           |
| K. S. Hachigian      | 130,000                                    | 150,039                     | 5,000                                 | 285,039           |
| R. C. McGeary        | 155,000                                    | 150,039                     | 5,000                                 | 310,039           |
| J. M. Pigott         | 110,000                                    | 150,039                     | 5,000                                 | 265,039           |
| G. Ramaswamy         | 89,643                                     | 112,548                     | 5,000                                 | 207,191           |
| M. A. Schulz         | 170,000                                    | 150,039                     | 10,000                                | 330,039           |
| G. M. E. Spierkel    | 155,000                                    | 150,039                     | 5,000                                 | 310,039           |
| C. R. Williamson (e) | 35,357                                     | 150,039                     | 0                                     | 185,396           |

- (a) Fees for non-employee directors include the 2021 annual retainer of \$110,000, paid quarterly, and committee meeting fees of \$5,000 per meeting. In addition, an annual \$25,000 retainer is payable quarterly to the lead director, and an annual \$15,000 retainer is payable quarterly to the chairs of the audit, compensation, and nominating and governance committees. If newly elected or retired during the calendar year, the non-employee director receives a prorated retainer. A single meeting attendance fee is paid when more than one committee meeting is held on the same day. B. E. Ford and G. Ramaswamy elected to defer retainer and meeting fees into stock units pursuant to the terms of the RSDC Plan described in the narrative below.
- (b) The grant date fair value of the restricted stock or RSU award granted on January 4, 2021 to non-employee directors (other than G. Ramaswamy) was \$150,039, calculated in accordance with FASB ASC Topic 718. The award for G. Ramaswamy was prorated for his Board service, which commenced on April 27, 2021. See Note R, Stock Compensation Plans, to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021. On December 31, 2021, non-employee directors did not hold any unvested shares of restricted stock and held unvested RSUs as follows: Dame A. J. Carnwath 6,251; F. L. Feder 6,251; B. E. Ford 6,251; K. S. Hachigian 6,251; R. C. McGeary 6,251; J. M. Pigott 6,251; G. Ramaswamy 1,233; M. A. Schulz 6,251; G. M. E. Spierkel 6,251.
- (c) Directors may participate in the Company's matching gift program on the same basis as U.S. salaried employees. Under the program, the PACCAR Foundation matches donations participants make to eligible educational institutions up to a maximum annual donation of \$5,000 per participant. In 2021, the PACCAR Foundation matched a gift of \$5,000 made by M. A. Schulz to an educational institution. In addition to the Company's matching gift program, the PACCAR Foundation made donations of \$5,000 each to charitable organizations selected by Dame A. J. Carnwath, F. L. Feder, B. E. Ford, K. S. Hachigian, R. C. McGeary, J. M. Pigott, G. Ramaswamy, M. A. Schulz and G. M. E. Spierkel.
- (d) B. E. Ford and G. Ramaswamy deferred some or all of their cash compensation earned in 2021 into stock units. None of the deferred compensation earned a rate of interest that exceeded 120 percent of the applicable federal long-term rate prescribed under Section 1274(d) of the Internal Revenue Code. Perquisites were less than the \$10,000 reporting threshold.
- (e) C. R. Williamson served as a director until his retirement from the Board of Directors on April 26, 2021.

## **Non-Employee Director Compensation Program**

In addition to the cash compensation described in footnote (a) above, on the first business day of the year, each non-employee director receives \$150,000 in restricted stock or RSUs under the RSDC Plan. The number of restricted shares or RSUs is determined by dividing \$150,000 by the closing price of a share of Company stock on the first business day of the year and rounding up to the nearest whole share. Non-employee directors newly elected during the calendar year receive a prorated award to reflect the number of calendar quarters the director will serve in the year of election. RSUs are credited to the director's deferred stock unit account. Restricted shares or RSUs vest three years after the date of grant or upon retirement, death or disability. Restricted shares receive dividends and voting rights and RSUs receive dividend equivalents (treated as if reinvested at the closing price of Company stock on the dividend date) and have no voting rights.

Non-employee directors may also elect to defer all or a part of their cash retainer and fees to an income account or to a stock unit account under the RSDC Plan. The income account accrues interest at a rate equal to the simple combined average of the monthly Aa Industrial Bond yield averages for the immediately preceding quarter and is compounded quarterly. The stock unit account is credited with the number of shares of Company common stock that could have been purchased at the closing price on the date the cash compensation is payable. Stock units receive dividend equivalents (as described above) and have no voting rights.

Deferred accounts are paid out at or after retirement or termination in accordance with the director's election. The stock unit account is distributed in shares of the Company's common stock. The deferred stock units held by non-employee directors are reflected in footnote (b) to the Stock Ownership Table on page 4.

The Company provides transportation or reimburses non-employee directors for travel and out-of-pocket expenses incurred in connection with their services. It also pays or reimburses directors for expenses incurred to participate in continuing education programs related to their service as a PACCAR director.

Effective January 1, 2022, PACCAR non-employee director compensation has been increased as follows: the annual \$150,000 grant of restricted stock or RSUs has been increased to \$165,000; the annual \$110,000 cash retainer has been increased to \$125,000; the annual \$15,000 fee paid to the chairman of each of the compensation and nominating and governance committees has been increased to \$17,500; the annual \$15,000 fee paid to the chairman of the audit committee has been increased to \$25,000; the annual \$25,000 fee paid to the lead independent director has been increased to \$30,000. Fees paid for attendance at committee meetings have been eliminated and replaced with annual retainers of \$20,000 for each member of the audit committee and \$15,000 for each member of the compensation and nominating and governance committees.

## **Stock Ownership Guidelines for Non-Employee Directors**

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 date of appointment to attain this ownership threshold. All non-employee directors with five or more years of service have the required stockholding as of January 1, 2022.

## **POLICIES AND PROCEDURES FOR TRANSACTIONS WITH RELATED PERSONS**

Under its Charter, the Audit Committee of the Board of Directors is responsible for reviewing and approving related-person transactions as set forth in Item 404 of the Securities and Exchange Commission Regulation S-K. The Committee will consider whether such transactions are in the best interests of the Company and its stockholders. The Company has written procedures designed to bring such transactions to the attention of management. Management is responsible for presenting related-person transactions to the Audit Committee for review and approval.



## **COMPENSATION OF EXECUTIVE OFFICERS COMPENSATION DISCUSSION AND ANALYSIS (“CD&A”)**

### **Executive Summary of Company Performance and Compensation Practices**

In 2021, the Company reported net sales and revenues of \$23.52 billion and net income of \$1.85 billion. The Company has achieved 83 consecutive years of net income, paid annual dividends every year since 1941 and delivered an average annual total return to stockholders over the past 20 years of 13.71 percent versus 9.51 percent for the S&P 500 Index.

#### ***2021 Financial Results and Business Highlights:***

- Consolidated net sales and revenues of \$23.52 billion
- Net income of \$1.85 billion
- 7.9% after-tax return on revenues
- PACCAR Parts revenue of \$4.94 billion
- PACCAR Parts pre-tax income of \$1.10 billion
- Financial Services assets of \$15.42 billion
- Financial Services new business volume of \$5.67 billion
- Financial Services pre-tax income of \$437.6 million
- Cash provided by operations of \$2.19 billion
- Dividends declared of \$988.1 million
- Medium-term note issuances of \$1.97 billion
- PACCAR invested \$835.9 million in capital projects and research and development
- Record year-end stockholders’ equity of \$11.44 billion
- Delivered 162,700 vehicles worldwide

#### ***Key Compensation and Governance Practices***

The Company emphasizes pay for performance and equity-based incentive programs designed to compensate executives for generating outstanding performance for stockholders.

- Incentive-based pay (“Pay for Performance”) represents approximately 66 percent of the Named Executive Officers’ target total compensation.
- Net income is the key metric in the annual incentive compensation program.
- The key metrics for long-term incentive cash awards are the three-year change in net income, return on sales and return on capital compared with Peer Companies.
- Executive officer stock ownership guidelines and holding requirements align executives’ long-term goals with that of stockholders.
- There are no employment contracts, excise tax gross ups or significant perquisites for executive officers.
- The Company does not discount, backdate, reprice or grant equity awards retroactively and prohibits the buy-out of underwater options.

- The Company prohibits the hedging or pledging of Company stock or purchasing stock on margin for directors and executive officers.
- The Company may claw back executive officer incentive compensation where a financial restatement is caused by fraud and the incentive compensation was based on financial results impacted by the restatement.

### **Compensation Program Objectives and Structure**

PACCAR’s compensation programs are directed by the Compensation Committee of the Board of Directors (the “Committee”), composed exclusively of independent directors. The programs are designed to attract and retain high-quality executives, link incentives to the Company’s performance and align the interests of management with those of stockholders. These programs offer compensation that is competitive with companies that operate in the same industries globally. PACCAR’s goal is to achieve superior performance measured against its industry peers. The Company has delivered 83 consecutive years of net income, paid annual dividends every year since 1941 and delivered excellent stockholder returns. The Company delivered an average annual total return to stockholders over the past 20 years of 13.71 percent versus 9.51 percent for the S&P 500 Index. The compensation framework has these components:

#### ***Short-term performance compensation:***

- Salary. The fixed amount of compensation for performing day-to-day responsibilities.
- Annual incentive cash compensation. Annual cash awards that focus on the attainment of Company profit targets and individual business unit goals.

#### ***Long-term performance compensation:***

- An equity- and cash-based Long-Term Incentive Plan (“LTIP”) that focuses on long-term growth in stockholder value, including three-year performance versus industry peers as measured by net income change, return on sales and return on capital. The equity-based compensation consists of stock options and restricted stock or restricted stock units (RSUs).

The Committee believes that this combination of salary, cash incentives and equity-based compensation provides appropriate incentives for executives to deliver superior short- and long-term business performance and stockholder returns.

The Named Executive Officers and all U.S. salaried employees participate in the Company’s retirement programs. The Named Executive Officers also participate in the Company’s unfunded Supplemental Retirement Plan described on page 29, which provides a retirement benefit to those employees affected by the maximum benefit limitations permitted for qualified plans by the Internal Revenue Code and other qualified plan benefit limitations.

The Company does not provide any other significant perquisites or executive benefits to its Named Executive Officers.

### **Stockholder Approval for the Company’s Executive Compensation Programs**

In 2020, stockholders voted on an advisory basis to approve the compensation of the Named Executive Officers (known as a “say on pay” vote), with 96 percent of the shares voting to approve the Company’s compensation practices. The Committee believes the stockholder vote affirms the Company’s conservative approach to executive compensation. In 2017, an advisory vote was taken on the frequency of review of our executive compensation program. A majority of the shares that voted on this proposal approved a three-year period for review of the executive compensation program.

## Executive Compensation Criteria

The Committee considers a number of important factors when reviewing and determining executive compensation, including job responsibilities, Company performance, business unit performance, individual performance and compensation for executives among peer organizations. The Committee also considers the opinion of the Chief Executive Officer when determining compensation for the executives that report to him.

**Industry Compensation Comparison Groups.** The Committee periodically utilizes information from published compensation surveys as well as compensation data from Peer Companies to determine if compensation for the Chief Executive Officer and other executive officers is competitive with the market. The Committee believes that comparative compensation information should be used in its deliberations. It does not specify a “target” compensation level for any given executive but rather a range of target compensation. The Committee has discretion to determine the nature and extent to which it will use comparative compensation data.

**Role of Compensation Consultants.** The Committee periodically retains a compensation consultant to assess the competitiveness of the Company’s compensation programs. In 2020, the Committee retained Mercer, a wholly owned subsidiary of Marsh and McLennan Companies, to evaluate the executive base salaries and total compensation structure, which were previously reviewed in 2018. Mercer compiled compensation data from the Company’s Peer Companies, as well as from a Mercer study concerning executive compensation in the United States and a Willis Towers Watson survey. Mercer provided the Committee with aggregated data obtained from the surveyed companies.

The Company did not utilize a compensation consultant in 2021.

**Peer Companies.** As part of its analysis of comparative data, the Committee includes compensation data from Peer Companies. In particular, the Company measures its financial performance against Peer Companies when evaluating achievement of the cash portion of the LTIP Company performance goal. The Committee reviews the composition of the Peer Companies annually to ensure the companies are appropriate for comparative purposes. The Peer Companies are listed below. The Peer Group Index is listed on page 35.

| <u>Company Name</u>       | <u>FY 2021 Revenue<br/>(in \$ billions)</u> |
|---------------------------|---|
| <b>PACCAR Inc</b> .....   | <b>23.5</b>                                 |
| AGCO Corporation .....    | 11.1  |
| Caterpillar Inc. ....     | 51.0  |
| CNH Industrial N.V. ....  | 33.4  |
| Cummins Inc. ....         | 24.0  |
| Dana Incorporated .....   | 8.9   |
| Deere & Company .....     | 44.0  |
| Eaton Corporation .....   | 19.6  |
| Meritor Inc. ....         | 3.8   |
| Oshkosh Corporation ..... | 7.7   |
| TRATON SE (a) .....       | 25.8  |
| AB Volvo .....            | 43.4  |

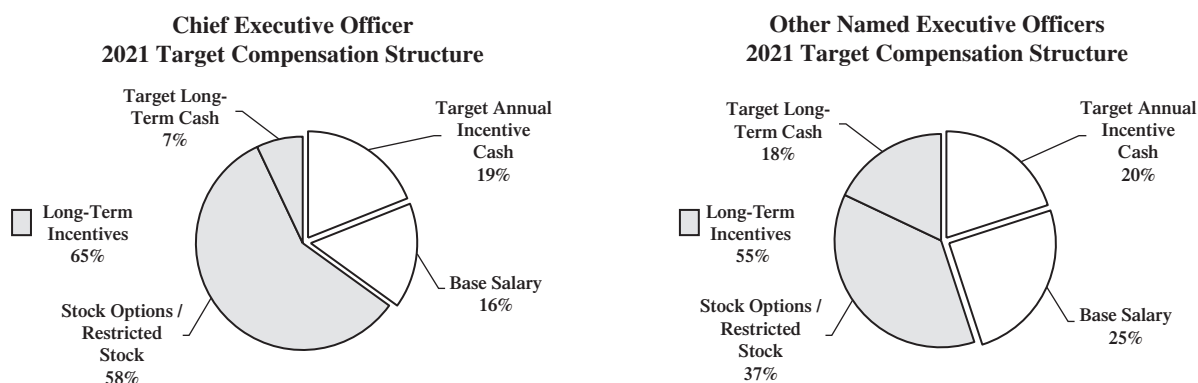
(a) Reflects FY 2020 revenue. TRATON SE announced its FY 2021 financial results after the printing of this proxy statement.

## Elements of Total Compensation

The Company's executive compensation program is comprised of base salaries, annual incentive cash and long-term incentives consisting of cash, stock options and restricted stock/RSUs.

| <u>Compensation Element</u>              | <u>Designed To Reward</u>  | <u>Relationship To The Objectives</u>  |
|--|--|--|
| <b>Base Salary</b>                       | <ul style="list-style-type: none"> <li>Experience, knowledge of the industry, duties and scope of responsibility</li> </ul>  | <ul style="list-style-type: none"> <li>Provides a level of cash compensation to attract and retain talented executives to the Company who can continue to improve the Company's overall performance</li> </ul>   |
| <b>Short-Term Incentive Compensation</b> | <ul style="list-style-type: none"> <li>Success in achieving annual objectives</li> </ul>   | <ul style="list-style-type: none"> <li>Motivates executives to achieve specific Company-wide and business unit objectives</li> <li>Provides competitive compensation to attract and retain talented executives</li> </ul>  |
| <b>Long-Term Incentive Compensation</b>  | <ul style="list-style-type: none"> <li>Continued excellence and attainment of objectives over time</li> <li>Success in long-term growth and development</li> </ul> | <ul style="list-style-type: none"> <li>Motivates executives to achieve long-term business unit and Company-wide objectives</li> <li>Aligns the executives' interests with long-term stockholder interests in order to increase overall stockholder value</li> <li>Provides competitive compensation to attract and retain talented executives</li> </ul> |

**Compensation Mix.** The Company's executive compensation program structure includes a balance of salary and annual and long-term incentives, including Company equity. For 2021, the Committee approved target allocations as displayed below for R. P. Feight, the Company's CEO, and the other Named Executive Officers. The Company believes these allocations promote its objectives of profitable growth and superior long-term results, which benefit stockholders.



**Base Salary.** Base salary provides a level of compensation that is competitive with industry Peer Companies to attract and retain high-caliber executives. The midpoints of the base salary ranges are set at approximately the market median of the 2020 Mercer report with the minimum salary at 70 percent of the midpoint and the maximum salary at 130 percent of the midpoint. An executive officer's actual salary relative to this salary range reflects his or her responsibility, experience, tenure with the Company and individual performance.

The Committee reviews base salaries every 12 to 24 months and may or may not approve changes. Consistent with this practice, the Committee reviewed the salary of each Named Executive Officer in 2021. The Committee considered performance, the addition of new responsibilities and the midpoint of the base salary range. The Chief Executive Officer suggested salary revisions for the other Named Executive Officers. The Committee approved salary percentage increases in 2021 as follows: R. P. Feight, 16.7 percent, H. C. Schippers, 5.6 percent; M. T. Barkley, 15.4 percent, C. M. Dozier, 20.0 percent. The Committee believes these increases align the Named Executive Officers with the salaries of the median of the industry Peer Group reflecting current market trends and the responsibilities of the Named Executive Officers. The Committee believes that the base salary of each Named Executive Officer is appropriate based on scope of responsibility, experience, tenure with the Company, individual performance and competitive pay practices.

**Annual Incentive Cash Compensation (“IC”).** This program provides yearly cash incentives for the Named Executive Officers to achieve annual Company profit and business unit goals. Subject to the funding maximums established by the Committee that are described below under the heading “IC Funding Limit”, the Committee sets annual performance goals and a threshold, target and maximum award for each Named Executive Officer, expressed as a percentage of base salary. 2021 awards are measured on a sliding scale as follows:

|                    |      |     |     |      |      |      |                |
|--------------------|------|-----|-----|------|------|------|----------------|
| % of Goal Achieved | <70% | 70% | 85% | 100% | 115% | 130% | 140% and above |
| % of Target Paid   | 0%   | 40% | 70% | 100% | 130% | 160% | 200%           |

A hallmark of the annual cash incentive program has been a consistent and rigorous focus on achieving the Company’s annual net income goal. The Committee has chosen net income, not EBITDA or operating profit, as the chief financial metric for this program because it is the primary indicator of corporate performance to stockholders. When setting incentive compensation goals for the Named Executive Officers, the Committee believes that corporate performance is an appropriate measure of individual performance. Accordingly, the majority of the 2021 annual incentive compensation for the Chief Executive Officer and a substantial portion of the annual incentive compensation for each of the Named Executive Officers is based upon Company net income performance. The net income goal is proposed by Company management and approved by the Board and the Committee before or within the first 90 days of each year. The target level represents an amount of net income that the Committee determines is attainable with excellent performance under expected economic conditions. The remaining goals for the Chief Executive Officer and the other Named Executive Officers are based upon individual business unit or leadership criteria determined by the Committee for the Chief Executive Officer and by the Chief Executive Officer for the other Named Executive Officers. The Committee assesses annual goal achievement and approves awards for the Named Executive Officers.

For 2021, the Company’s net income target was \$1.70 billion with a minimum incentive compensation threshold of \$1.25 billion and a maximum incentive compensation threshold of \$2.30 billion. Actual net income achieved was \$1.85 billion. The Committee approved an overall payment for R. P. Feight of 130.2 percent of target, based on 110.1 percent achievement of the Company profit goal and 130 percent for his leadership in achieving the Company’s strategic initiatives in his role as Chief Executive Officer. The Committee approved an overall payment for H. C. Schippers of 138.1 percent of target, including 140 percent achievement of the business unit profit goal and 100 percent achievement for his leadership of Company growth initiatives. The Committee approved an overall payment for M. T. Barkley of 129.1 percent of target, including 117.5 percent for his leadership of Company growth initiatives. The Committee approved an overall payment for C. M. Dozier of 114.8 percent of target, including 106.2 percent achievement of the business unit profit goals and 110 percent achievement for his leadership of Company growth initiatives. The Committee approved an overall payment for D. C. Siver of 118 percent of target, including 112.4 percent achievement of the business unit profit goals and 110 percent achievement for his leadership of Company growth initiatives. The Committee exercised discretion to reduce each Named Executive Officer’s maximum funding amount described below under the heading “IC Funding Limit” in determining payout as described above.

The following table outlines the 2021 goals and incentive awards for each of the current Named Executive Officers:

| <b>Name and Principal Position</b>                               | <b>Performance Measure</b> | <b>Target Award as a % of Base Salary</b> | <b>Performance Measure as a % of Target</b> | <b>Award Achieved as a % of Target</b> |
|--|----------------------------|---|---|--|
| R. P. Feight . . . . .<br>Chief Executive Officer                | Company Profit Goal        | 125                                       | 75  | 130.2                                  |
|  | Business Leadership        |   | 25  |  |
| H. C. Schippers . . . . .<br>President & Chief Financial Officer | Company Profit Goal        | 95  | 40  | 138.1                                  |
|  | Business Unit Profit       |   | 30  |  |
|  | Business Leadership        |   | 30  |  |
| M. T. Barkley . . . . .<br>Senior Vice President & Controller    | Company Profit Goal        | 70  | 40  | 129.1                                  |
|  | Business Leadership        |   | 60  |  |
| C. M. Dozier . . . . .<br>Senior Vice President                  | Company Profit Goal        | 70  | 40  | 114.8                                  |
|  | Business Unit Profit       |   | 30  |  |
|  | Business Leadership        |   | 30  |  |
| D. C. Siver . . . . .<br>Senior Vice President                   | Company Profit Goal        | 70  | 40  | 118.0                                  |
|  | Business Unit Profit       |   | 30  |  |
|  | Business Leadership        |   | 30  |  |

**IC Funding Limit.** IC Awards for the Named Executive Officers are subject to the terms of the Senior Executive Yearly Incentive Compensation Plan (the “IC Plan”) approved by the stockholders. The maximum amount that may be paid to any eligible participant in any year under the IC Plan is \$4,500,000. Pursuant to the IC Plan, the Committee established a yearly funding plan limit for 2021 IC awards equal to a percentage of the Company’s net income (the “Annual Pool”) and assigned a percentage of the Annual Pool to each Named Executive Officer. The 2021 funding limit equaled three percent of the Company’s net income and the corresponding maximum share of such pool for the current Chief Executive Officer and the next four most highly compensated executive officers was 44.7 percent, 23.2 percent, 10.7 percent, 10.7 percent and 10.7 percent, respectively. The Committee, in its sole discretion, may reduce or eliminate (but not increase) any award otherwise payable to the Named Executive Officers under each officer’s funding maximum based on the achievement of the IC Plan goals, an assessment of individual performance and other factors within the discretion of the Committee. The Committee exercised such discretion in determining the IC awards for 2021 performance.

**Long-Term Incentive Compensation (“LTIP”).** The Company’s long-term incentive program is based on a multi-year performance period and provides annual grants of stock options and cash incentive awards. The program also includes restricted stock/RSUs, which are awarded to certain executives based on the attainment of an annual performance goal and vest over three years. The LTIP aligns the interests of executives with those of stockholders to focus on long-term growth in stockholder value. The 2021 target for each element of the long-term compensation program for each Named Executive Officer is calculated as a percentage of base salary as indicated in the table below:

| <b>Name</b>               | <b>Long-Term Cash</b> | <b>Stock Options</b> | <b>Restricted Stock/RSUs</b> |
|---------------------------|-----------------------|----------------------|------------------------------|
| R. P. Feight . . . . .    | 250%                  | 600%                 | 250%                         |
| H. C. Schippers . . . . . | 110%                  | 400%                 | 120%                         |
| M. T. Barkley . . . . .   | 80%                   | 200%                 | 80%                          |
| C. M. Dozier . . . . .    | 80%                   | 200%                 | 80%                          |
| D. C. Siver . . . . .     | 80%                   | 200%                 | 80%                          |

**Long-term incentive compensation cash award.** This program focuses on long-term growth in stockholder value by providing an incentive for superior Company performance that is measured against Peer Companies' performance over a three-year period. Company performance is measured by the three-year change in net income, return on sales and return on capital (weighted equally) as compared to the Peer Companies ("Company Performance Goal"). Named Executive Officers and all executive officers are eligible for a long-term incentive cash award based upon three-year performance goals approved by the Committee with a new performance period beginning every calendar year. Subject to the funding maximums established by the Committee that are described below under the heading "LTIP Funding Limit", the Committee approved the following goals for the 2021-2023 cycle:

| <b>Name</b>     | <b>Financial Performance and Individual Performance Measures for LTIP 2021-2023 Cycle</b> | <b>Performance Measure as a % of Target</b> |
|-----------------|---|---|
| R. P. Feight    | Company Performance Goal  | 75  |
|                 | Business Leadership   | 25  |
| H. C. Schippers | Company Performance Goal  | 50  |
|                 | Business Unit Profit  | 30  |
|                 | Business Leadership   | 20  |
| M. T. Barkley   | Company Performance Goal  | 40  |
|                 | Company Profit  | 30  |
|                 | Business Leadership   | 30  |
| C. M. Dozier    | Company Performance Goal  | 50  |
|                 | Business Unit Profit  | 25  |
|                 | Business Leadership   | 25  |
| D. C. Siver     | Company Performance Goal  | 50  |
|                 | Business Unit Profit  | 25  |
|                 | Business Leadership   | 25  |

The Committee believes that the three-year change in net income, return on sales and return on capital are excellent indicators of the Company's performance against the Peer Companies. The target amount will be earned if the Company's financial performance ranks above at least half of the Peer Companies. The maximum cash award amount will be earned if the Company's financial performance ranks above all of the Peer Companies. No award will be earned if the Company's financial performance ranks in the bottom 25 percent of the Peer Companies. The Company has used this rigorous comparison goal for over 15 years. During that period the Company ranked above 50 percent of the Peer Companies in 12 of the last 15 years, demonstrating excellent performance against the Peer Companies and providing superior returns to stockholders.

The remaining portion of the award for the Chief Executive Officer and the Named Executive Officers is based upon individual business unit and leadership goals determined by the Committee for the Chief Executive Officer, and by the Chief Executive Officer for the other Named Executive Officers, measured over a three-year performance cycle. The Committee assesses goal achievement for the prior three-year period in April following completion of the applicable cycle and approves awards for the Named Executive Officers at such time. Long-term incentive cash awards are measured on a sliding scale as indicated below:

|                    |      |     |      |      |                |
|--------------------|------|-----|------|------|----------------|
| % of Goal Achieved | <75% | 75% | 100% | 125% | 150% and above |
| % of Target Paid   | 0%   | 50% | 100% | 150% | 200%           |

In April 2021, the Committee determined cash awards for the three-year period ending December 31, 2020. For the 2018-2020 LTIP cycle, the Company ranked second among the twelve Peer Companies and the Committee approved a payout of 182 percent of target on the Company Performance Goal for each Named Executive Officer.

All Named Executive Officers in the 2018-2020 LTIP cycle had goals in addition to the Company Performance Goal. The award for R. P. Feight was based 35 percent on business unit profit at DAF, Leyland and Worldwide Parts and 25 percent on business unit leadership. The Committee determined that R. P. Feight exceeded each goal and approved an overall payout of 146.4 percent of target. The award for H. C. Schippers was based 30 percent on business unit profit at Kenworth and Worldwide Financial Services and 20 percent on business unit leadership. The Committee determined that H. C. Schippers exceeded each goal and approved an overall payout of 167.6 percent of target. The award for M. T. Barkley was based 60 percent on business unit leadership. The Committee determined that M. T. Barkley exceeded each goal and approved an overall payout of 156.7 percent of target. The award for C. M. Dozier was based 50 percent on business unit profit at Kenworth and 25 percent on business unit leadership. The Committee determined that C. M. Dozier exceeded each goal and approved an overall payout of 175.4 percent of target. The award for D. C. Siver was based 25 percent on business unit profit at Peterbilt and PACCAR Engine Company and 25 percent on business unit leadership. The Committee determined that D. C. Siver exceeded each goal and approved an overall payout of 160.9 percent of target. The Committee exercised discretion to reduce each Named Executive Officer's maximum funding amount described below under the heading "LTIP Funding Limit" in determining payout as described above. The long-term cash awards for the 2019-2021 LTIP cycle have not been determined as of the date of this proxy statement because Peer Group comparison data was not available.

**LTIP Funding Limit.** The maximum cash portion amount that may be paid to any eligible participant in any year under the LTIP program is \$7,000,000. The LTIP awards for the Named Executive Officers are subject to the conditions of payment set forth in the Long-Term Incentive Plan. Pursuant to the LTIP, the Committee established a funding limit for the 2021-2023 LTIP performance cycle equal to one percent of the Company's cumulative net income and the maximum share of such pool assigned to the current Chief Executive Officer and the next four most highly compensated executive officers was 58.5 percent, 17.5 percent, 8.0 percent, 8.0 percent and 8.0 percent, respectively. The Committee, in its sole discretion, may reduce or eliminate (but not increase) any award otherwise payable to the Named Executive Officers under each officer's funding maximum based on the achievement of the LTIP goals, an assessment of individual performance and other factors within the discretion of the Committee.

**Stock options.** The Committee includes stock options in its compensation program because stock options link the interests of executives directly with stockholders' interests through increased individual stock ownership. Stock options are granted by the Committee once each year on a predetermined date after the fourth-quarter earnings release and are not repriced, backdated or purchased by the Company. The number of options is determined by multiplying the executive's base salary on the grant date by a target award percentage and dividing by the average closing price of the Company's stock on the first five trading days of the year. The exercise price of stock options is the closing price of the Company's stock on the date of grant. Options become exercisable at the end of a three-year vesting period and expire ten years after the date of grant. A participant who elects to retire at age 62 with 15 years of service, but before age 65, has ten years from date of grant to exercise vested options and a prorated number of stock options which are not otherwise exercisable at the time of retirement will become immediately exercisable, and may thereafter be exercised by the participant at any time within ten years after the date of grant. A participant who retires at or after age 65 has the full term to exercise options and unvested options will continue to vest. Vesting may be accelerated in the event of a change in control.

The Committee granted stock options on February 2, 2021 in accordance with the target award percentages listed on page 19. All stock options granted in 2021 vest and become exercisable on January 1, 2024 and remain exercisable until February 2, 2031, unless the participant's employment terminates earlier for reasons other than retirement or the participant is demoted to an ineligible position.



**Annual restricted stock program.** Performance-based restricted stock and RSUs are included in the program because they link the interests of executives directly with stockholders' interests through increased individual stock ownership and add a performance goal that is tied to the success of the Company's business. The Committee sets a Company performance goal on or before the first 90 days of the year, and restricted stock or RSU grants are made in the following year if the Committee determines that the performance goal is achieved. The number of restricted shares or RSUs is determined by multiplying the executive's base salary by the target award percentage and dividing by the average closing price of the Company's stock on the first five trading days of the year. The restricted stock or RSUs vest 25 percent on the first day of the month following the grant and an additional 25 percent on each succeeding first of January. Unvested awards are forfeited upon termination unless termination is by reason of death, disability or retirement. All awards vest immediately upon a change in control. Each Named Executive Officer has the same rights as all other stockholders to vote the restricted shares and to receive cash dividends. Named Executive Officers may elect to receive RSUs instead of restricted stock on the above terms, except that RSUs do not have voting rights and receive dividend equivalents that are credited to a stock unit account.

The performance goal for 2021 was five percent after-tax return on revenue. The goal was determined based on the average return on revenues of heavy- and medium-duty truck manufacturers in Europe and North America. Return on revenue is defined as net income divided by total revenues.

On February 7, 2022, the Committee determined that the 2021 performance goal was achieved and approved the grant of restricted stock or RSUs consistent with the target award percentages listed on page 19. The restricted stock or RSUs granted on February 7, 2022 for 2021 performance are included in footnote (b) on page 26.

### **Compensation of the Chief Executive Officer**

The Committee applies the same compensation philosophy, policies and comparative data analysis to the Chief Executive Officer as it applies to the other Named Executive Officers. The Chief Executive Officer is the only officer with overall responsibility for all corporate functions and, as a result, has a greater percentage of his total compensation based on the overall financial performance of the Company. Under his leadership in 2021, the Company achieved good annual revenues and net income, while prioritizing employees' health and safety during a global pandemic.

### **Deferral of Annual and Long-Term Performance Awards**

The Committee administers a Deferred Compensation Plan described on page 30, which allows eligible employees to defer cash incentive awards into an income account or a stock unit account. Both accounts are unfunded and unsecured. This program provides tax and retirement planning benefits to participants and market-based returns on amounts deferred. Certain deferrals are subject to Internal Revenue Code Section 409A. Payouts from the income account are made in cash either in a lump sum or in a maximum of 15 annual installments in accordance with the executive's payment election. Stock unit accounts are paid out in Company stock either in a one-time distribution or in a maximum of 15 annual installments in accordance with the executive's payment election. Participation in the Deferred Compensation Plan is voluntary.

### **Stock Ownership Guidelines**

The Company's executive officers are required to meet stock ownership guidelines that reflect alignment of senior executives' long-term goals with that of the Company stockholders. The minimum number of shares of Company stock and deferred stock units expected to be held by each category of executive officer is as follows: the Chief Executive Officer — five times base salary; other Named Executive Officers — three times base salary; and other executive officers — one times base salary. Company executive officers have three years from the first January after the executive first holds the qualifying position to attain the stock ownership target. The

Committee reviews compliance with the guidelines each year. Executives who are not in compliance with the ownership threshold must retain all vested stock awards and at least 50 percent of after-tax shares acquired through the exercise of stock options until the applicable stock ownership threshold is met. As of January 1, 2022, all executive officers either had achieved the stock ownership threshold or were within the time allowed to meet it.

### **Effect of Post-Termination Events**

The Company has no written employment agreement with its Chief Executive Officer or with any Named Executive Officer. Executive compensation programs provide full benefits only if a Named Executive Officer remains with the Company until normal retirement at age 65. In general, upon a termination without cause a Named Executive Officer retains vested benefits but receives no enhancements or severance. In a termination for cause, the executive forfeits all benefits except those provided under a qualified pension plan. Long-term cash incentives are prorated upon retirement at age 62, with 15 years of service, or death and are awarded at the maximum level upon a change in control. The annual restricted stock/RSU grants become fully vested at retirement, death or a change in control. The Company believes that the benefits described in this section help it attract and retain its executive officers by providing financial security in the event of certain qualifying terminations of employment or a change in control of the Company. The fact that the Company provides these benefits does not materially affect other decisions that the Company makes regarding compensation. The Company maintains a separation pay plan for all U.S. salaried employees that provides a single payment of up to six months of base salary in the event of job elimination in a business restructuring or reduction in the workforce. The Named Executive Officers are eligible for the benefit on the same terms as any other eligible U.S. salaried employee.

### **Effect of Tax Treatment**

While the Committee considers the deductibility of compensation as one factor in determining executive compensation, the Committee believes that it is in the best interests of our stockholders to structure a program that is considered to be the most effective in attracting, motivating and retaining key executives.

### **Compensation Forfeiture**

In the event the Board determines that an executive officer has engaged in misconduct detrimental to the Company, including fraudulent conduct which results in a material inaccuracy in the Company's financial statements, the officer may be terminated for cause and all unpaid compensation forfeited. Cause is defined to include: an act of embezzlement, fraud or theft; the deliberate disregard of the rules of the Company or a subsidiary; any unauthorized disclosure of any secret or confidential information of the Company or a subsidiary; any conduct which constitutes unfair competition with the Company or a subsidiary; or inducing any customer of the Company or a subsidiary to breach any contracts with the Company or a subsidiary. The provisions do not allow for recoupment of base salary which has been previously paid.

In the event the Board determines that an executive officer has engaged in fraud that has caused or substantially contributed to material restatement of the Company's financial statements, the Board in its discretion may recover from the officer or former officer any incentive compensation award which was based in whole or in part on financial results that were subject to a material restatement.

**Conclusion**

The Company's compensation programs are designed and administered in a manner consistent with its conservative executive compensation philosophy and guiding principles. The programs emphasize the retention of key executives and appropriate rewards for excellent results. The Committee monitors these programs in recognition of the dynamic marketplace in which the Company competes for talent. The Company will continue to emphasize pay-for-performance and equity-based incentive programs that compensate executives for results that are consistent with generating outstanding performance for its stockholders.

**COMPENSATION COMMITTEE REPORT**

The Committee reviewed and discussed the Compensation Discussion and Analysis Section ("CD&A") for 2021 with management. Based on the Committee's review and its discussions with management, the Committee recommends to the Board of Directors that the CD&A be included in the Company's proxy statement for the 2022 Annual Meeting and incorporated by reference into the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

**THE COMPENSATION COMMITTEE**

G. M. E. Spierkel, Chairman  
B. E. Ford  
K. S. Hachigian  
G. Ramaswamy

## 2021 Summary Compensation

The following table provides information on compensation for the Named Executive Officers for the last three fiscal years that ended December 31, 2021:

| Name and Principal Position   | Year | Salary<br>(\$) | Stock<br>Awards<br>(Restricted<br>Stock/<br>RSUs)<br>(\$ (a)) | Option<br>Awards<br>(\$ (b)) | Non-Equity<br>Incentive Plan<br>Compensation<br>(\$ (c)) | Change in<br>Pension Value<br>and<br>Nonqualified<br>Deferred<br>Compensation<br>Earnings<br>(\$ (d)) | All Other<br>Compensation<br>(\$ (e)) | Total<br>(\$) |
|---|------|----------------|---|------------------------------|--|---|---------------------------------------|---------------|
| R. P. Feight . . . . .<br>Chief Executive Officer                   | 2021 | 1,393,077      | 3,850,000   | 1,372,256                    | 2,278,500  | 3,022,430   | 19,500                                | 11,935,763    |
|   | 2020 | 1,200,000      | 2,640,000   | 748,524                      | 1,398,660  | 2,764,444   | 19,250                                | 8,770,878     |
|   | 2019 | 940,385        | 770,000   | 336,744                      | 2,004,665  | 2,248,599   | 81,660                                | 6,382,053     |
| H. C. Schippers . . . . .<br>President & Chief<br>Financial Officer | 2021 | 948,269        | 1,254,000   | 620,806                      | 1,246,353  | 1,176,042   | 14,500                                | 5,259,970     |
|   | 2020 | 856,731        | 1,122,000   | 432,827                      | 2,021,209  | 1,346,693   | 14,250                                | 5,793,710     |
|   | 2019 | 832,308        | 1,056,000   | 452,764                      | 2,214,999  | 1,147,267   | 32,087                                | 5,735,425     |
| M. T. Barkley . . . . .<br>Senior Vice President &<br>Controller    | 2021 | 597,231        | 528,000   | 196,053                      | 542,220  | 345,714   | 19,500                                | 2,228,718     |
|   | 2020 | 520,000        | 371,800   | 125,786                      | 867,252  | 892,293   | 14,250                                | 2,791,381     |
|   | 2019 | 492,942        | 346,775   | 130,392                      | 1,065,669  | 947,110   | 14,000                                | 2,996,888     |
| C. M. Dozier . . . . .<br>Senior Vice President                     | 2021 | 596,538        | 528,000   | 196,053                      | 482,160  | 861,450   | 14,500                                | 2,678,701     |
| D. C. Siver . . . . .<br>Senior Vice President                      | 2021 | 600,000        | 528,000   | 196,053                      | 495,600  | 499,034   | 14,500                                | 2,333,187     |
|   | 2020 | 556,731        | 393,250   | 133,040                      | 887,480  | 1,298,537   | 14,250                                | 3,283,288     |
|   | 2019 | 532,308        | 357,500   | 134,423                      | 1,169,548  | 1,173,791   | 14,000                                | 3,381,570     |

- (a) Represents dollar-denominated restricted equity rights awarded in 2021 under the LTIP and settled in restricted stock or RSUs in February 2022 following achievement of an annual performance goal. The amounts shown are calculated by applying the applicable target award percentage to the individual's maximum potential base salary. Amounts shown for 2020 and 2019 have been restated to conform to the current year disclosure methodology.
- (b) Represents the aggregate grant date fair value of stock options granted under the LTIP on February 2, 2021, February 4, 2020 and February 6, 2019, calculated in accordance with FASB ASC Topic 718. For additional accounting information, including the Company's Black-Scholes-Merton option pricing model assumptions, refer to Note R in the Consolidated Financial Statements in the Company's Annual Reports on Form 10-K for 2021, 2020 and 2019.
- (c) Amounts for 2021 represent the awards earned under the IC Plan in 2021 that are determined and paid in 2022. Cash awards earned under the LTIP for the 2019-2021 cycle will not be determined until late April 2022. Amounts for 2020 and 2019 include IC and LTIP cash awards.
- (d) Represents the aggregate change in value during 2021 of benefits accrued under the Company's qualified defined-benefit retirement plan and Supplemental Retirement Plan (R. P. Feight \$3,022,430; H. C. Schippers \$631,326; M. T. Barkley \$344,210; C. M. Dozier \$861,450; D. C. Siver \$498,199); H. C. Schippers change in value of benefits accrued under the DAF defined benefit plan and his transition agreement, \$(60,390) and \$605,106, respectively; and the interest earned under the Deferred Compensation Plan in excess of 120 percent of the applicable federal long-term rate as prescribed under Section 1274(d) of the Internal Revenue Code (M. T. Barkley \$1,504; D. C. Siver \$835). Company retirement benefits are described in the accompanying Pension Benefits disclosure.
- (e) Represents Company matching contributions to the SIP (401(k) plan) of \$14,500 for each Named Executive Officer for 2021, \$14,250 for 2020 and \$14,000 for 2019. In 2021, amounts also include (i) matching educational gifts totaling \$5,000 made by the PACCAR Foundation to institutions selected by M. T. Barkley; and (ii) a gift of \$5,000 made by the PACCAR Foundation to a charitable organization selected by R. P. Feight. In 2020, amounts also include a gift of \$5,000 made by the PACCAR Foundation to a charitable organization selected by R. P. Feight. In 2019, amounts also include (i) tax equalization for reimbursement of income taxes paid in the Netherlands in excess of U.S. tax equivalents for R. P. Feight \$62,660; (ii) reimbursement of moving expenses for H. C. Schippers \$18,087; and (iii) a gift of \$5,000 made by the PACCAR Foundation to a charitable organization selected by R. P. Feight. Aggregate perquisites were less than \$10,000 for all Named Executive Officers.

## 2021 Grants of Plan-Based Awards

The following table shows all plan-based awards granted to the Named Executive Officers during 2021:

| Name                               | Grant Date | Estimated Future Payouts Under Non-Equity Incentive Plan Awards (a) |             |              | Estimated Future Payouts Under Equity Incentive Plan Awards |              | All Other Option Awards: Number of Securities Underlying Options (#) | Exercise or Base Price of Option Awards (\$/Sh) | Grant Date Fair Value of Stock and Option Awards (\$) |
|------------------------------------|------------|---|-------------|--------------|---|--------------|--|---|---|
|                                    |            | Threshold (\$)  | Target (\$) | Maximum (\$) | Target (\$)   | Maximum (\$) |  |   |   |
| <b>R. P. Feight</b>                |            |   |             |              |   |              |  |   |   |
| Restricted Equity Rights (b) . . . | 2/2/2021   |   |             |              | 3,500,000   | 3,850,000    |  |   |   |
| Stock Options (c) . . . . .        | 2/2/2021   |   |             |              |   |              | 96,508   | 91.89   | 1,372,257   |
| LTIP Cash (c) . . . . .            |            | 238,636   | 3,500,000   | 7,000,000    |   |              |  |   |   |
| Annual Incentive Cash (d) . . . .  |            | 350,000   | 3,500,000   | 7,000,000    |   |              |  |   |   |
| <b>H. C. Schippers</b>             |            |   |             |              |   |              |  |   |   |
| Restricted Equity Rights (b) . . . | 2/2/2021   |   |             |              | 1,140,000   | 1,254,000    |  |   |   |
| Stock Options (c) . . . . .        | 2/2/2021   |   |             |              |   |              | 43,660   | 91.89   | 620,806   |
| LTIP Cash (c) . . . . .            |            | 47,500  | 1,045,000   | 2,090,000    |   |              |  |   |   |
| Annual Incentive Cash (d) . . . .  |            | 54,150  | 902,500     | 1,805,000    |   |              |  |   |   |
| <b>M. T. Barkley</b>               |            |   |             |              |   |              |  |   |   |
| Restricted Equity Rights (b) . . . | 2/2/2021   |   |             |              | 480,000   | 528,000      |  |   |   |
| Stock Options (c) . . . . .        | 2/2/2021   |   |             |              |   |              | 13,788   | 91.89   | 196,053   |
| LTIP Cash (c) . . . . .            |            | 17,455  | 480,000     | 960,000      |   |              |  |   |   |
| Annual Incentive Cash (d) . . . .  |            | 50,400  | 420,000     | 840,000      |   |              |  |   |   |
| <b>C. M. Dozier</b>                |            |   |             |              |   |              |  |   |   |
| Restricted Equity Rights (b) . . . | 2/2/2021   |   |             |              | 480,000   | 528,000      |  |   |   |
| Stock Options (c) . . . . .        | 2/2/2021   |   |             |              |   |              | 13,788   | 91.89   | 196,053   |
| LTIP Cash (c) . . . . .            |            | 21,818  | 480,000     | 960,000      |   |              |  |   |   |
| Annual Incentive Cash (d) . . . .  |            | 16,800  | 420,000     | 840,000      |   |              |  |   |   |
| <b>D. C. Siver</b>                 |            |   |             |              |   |              |  |   |   |
| Restricted Equity Rights (b) . . . | 2/2/2021   |   |             |              | 480,000   | 528,000      |  |   |   |
| Stock Options (c) . . . . .        | 2/2/2021   |   |             |              |   |              | 13,788   | 91.89   | 196,053   |
| LTIP Cash (c) . . . . .            |            | 21,818  | 480,000     | 960,000      |   |              |  |   |   |
| Annual Incentive Cash (d) . . . .  |            | 25,200  | 420,000     | 840,000      |   |              |  |   |   |

- (a) See the Compensation Discussion and Analysis for how these amounts are determined.
- (b) Represents dollar-denominated rights that are settled in restricted stock/RSUs under the LTIP described on page 19 following satisfaction of an annual performance goal. The restricted equity rights were settled on February 7, 2022 based on the average closing price of the Company's stock on the first five trading days of 2022, as follows: R. P. Feight 37,898; H. C. Schippers 12,994; M. T. Barkley 5,198; C. M. Dozier 5,198; D. C. Siver 5,198. The grant date fair value of the restricted stock/RSUs, calculated using the closing price of Company stock on February 7, 2022 of \$94.30, is as follows: R. P. Feight \$3,573,781; H. C. Schippers \$1,225,334; M. T. Barkley \$490,171; C. M. Dozier \$490,171; D. C. Siver \$490,171.
- (c) Represents stock options granted or cash awards made under the LTIP.
- (d) Represents awards under the Company's IC Plan described on page 18.

## 2021 Outstanding Equity Awards at Fiscal Year-End

The following table shows all outstanding stock option and restricted stock or RSU awards held by the Named Executive Officers on December 31, 2021:

| Name            | Option Awards (a)   |   |                            |                     |                        | Stock Awards  |  |
|-----------------|---|---|----------------------------|---------------------|------------------------|---|--|
|                 | Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) Unexercisable | Option Exercise Price (\$) | Option Vesting Date | Option Expiration Date | Number of Shares or Units of Stock That Have Not Vested (#) (b) | Market Value of Shares or Units of Stock That Have Not Vested (\$) (c) |
| R. P. Feight    | 5,352   | 0   | 59.15                      | 1/1/2017            | 2/7/2024               | 1,166   | 102,911  |
|                 | 7,046   | 0   | 62.46                      | 1/1/2018            | 2/4/2025               | 4,892   | 431,768  |
|                 | 12,474  | 0   | 50.00                      | 1/1/2019            | 2/4/2026               | 22,749  | 2,007,827  |
|                 | 9,958   | 0   | 67.63                      | 1/1/2020            | 2/7/2027               |   |  |
|                 | 8,778   | 0   | 68.69                      | 1/1/2021            | 2/7/2028               |   |  |
|                 | 0   | 40,768  | 65.56                      | 1/1/2022            | 2/6/2029               |   |  |
|                 | 0   | 74,706  | 76.18                      | 1/1/2023            | 2/4/2030               |   |  |
|                 | 0   | 96,508  | 91.89                      | 1/1/2024            | 2/2/2031               |   |  |
| H. C. Schippers | 8,654   | 0   | 62.46                      | 1/1/2018            | 2/4/2025               | 3,426   | 302,379  |
|                 | 11,568  | 0   | 50.00                      | 1/1/2019            | 2/4/2026               | 6,480   | 571,925  |
|                 | 29,052  | 0   | 68.69                      | 1/1/2021            | 2/7/2028               | 9,669   | 853,386  |
|                 | 0   | 54,814  | 65.56                      | 1/1/2022            | 2/6/2029               |   |  |
|                 | 0   | 43,198  | 76.18                      | 1/1/2023            | 2/4/2030               |   |  |
|                 | 0   | 43,660  | 91.89                      | 1/1/2024            | 2/2/2031               |   |  |
| M. T. Barkley   | 12,324  | 0   | 67.63                      | 1/1/2020            | 2/7/2027               | 1,350   | 119,151  |
|                 | 11,372  | 0   | 68.69                      | 1/1/2021            | 2/7/2028               | 2,148   | 189,582  |
|                 | 0   | 15,786  | 65.56                      | 1/1/2022            | 2/6/2029               | 3,204   | 282,785  |
|                 | 0   | 12,554  | 76.18                      | 1/1/2023            | 2/4/2030               |   |  |
|                 | 0   | 13,788  | 91.89                      | 1/1/2024            | 2/2/2031               |   |  |
| C. M. Dozier    | 8,290   | 0   | 68.69                      | 1/1/2021            | 2/7/2028               | 1,060   | 93,556   |
|                 | 0   | 11,178  | 65.56                      | 1/1/2022            | 2/6/2029               | 1,730   | 152,690  |
|                 | 0   | 12,070  | 76.18                      | 1/1/2023            | 2/4/2030               | 3,081   | 271,929  |
|                 | 0   | 13,788  | 91.89                      | 1/1/2024            | 2/2/2031               |   |  |
| D. C. Siver     | 12,778  | 0   | 68.69                      | 1/1/2021            | 2/7/2028               | 1,392   | 122,858  |
|                 | 0   | 16,274  | 65.56                      | 1/1/2022            | 2/6/2029               | 2,270   | 200,350  |
|                 | 0   | 13,278  | 76.18                      | 1/1/2023            | 2/4/2030               | 3,361   | 296,642  |
|                 | 0   | 13,788  | 91.89                      | 1/1/2024            | 2/2/2031               |   |  |

- (a) Represents stock options granted under the LTIP that vest in full on the third January 1 following the grant date. The vesting date may be accelerated if a change in control occurs. Options expire ten years from the date of grant unless employment is terminated earlier.
- (b) Represents restricted stock/RSUs granted in settlement of restricted equity rights under the LTIP, which vest in four equal tranches commencing on March 1 following the grant date and then on January 1 of each year.
- (c) The amount shown represents the number of shares multiplied by the closing price of the Company's stock on December 31, 2021 of \$88.26.

## 2021 Option Exercises and Stock Vested

The following table shows all stock options exercised and restricted stock or RSU awards that vested during 2021 for the Named Executive Officers and the value realized upon exercise or vesting:

| Name                  | Option Awards                             |                                     | Stock Awards                             |                                    |
|-----------------------|---|-------------------------------------|--|------------------------------------|
|                       | Number of Shares Acquired on Exercise (#) | Value Realized on Exercise (\$) (a) | Number of Shares Acquired on Vesting (#) | Value Realized on Vesting (\$) (b) |
| R. P. Feight .....    | 12,208                                    | 574,671                             | 12,027                                   | 1,073,405                          |
| H. C. Schippers ..... | 32,420                                    | 936,036                             | 12,219                                   | 1,069,436                          |
| M. T. Barkley .....   | 10,000                                    | 475,907                             | 4,465                                    | 390,270                            |
| C. M. Dozier .....    | 14,220                                    | 441,903                             | 3,738                                    | 327,352                            |
| D. C. Siver .....     | 0   | 0                                   | 4,742                                    | 414,420                            |

(a) The dollar amounts shown are determined by multiplying the number of shares of the Company's common stock by the difference between the per-share market price of the Company's common stock at the time of exercise and the exercise price of the options.

(b) The dollar amounts are determined by multiplying the number of restricted shares or RSUs that vested by the per-share closing price of the Company's common stock on the vesting date.

## 2021 Pension Benefits

The following table shows the present value of the retirement benefit payable to the Named Executive Officers as of December 31, 2021:

| Name                  | Plan Name                    | Number of Years Credited Service (#) | Present Value of Accumulated Benefit (\$) | Payments During Last Fiscal Year (\$) |
|-----------------------|------------------------------|--------------------------------------|---|---------------------------------------|
| R. P. Feight .....    | Retirement Plan              | 23                                   | 1,201,466                                 | 0                                     |
|                       | Supplemental Retirement Plan | 23                                   | 8,882,669                                 | 0                                     |
| H. C. Schippers ..... | Retirement Plan (DAF)        | 31                                   | 571,640                                   | 0                                     |
|                       | Retirement Plan (US)         | 5                                    | 346,699                                   | 0                                     |
|                       | Supplemental Retirement Plan | 5                                    | 2,190,719                                 | 0                                     |
|                       | Transition Agreement         | 5                                    | 2,238,884                                 | 0                                     |
| M. T. Barkley .....   | Retirement Plan              | 30                                   | 1,847,090                                 | 0                                     |
|                       | Supplemental Retirement Plan | 30                                   | 4,946,330                                 | 0                                     |
| C. M. Dozier .....    | Retirement Plan              | 33                                   | 1,811,717                                 | 0                                     |
|                       | Supplemental Retirement Plan | 33                                   | 4,648,011                                 | 0                                     |
| D. C. Siver .....     | Retirement Plan              | 28                                   | 1,476,909                                 | 0                                     |
|                       | Supplemental Retirement Plan | 28                                   | 4,432,296                                 | 0                                     |

The Company's U.S. qualified noncontributory retirement plan has been in effect since 1947. The Named Executive Officers participate in this plan on the same basis as other U.S. salaried employees. Employees are eligible to become a member in the plan after completion of 12 months of employment with at least 1,000 hours of service. The plan provides benefits based on years of service and salary. Participants are vested in their retirement benefits after five years of service.

The benefit for each year of service, up to a maximum of 35 years, is equal to one percent of the highest average salary plus 0.5 percent of highest average salary in excess of the Social-Security-covered compensation level. Highest average salary is defined as the average of the highest 60 consecutive months of an employee's

cash compensation, which includes base salary and annual incentive cash compensation, but it excludes compensation under the LTIP. The benefits are not subject to any deduction for Social Security or other offset amounts. Benefits from the plan are paid as a monthly single-life annuity or, if married, actuarially-equivalent 50 percent, 75 percent or 100 percent joint and survivor annuity options are also available. Survivor benefits based on the 50 percent joint and survivor option will be paid to an eligible spouse if the employee is a vested member in the plan and dies before retirement.

The Company's unfunded U.S. Supplemental Retirement Plan ("SRP") provides a retirement benefit to those affected by the maximum benefit limitations permitted for qualified plans by the Internal Revenue Code and to those deferring incentive compensation bonuses. The benefit is equal to the amount of normal pension benefit reduction resulting from the application of maximum benefit and salary limitations and the exclusion of deferred incentive compensation bonuses from the retirement plan benefit formula. Benefits from the plan are paid as a lifetime monthly annuity or a single lump-sum distribution at the executive's election and the benefits will be paid at the later of: (1) termination of employment or (2) the date the participant attains age 55. If the participant dies before the supplemental benefit commencement date, the participant's surviving spouse will be eligible to receive a survivor pension for the amount by which the total survivor pension benefit exceeds the surviving spouse's retirement plan benefit. Executives terminated for cause, as defined in the Plan, forfeit all SRP benefits.

Normal retirement age under both plans is 65, and participants may retire early between ages 55 and 65 if they have 15 years of service. For retirement at ages 55 through 61 with 15 years of service, pension benefits are reduced four percent per year from age 65. For retirement at or after age 62 with 15 years of service, there is no reduction in retirement benefits. As of December 31, 2021, M. T. Barkley is eligible for a normal retirement benefit and H. C. Schippers, C. M. Dozier and D. C. Siver are eligible for a reduced early retirement benefit.

H. C. Schippers' transition agreement provides that if he works for PACCAR in the United States for at least five years, then an additional year of credited service will be added to his nonqualified retirement benefit for each fully completed year of service.

H. C. Schippers participated in the Company's pension program in the Netherlands on the same basis as other DAF Eindhoven employees. DAF participates in the Metal and Electrical Engineering Industry Pension Fund (the "Fund"), a multi-employer defined benefit plan covering employees of the country's metal industry. The benefit is based on a percentage of the career average salary up to the annually indexed salary maximum multiplied by years of service up to age 68 per January 1, 2021. In 2021, the percentage of salary was 1.815 percent and the yearly indexed maximum salary was €79,719. Survivor benefits include a pension up to 70 percent of the participant's benefit. Participants contribute 50 percent of the premiums and are vested from date of hire. Normal retirement benefits begin at age 68 and participants may retire early at or after age 55 with reduced benefits.

The Pension Benefits table shows the present value of the accrued retirement benefits for the Named Executive Officers under the Company's retirement plan and Supplemental Retirement Plan based on highest average salary and service as of December 31, 2021 and the present value of H. C. Schippers' accrued benefits under the Fund and his transition agreement. Present value calculations for each Named Executive Officer under age 62 assumed that each remains employed until age 62, if eligible for unreduced benefits, or age 65 if not. Additional assumptions include the use of FTSE Discount Pension Curve as of December 31, 2021 and December 31, 2020 to discount future payouts (equivalent to a discount rate of 2.75 percent and 2.45 percent, respectively, for the Plan in aggregate). The mortality assumptions use the RP-2012 White Collar Male Mortality Table projected generationally with projection scale MP-2021 (MP-2020 for 2020).



## 2021 Nonqualified Deferred Compensation

The following table provides information about the deferred compensation accounts of the Named Executive Officers as of December 31, 2021. Amounts deferred reflect cash awards payable in prior years but voluntarily deferred by the executive.

| Name                  | Executive<br>Contribution in<br>2021<br>(\$) | Aggregate<br>Earnings in<br>2021<br>(\$) | Aggregate<br>Withdrawals/<br>Distributions<br>(\$) | Aggregate<br>Balance as of<br>12/31/2021<br>(a)(\$) |
|-----------------------|--|--|--|---|
| R. P. Feight .....    | 0  | 0  | 0  | 0   |
| H. C. Schippers ..... | 0  | 0  | 0  | 0   |
| M. T. Barkley .....   | 0  | 11,984                                   | 0  | 388,453   |
| C. M. Dozier .....    | 0  | 0  | 0  | 0   |
| D. C. Siver .....     | 0  | 13,619                                   | 0  | 371,896   |

(a) To the extent required to be reported, all cash awards were reported as compensation to the Named Executive Officer in the Summary Compensation Table for previous years.

The Company's Deferred Compensation Plan provides all eligible employees, including the Named Executive Officers, an opportunity to voluntarily defer all or part of the cash awards earned and payable under the LTIP and the IC Plan. The Company makes no contributions to the Deferred Compensation Plan. Accounts are credited with interest or dividend equivalents as described below.

A portion of the amount in the 2021 Aggregate Earnings column is reported in the Summary Compensation Table for the Named Executive Officers as follows: M. T. Barkley \$1,504; D. C. Siver \$835. Certain of the Named Executive Officers have elected to defer into an income account, a stock unit account or any combination of each. Deferral elections were made in the year before the award was payable. Cash awards were credited to the income account on the date the award was payable and interest is compounded monthly on the account balance based on the simple combined average of the daily Aa Industrial Bond yield average for the immediately preceding month. The Named Executive Officer may elect to be paid out the balance in the income account in a lump sum or in up to 15 substantially equal annual installments. Cash awards credited to the stock unit account are treated as if they had been invested in the Company's common stock on the date the cash award is payable. Dividend equivalents are credited to the stock unit account and treated as if they had been invested in the Company's common stock on the date the dividend is paid to stockholders. A Named Executive Officer's stock unit account is paid out in Company stock either in a one-time distribution or in a maximum of 15 annual installments, at the election of the Named Executive Officer. Payment of a Named Executive Officers income account and stock unit account will be made or commence to be made in the first January following the Named Executive Officer's termination of employment, unless the Named Executive Officer elects to have payment occur or commence on an earlier date, except that payment on account of termination of employment to a participant who is a specified employee for purposes of Section 409A on the Internal Revenue Code will not be made prior to the first day of the month following the six-month anniversary of termination of employment. If the Named Executive Officer dies before his or her interest under the Deferred Compensation Plan has been distributed, his or her interest will be distributed to his or her beneficiary. A Named Executive Officer will forfeit his or her entire interest under the Deferred Compensation Plan if he or she is terminated by the Company for cause or if the Named Executive Officer refuses to provide advice or counsel to the Company or any of its subsidiaries after the Named Executive Officer's termination of employment.

## Potential Payments Upon Termination or Change in Control

The Named Executive Officers do not have severance or change in control agreements with the Company. The information below describes certain compensation that would become payable under existing plans if each Named Executive Officer's employment terminated or a change in control occurred on December 31, 2021. These payments do not include deferred compensation balances and the present value of accumulated Supplemental Retirement Plan benefits reported in the "Nonqualified Deferred Compensation" and "Pension Benefits" tables.

|                                  | <b>R. P.<br/>Feight<br/>(\$)</b> | <b>H. C.<br/>Schipppers<br/>(\$)</b> | <b>M. T.<br/>Barkley<br/>(\$)</b> | <b>C. M.<br/>Dozier<br/>(\$)</b> | <b>D. C.<br/>Siver<br/>(\$)</b> |
|----------------------------------|----------------------------------|--------------------------------------|-----------------------------------|----------------------------------|---------------------------------|
| <b>Termination for Cause</b>     | 0                                | 0                                    | 0                                 | 0                                | 0                               |
| <b>Termination Without Cause</b> | 0                                | 0                                    | 0                                 | 0                                | 0                               |
| <b>Retirement</b>                |                                  |                                      |                                   |                                  |                                 |
| Annual Incentive Plan            | N/A                              | 902,500                              | 420,000                           | 420,000                          | N/A                             |
| Stock Options                    | N/A                              | N/A                                  | 509,994                           | N/A                              | N/A                             |
| Long-Term Cash Award             | N/A                              | 880,000                              | 388,000                           | 315,000                          | N/A                             |
| Restricted Stock/RSUs            | N/A                              | 1,727,690                            | 591,519                           | 518,174                          | N/A                             |
| <b>Total</b>                     | <b>N/A</b>                       | <b>3,510,190</b>                     | <b>1,909,513</b>                  | <b>1,253,174</b>                 | <b>N/A</b>                      |
| <b>Death</b>                     |                                  |                                      |                                   |                                  |                                 |
| Annual Incentive Plan            | 3,500,000                        | 902,500                              | 420,000                           | 420,000                          | 420,000                         |
| Long-Term Cash Award             | 3,236,667                        | 1,851,667                            | 825,333                           | 741,667                          | 853,333                         |
| Restricted Stock/RSUs            | 2,542,506                        | 1,727,690                            | 591,519                           | 518,174                          | 619,850                         |
| <b>Total</b>                     | <b>9,279,173</b>                 | <b>4,481,857</b>                     | <b>1,836,852</b>                  | <b>1,679,841</b>                 | <b>1,893,183</b>                |
| <b>Change in control</b>         |                                  |                                      |                                   |                                  |                                 |
| Annual Incentive Plan            | 7,000,000                        | 1,805,000                            | 840,000                           | 840,000                          | 840,000                         |
| Long-Term Cash Award             | 6,473,333                        | 3,703,333                            | 1,650,667                         | 1,483,333                        | 1,706,667                       |
| Restricted Stock/RSUs            | 2,542,506                        | 1,727,690                            | 591,519                           | 518,174                          | 619,850                         |
| <b>Total</b>                     | <b>16,015,839</b>                | <b>7,236,023</b>                     | <b>3,082,186</b>                  | <b>2,841,507</b>                 | <b>3,166,517</b>                |

**Termination for Cause.** If a Named Executive Officer had been terminated for "cause," as defined in the Company's LTIP Administrative Guidelines, all unpaid cash incentives under the IC Plan and the LTIP, stock options (vested and unvested), restricted stock/RSUs, deferred compensation balances and accrued Supplemental Retirement Plan benefits would have been immediately forfeited.

**Resignation or Termination Without Cause.** If a Named Executive Officer had resigned or been terminated without cause, all unpaid incentives under the IC Plan and the LTIP, unvested stock options and restricted stock/RSUs would have been immediately forfeited. Vested stock options would remain exercisable for one month from the date of termination.

Deferred compensation balances, as described in the Nonqualified Deferred Compensation Table, would be paid in a lump sum or in installments according to the payment election filed by the Named Executive Officer. The Named Executive Officer may elect to have such payments made or commence in any January that is at least 12 months from the date of such payment election, but no later than the first January following the year in which the executive attains age 70-1/2.

Accrued Supplemental Retirement Plan ("SRP") benefits described under the Pension Benefits Table would be paid in a form previously elected by the Named Executive Officer. R. P. Feight would receive a single lump-sum cash payment. H. C. Schipppers, M. T. Barkley C. M. Dozier and D. C. Siver would receive monthly annuities payable for life. If termination occurred on December 31, 2021, these payments would be made or would commence in accordance with the terms of the SRP on July 1, 2022 for each Named Executive Officer.

**Retirement.** M. T. Barkley was eligible for normal retirement benefits and H. C. Schippers, C. M. Dozier and D. C. Siver were eligible for early retirement benefits. R. P. Feight was not eligible for early retirement benefits. Deferred compensation balances and accumulated SRP benefits would have been payable for the Named Executive Officers as described above under “Resignation or Termination Without Cause”. Annual incentive compensation earned in 2021 would have been paid in the first quarter of 2022 and long-term incentive cash awards earned under the 2019-2021 performance cycle would be paid by May 2022 based on actual performance against goals. The long-term performance awards in the table reflect target awards. LTIP cash awards for incomplete cycles are prorated for retirement after age 62, with 15 or more years of service. For the one officer over age 65 (M. T. Barkley), unvested stock options would continue to vest on their original vesting schedule and, along with vested stock options, be exercisable through their original expiration date. The stock options value in the table reflects the difference between the closing market price on December 31, 2021 and the exercise price multiplied by the number of unvested stock options. All outstanding restricted stock/RSUs for the Named Executive Officers who were (i) over age 62 or (ii) over age 55 with at least 15 years of service would vest in full upon retirement. The amount listed for restricted stock/RSUs in the table reflects vesting of all unvested restricted stock/RSUs for those eligible for normal or early retirement at the closing market price on December 31, 2021. The closing market price on December 31, 2021 was \$88.26 per share.

**Death.** In the event of the death of a Named Executive Officer on December 31, 2021, beneficiaries of the Named Executive Officer would have been entitled to receive all of the benefits that would have been paid to a Named Executive Officer who had retired on that date as described above, with the following exceptions:

- Long-term incentive cash awards earned under the 2020-2022 LTIP performance cycle and the 2021-2022 LTIP performance cycle would have been paid on a prorated basis (2/3 and 1/3, respectively) following completion of the cycle, based on actual performance against goals.
- All outstanding restricted stock/RSUs would vest immediately.

**Change in control.** Benefits payable in the event of a change in control on December 31, 2021 are the same as benefits payable in the event of death on the same date (as described above) with the following exceptions:

- Named Executive Officers employed on December 31, 2021 would have been entitled to a maximum IC award for 2021 (200 percent of target), a maximum long-term incentive cash award under the 2019-2021 performance cycle of the LTIP and a maximum prorated award under the 2020-2022 and the 2021-2023 performance cycles based on the number of full or partial months completed in the performance cycle. The maximum payment amounts are shown in the table above and would have been paid in a lump sum immediately following the change in control.
- All outstanding restricted stock/RSUs would vest immediately.

Deferred compensation balances would have been paid as a single lump sum in cash from the “income account” and whole shares of the Company’s common stock from the “stock account” immediately following the change in control. The Compensation Committee of the Board of Directors has the discretionary authority to provide the following benefits in the event of a change in control:

- Immediate vesting of all unvested stock options. The value of unvested options that could have been immediately vested upon a change in control on December 31, 2021 was: R. P. Feight \$1,827,882; H. C. Schippers \$1,766,110; M. T. Barkley \$509,994; C. M. Dozier \$399,547; D. C. Siver \$529,818.
- The Supplemental Retirement Plan benefits that would have been paid had the plan been terminated following a change in control on December 31, 2021 are less than the amounts shown in the 2021 Pension Benefits Table on page 28 by the following amounts: R. P. Feight \$250,974; H. C. Schippers \$217,074; M. T. Barkley \$386,626; C. M. Dozier 248,825; D. C. Siver \$252,823. Under his transition agreement, H. C. Schippers could be entitled to \$47,106 more than the amount shown in the 2021 Pension Benefits Table.

## CEO PAY RATIO DISCLOSURE

PACCAR identified its median employee using the employee population on October 1, 2020, and used total cash compensation as the appropriate “consistently applied compensation measure” in order to determine the median paid employee. Total cash compensation paid to each employee for the period from January 1, 2020 to September 30, 2020 was reviewed for all global employees. PACCAR believes total cash compensation reasonably reflects annual compensation. PACCAR used the same employee for 2021 because there has been no change in its employee population or employee compensation arrangements that it reasonably believes would result in a significant change to its pay ratio disclosure. The identified median employee’s total annual compensation will be compared to the CEO’s total annual compensation, both as calculated in accordance with the requirements of the Summary Compensation Table. The CEO’s cash award earned for the 2019-2021 LTIP cycle will not be determined until April 25, 2022. The CEO pay ratio for 2021 will be disclosed in the Form 8-K when the LTIP payment is made. The CEO pay ratio for 2020 was 111 to 1.

## AUDIT COMMITTEE REPORT

The Audit Committee of the Board of Directors has furnished the following report:

The Audit Committee is comprised of four members, each of whom meets the independence and financial literacy requirements of SEC and Nasdaq rules. It adopted a written charter outlining its responsibilities that was approved by the Board of Directors. A current copy of the Audit Committee’s charter is posted at [www.paccar.com/about-us/board-of-directors/audit-committee-charter](http://www.paccar.com/about-us/board-of-directors/audit-committee-charter). The Board of Directors designated all Audit Committee members as Audit Committee financial experts.

Among the Committee’s responsibilities are the selection and evaluation of the independent auditors and the review of the financial statements. The Committee reviewed and discussed the audited consolidated financial statements for the most recent fiscal year with management. In addition, the Committee discussed all matters required to be discussed by applicable requirements of the Public Company Accounting Oversight Board with the independent auditors Ernst & Young LLP. The Committee received from Ernst & Young LLP the written disclosures and letter required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant’s communications with the Audit Committee concerning independence and discussed with them their independence. Based on the Audit Committee’s review of the audited financial statements and its discussions with management and the independent auditors, the Committee recommends to the Board of Directors that the audited consolidated financial statements be included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021, and be filed with the Securities and Exchange Commission.

### THE AUDIT COMMITTEE

R. C. McGeary, Chairman  
A. J. Carnwath  
F. L. Feder  
G. M. E. Spierkel

## INDEPENDENT AUDITORS

Ernst & Young LLP performed the audit of the Company’s financial statements for 2021 and has been selected to perform this function for 2022. Partners from the Seattle office of Ernst & Young LLP will attend the Annual Meeting and will have the opportunity to make statements if they desire and will be available to respond to appropriate questions.

The Audit Committee approved the engagement of the independent auditors, Ernst & Young LLP. The Audit Committee has also adopted policies and procedures for preapproving all audit and non-audit work performed by Ernst & Young LLP. The audit services engagement terms and fees and any changes to them require Audit Committee preapproval. The Committee has also preapproved the use of Ernst & Young LLP for specific categories of non-audit, audit-related and tax services up to a specific annual limit. Any proposed services exceeding preapproved limits require specific Audit Committee preapproval. Ernst & Young LLP has served as the Company’s independent auditor since 1945. The Company’s complete preapproval policy was attached to the Company’s 2004 proxy statement as Appendix E, available upon request.

The services provided for the years ended December 31, 2021 and December 31, 2020 are as follows:

|                     | <u>(in millions)</u> |                |
|---------------------|----------------------|----------------|
|                     | <u>2021</u>          | <u>2020</u>    |
| Audit .....         | \$ 8.41              | \$ 8.42        |
| Audit-Related ..... | .38                  | .30            |
| Tax .....           | .19                  | .11            |
| All Other .....     | <u>.00</u>           | <u>.00</u>     |
| <b>Total</b> .....  | <u>\$ 8.98</u>       | <u>\$ 8.83</u> |

**Audit Fees.** In the year ended December 31, 2021, the independent auditors, Ernst & Young LLP, charged the Company \$8.41 million for professional services rendered for the audit of the Company’s annual financial statements included in the Company’s Annual Report on Form 10-K, audit of the effectiveness of the Company’s internal control over financial reporting, reviews of the financial statements included in the Company’s Quarterly Reports on Form 10-Q, and services provided in connection with statutory and regulatory filings.

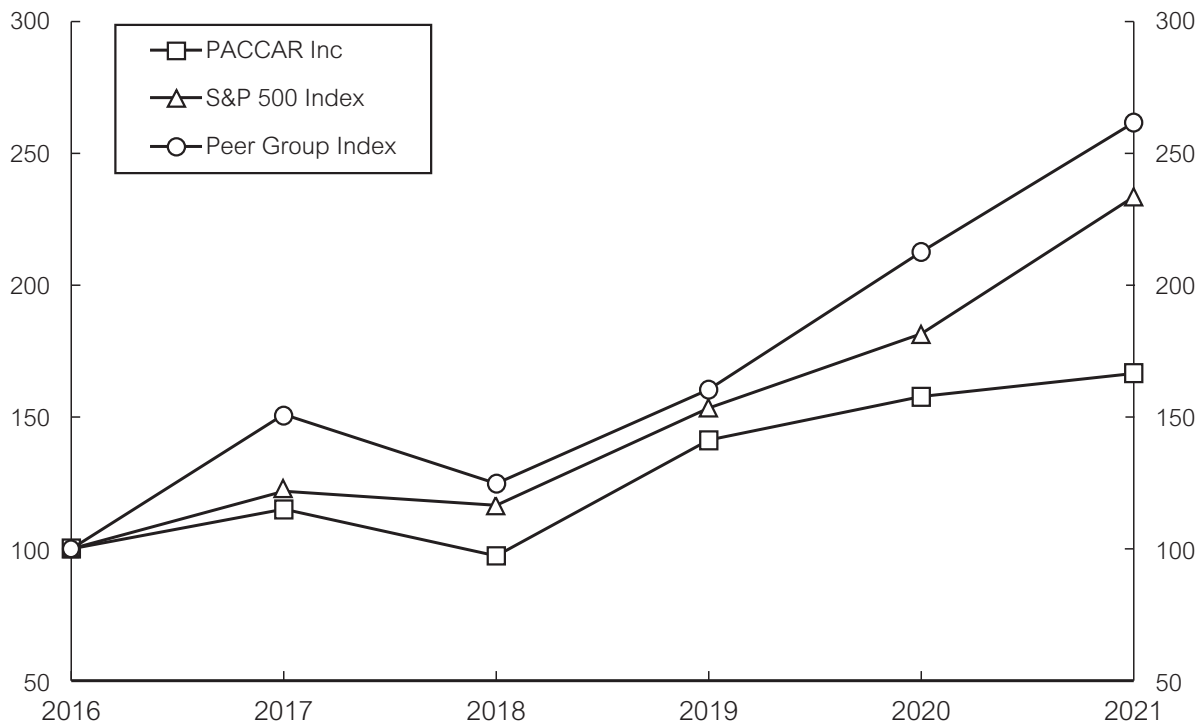
**Audit-Related Fees.** In the year ended December 31, 2021, the independent auditors, Ernst & Young LLP, billed the Company \$.38 million for audit-related professional services. These services included employee benefit plan (pension and 401(k)) audits and other assurance services not directly related to the audit of the Company’s consolidated financial statements.

**Tax.** In the year ended December 31, 2021, the independent auditors, Ernst & Young LLP, billed the Company \$.19 million for tax services, which included fees for tax return preparation for the Company, consulting on audits and inquiries by taxing authorities and the effects that the tax law changes and present and future transactions may have on the Company’s tax liabilities.

**All Other Fees.** In the year ended December 31, 2021, Ernst & Young LLP was not engaged to perform professional services other than those authorized above.

## STOCKHOLDER RETURN PERFORMANCE GRAPH

The following line graph compares the yearly percentage change in the cumulative total stockholder return on the Company’s common stock, to the cumulative total return of the Standard & Poor’s Composite 500 Stock Index and the cumulative total return of the industry peer group of companies identified below (the “Peer Group Index”) for the last five fiscal years ended December 31, 2021. Standard & Poor’s has calculated a return for each company in the Peer Group Index weighted according to its respective capitalization at the beginning of each period with dividends reinvested on a monthly basis. Management believes that the identified companies and methodology used in the graph for the Peer Group Index provides a better comparison than other indices available. The Peer Group Index consists of AGCO Corporation, Caterpillar Inc., CNH Industrial N.V., Cummins Inc., Dana Incorporated, Deere & Company, Eaton Corporation, Meritor Inc., Navistar International Corporation (from 2016 through 2020), Oshkosh Corporation, TRATON SE (effective January 1, 2021) and AB Volvo. TRATON SE acquired Navistar International Corporation in 2021. The comparison assumes that \$100 was invested December 31, 2016, in the Company’s common stock and in the stated indices and assumes reinvestment of dividends.



|                  | 2016 | 2017   | 2018   | 2019   | 2020   | 2021   |
|------------------|------|--------|--------|--------|--------|--------|
| PACCAR Inc       | 100  | 114.82 | 97.23  | 141.03 | 157.59 | 166.45 |
| S&P 500 Index    | 100  | 121.83 | 116.49 | 153.17 | 181.35 | 233.41 |
| Peer Group Index | 100  | 150.90 | 124.71 | 160.24 | 212.47 | 261.52 |

## **ITEM 2: APPROVAL OF AMENDMENT TO CERTIFICATE OF INCORPORATION**

After careful consideration and upon the recommendation of the Board's Nominating and Governance Committee, which is comprised entirely of independent directors, the Board has unanimously determined that the Company and its stockholders should amend PACCAR's Amended and Restated Certificate of Incorporation to eliminate supermajority vote requirements, as described below.

The vote of two-thirds (2/3) of the outstanding shares are currently required to: (i) amend the Certificate of Incorporation; (ii) adopt an agreement of merger or consolidation; (iii) sell, lease or exchange all or substantially all of the Company's property and assets; (iv) dissolve the Company; and (v) approve a stockholder action to make, alter or repeal the Bylaws. **The amendment would reduce the vote requirement to a majority of the outstanding shares for these important matters.**

**The amendment to the Amended and Restated Certificate of Incorporation, attached as Appendix A, requires the vote of two-thirds (2/3) of the outstanding shares.** If PACCAR stockholders approve the amendment, it will become effective upon the filing of a certificate of amendment with the Delaware Secretary of State. If PACCAR stockholders do not approve the amendment, there will be no change to the supermajority vote requirements.

An abstention will have the same effect as a vote against the amendment.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ITEM 2.**

## STOCKHOLDER PROPOSAL

The Company has been advised that one stockholder intends to present a proposal at the Annual Meeting. The Company will furnish the name, address and number of shares held by the proponent upon receipt of a request for such information to the Secretary.

In accordance with the proxy regulations, the following is the complete text of the proposal exactly as submitted. **The stockholder proposal includes some assertions the Company believes are incorrect. The Company has not addressed these inaccuracies. The Company accepts no responsibility for the proposal.**

### ITEM 3: STOCKHOLDER PROPOSAL REGARDING SPECIAL STOCKHOLDER MEETINGS

#### Proposal 3 – Special Shareholder Meeting Improvement



Shareholders ask our board to take the steps necessary to amend the appropriate company governing documents to give the owners of a combined 10% of our outstanding common stock the power to call a special shareholder meeting.

It is important to adopt this proposal to make up for our complete lack of a shareholder right to act by written consent. Many companies provide for both a shareholder right to call a special shareholder meeting and a shareholder right to act by written consent.

PCAR shareholders gave 33%-support to a shareholder proposal for the shareholder right to act by written consent at the 2020 annual meeting. This 33%-support likely represented 40% support from the shares that have access to independent proxy voting advice and are not forced to rely too much on the biased voting advice of management.

Target and Southwest Airlines are a companies that do not provide for shareholder written consent and yet provide for 10% of shares to call for a special shareholder meeting.

A reasonable shareholder right to call for a special shareholder meeting can make shareholder engagement meaningful. If management is insincere in its shareholder engagement, a right for shareholders to call for a special meeting can make management think twice about insincerity.

Our bylaws give no assurance that any engagement with shareholders will take place. There is no protection in the PCAR bylaws for shareholder engagement. A more reasonable shareholder right to call for a special shareholder meeting will help ensure that management engages with shareholders in good faith because shareholders will have a viable Plan B as an alternative.

This is a corporate governance improvement proposal like the 2021 shareholder proposal to eliminate our undemocratic 67% shareholder voting thresholds that won outstanding 65% support from PCAR shareholders. Mr. Mark Schulz, Chair of the PCAR Governance Committee, should have been proactive and put this matter to a vote of shareholders. Instead Mr. Schulz in effect outsourced this governance improvement to a shareholder by Mr. Schulz's default.

On the topic of improvement PCAR shareholders are also at a disadvantage because they cannot vote on management pay each year and on the auditors like the shareholders at the vast majority of companies.

Please vote yes:

**Special Shareholder Meeting Improvement – Proposal 3**



## ***BOARD OF DIRECTORS' RESPONSE***

### **THE BOARD OF DIRECTORS OPPOSES THE PROPOSED RESOLUTION AND UNANIMOUSLY RECOMMENDS A VOTE AGAINST ITEM 3 FOR THE FOLLOWING REASONS:**

The stockholder proposal makes an egregious omission by failing to acknowledge that PACCAR stockholders owning at least 25% of the outstanding shares have the right to call a special stockholder meeting. Such a threshold is common among public companies, including 3M Company, Amazon.com, Danaher Corporation, Johnson & Johnson, The Coca-Cola Company and Weyerhaeuser Company. More than one-third of S&P 500 companies have a special meeting threshold of at least 25%. **The 25% threshold is reasonable, appropriate, and aligned with stockholder interests and sound corporate governance principles.**

Special meetings should be convened only for extraordinary matters. The approved 25% threshold ensures that a special meeting should be called only for matters that are important to a significant number of stockholders.

PACCAR has excellent corporate governance policies and practices that enhance stockholder returns. Its conservative policies ensure that the Company is governed in accordance with the highest standards of integrity and in the best interest of its stockholders. After careful consideration, the Board of Directors believes that the resolution to give holders of 10% of the Company's outstanding shares the right to call a stockholder meeting is not in the best interests of the stockholders.

#### **Implementation of the 10% Ownership Threshold May Significantly Disrupt Company and Board Operations and Increase the Company's Costs**

Special stockholder meetings can (1) divert the Board and management from their duties and responsibilities to the Company, (2) encourage a short-term focus at the expense of long-term stockholder value and (3) require significant time and expenditures to convene the special meeting. The Company has proven its ability to deliver long-term results for its stockholders. Stockholder returns have averaged 13.7% per year for the last 20 years compared to an average of 9.5% for the S&P 500.

#### **PACCAR's Corporate Governance Structure Provides Meaningful Stockholder Participation**

The Company's current 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. **Stockholders holding 25% of the Company's outstanding shares have the right to call a special meeting of stockholders.**

PACCAR has excellent stockholder rights and corporate governance practices which include:

- Annual election of directors
- Majority voting for directors
- Proxy access right
- Rigorous director selection and evaluation process
- New director candidates include racially/ethnically and gender diverse individuals
- Majority (73%) of independent directors
- Lead independent director
- Fully independent Board committees
- Stock ownership policy for directors and executive officers
- Separate CEO and Chairman roles
- Board oversight of ESG issues

The Board regularly reviews developments in corporate governance and thoughtfully evaluates which practices would serve the best interests of the Company and its stockholders. The Company has excellent corporate governance practices. The stockholder proposal to lower the stock ownership threshold to 10% to call a stockholder meeting is not in the best interests of the Company and its stockholders.

### **THE BOARD OF DIRECTORS RECOMMENDS A VOTE AGAINST ITEM 3.**

## **STOCKHOLDER PROPOSALS AND DIRECTOR NOMINATIONS FOR 2023**

A stockholder proposal must be addressed to the Corporate Secretary and received at the principal executive offices of the Company, P.O. Box 1518, Bellevue, Washington 98009, by the close of business on November 15, 2022, to be considered for inclusion in the proxy materials for the Company's 2023 Annual Meeting of Stockholders. A stockholder nomination by an eligible stockholder for one or more director candidates for the Company's 2023 Annual Meeting of Stockholders may be included in the proxy if the Company receives information and notice of the nomination in compliance with Art. III, Section 7 of the Company's Bylaws no later than November 15, 2022, and no earlier than October 16, 2022.

For business to be brought before the Annual Meeting of Stockholders by a stockholder, other than those proposals or nominees included in the proxy materials, the Company's Bylaws (Art. III, Section 5 and Section 6) provide that notice of such business, including director nominations, must be received at the Company's principal executive offices not less than 90 days and not more than 120 days prior to the first anniversary of the prior year's annual meeting. The notice must include the information stated in the Bylaws. A copy of the pertinent Bylaw provision is available upon request to the Corporate Secretary, PACCAR Inc, P.O. Box 1518, Bellevue, Washington 98009. To comply with universal proxy rules, stockholders who intend to solicit proxies in support of director nominees other than the Company's nominees must also provide notice that contains the information required by Rule 14a-19 of the Exchange Act no later than February 25, 2023.

## **OTHER BUSINESS**

The Company knows of no other business likely to be brought before the meeting.

We will furnish to any stockholder upon request, without charge, a copy of any information that has been incorporated by reference in this proxy statement.

M. R. Beers

Secretary

March 15, 2022

**The proposed amendments to Articles Seventh and Eighth are marked below.**

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION  
OF  
PACCAR Inc

The Corporation's original certificate of incorporation was filed with the Secretary of State of the State of Delaware on November 19, 1971. The following Amended and Restated Certificate of Incorporation was duly proposed by the Corporation's Board of Directors and adopted by the Corporation's stockholders in accordance with the provisions of Sections 242 and 245 of the General Corporation Law of the State of Delaware. As a result of the foregoing, the certificate of incorporation of the Corporation is restated in its entirety as follows:

FIRST: The name of this Corporation shall be

“PACCAR Inc”.

SECOND: The Corporation's Registered Office shall be at 251 Little Falls Drive, Wilmington, County of New Castle, Delaware 19808. The Corporation's Registered Agent shall be The Prentice-Hall Corporation System, Inc., a Delaware corporation, the business office of which is identical with the Corporation's Registered Office.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH: The Corporation is authorized to issue 1,201,000,000 shares of stock of all classes, consisting of 1,200,000,000 shares of common stock having a par value of \$1 per share and 1,000,000 shares of preferred stock having no par value. Each holder of record of shares of common stock shall be entitled to one vote for each share of stock outstanding in his name of record on the books of the Corporation. The holders of shares of preferred stock shall have no vote other than as may be provided by resolution of the Board of Directors. Other than as here expressly provided, the Board of Directors of the Corporation is expressly granted the authority to fix by resolution or resolutions, the voting power, designations, preferences and relative participating optional or other special rights and the qualifications, limitations or restrictions thereof in respect of any class or classes of stock or any shares of any class of stock of the Corporation to the full extent permitted by the General Corporation Law of the State of Delaware.

Pursuant to the foregoing authority, the Board of Directors has previously authorized the issuance of Series A Junior Participating Preferred Stock by filing a Certificate of Designations of Series A Junior Participating Preferred Stock dated January 22, 1990 with the Secretary of State of the State of Delaware on January 31, 1990, and amended same by filing an Amended Certificate of Designations of Series A Junior Participating Preferred Stock dated February 25, 1999 with the Delaware Secretary of State on March 1, 1999. The number of shares included in the Series A Junior Participating Preferred Stock, and the rights, qualifications, limitations and restrictions thereof are set forth in Appendix A hereto.

FIFTH: The original Bylaws of the Corporation may be adopted by the incorporator. Thereafter the power to make, alter or repeal Bylaws is conferred upon the Directors of the Corporation.

SIXTH: The Corporation shall have and may exercise all powers and rights, including but not limited to the power to indemnify its directors, officers, employees and agents, or any of them, in all respects as and to the full extent authorized or permitted by the General Corporation Law of the State of Delaware as the same has been heretofore or may be hereafter amended and by the provisions of this Certificate.

SEVENTH: The affirmative vote of holders of a majority two-thirds (2/3) of the outstanding shares of stock entitled to vote shall be necessary for the following corporate actions:

1. Amendment of this Certificate of Incorporation;
2. Adoption of an agreement of merger or consolidation;
3. The sale, lease or exchange of all or substantially all of the Corporation's property and assets;
4. Dissolution of the Corporation; and
5. Approval of a stockholder action to make, alter or repeal the Bylaws.

EIGHTH: If any "Unfriendly Suitor" (as described below, hereafter "Suitor") becomes the beneficial owner after the record date for the 1986 stockholders' meeting, directly or indirectly, of twenty percent (20%) or more of the outstanding shares of stock of the Corporation, then in addition to the ~~two-thirds (2/3)~~ voting requirement for any transactions described in paragraphs 2, 3 or 4 of Article SEVENTH (each called "a Business Combination"), the following shall also be necessary:

1. The cash, or fair market value of other consideration, to be received per share by stockholders of the Corporation in any Business Combination in which the Suitor has a direct or indirect material interest, other than solely as a Stockholder of the Corporation, shall not be less than the highest per share price (including brokerage commissions and/or soliciting dealers' fees) paid by the Suitor in acquiring any of its holdings of the Corporation's common stock.
2. The Suitor shall not have received the benefit, directly or indirectly of any loans, advances, guarantees, pledges or other financial assistance or tax benefits provided by the Corporation.

The term Suitor includes any person, corporation, or affiliate and any party with which the Suitor has a direct or indirect agreement, understanding or arrangement for the purpose of acquiring, holding or voting stock of the Corporation.

The affirmative vote of a majority two-thirds (2/3) of the outstanding shares of stock entitled to vote, other than stock held by the Suitor, shall be necessary to amend this Article EIGHTH.

NINTH:

1. The number of the directors of the Corporation shall be fixed from time to time by or pursuant to the Bylaws of the Corporation. At each annual meeting of the stockholders of the Corporation, the successors of each director whose term expires at that meeting shall be elected to hold office for a term expiring at the next annual meeting of stockholders and until such director's successor shall have been elected and qualified.
2. Newly created directorships resulting from any increase in the number of directors and any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other cause shall be filled by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board of Directors. Any director elected in accordance with the preceding sentence shall hold office for a term expiring at the next annual meeting of stockholders and until such director's successor shall have been elected and qualified. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

TENTH: Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders and may not be effected by any consent in writing by the stockholders. Except as otherwise required by law and subject to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, special

meetings of stockholders of the Corporation may be called by the Board of Directors pursuant to a resolution approved by a majority of the entire Board of Directors or by a written request of the holders of at least twenty-five percent of the Corporation's outstanding stock.

ELEVENTH: The liability of the Corporation's directors to the Corporation or its stockholders shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law as amended from time to time. Any amendment or repeal of this Article ELEVENTH shall not adversely affect any right or protection of a director for acts or omissions prior to such amendment or repeal.

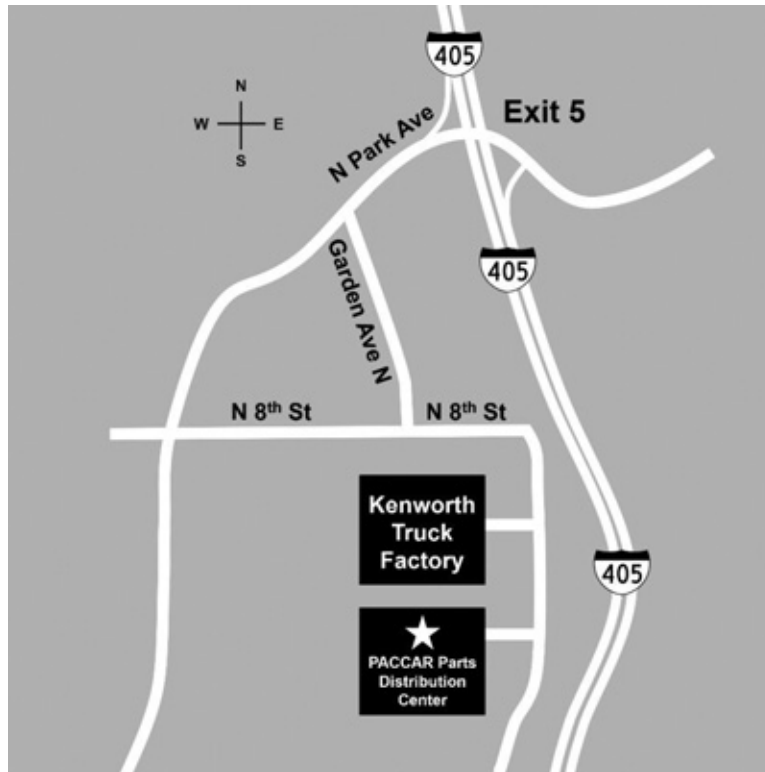
TWELFTH:

1. Right to Indemnification. Each person made or threatened to be made a party to or involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "proceeding"), by reason of the fact that he or she (or a person of whom he or she is the legal representative) is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of the proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as it now exists or may be amended, against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by a person in connection with a proceeding. The indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that, except as provided in paragraph 2 of this Article TWELFTH, the Corporation shall indemnify any person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if the proceeding (or part thereof) was authorized by the Board of Directors of the Corporation. The right to indemnification conferred in this Article TWELFTH shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any proceeding in advance of its final disposition; provided, however, that, if the Delaware General Corporation Law requires, the payment of expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by a person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of the director or officer, to repay all amounts so advanced if it shall ultimately be determined that the director or officer is not entitled to be indemnified under this Article TWELFTH or otherwise. The Corporation may, by action of its Board of Directors, provide indemnification to employees and agents of the Corporation with the same scope and effect as the foregoing indemnification of directors and officers.
2. If a claim under paragraph 1 of this Article TWELFTH is not paid in full by the Corporation within thirty days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the cost and expense (including attorneys' fees) of prosecuting the claim. It shall be a defense to an action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the Delaware General Corporation Law for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of the action that indemnification of the claimant is

proper in the circumstances because he or she has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the claimant has not met the applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

3. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Article TWELFTH shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, bylaw, agreement, vote of stockholders or disinterested directors or otherwise.
4. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against the expense, liability or loss under the Delaware General Corporation Law.

## Directions to PACCAR Parts Distribution Center



### PACCAR PARTS DISTRIBUTION CENTER

405 Houser Way North  
Renton, WA 98057  
425.254.4200

#### Driving Directions

From I-405 southbound

- Take Exit 5.
- Turn right at end of ramp.
- Merge into left lane and turn left onto Garden Ave. N.
- Turn left onto North 8<sup>th</sup> Street.
- Follow signs to Shareholder Event parking.

From I-405 northbound

- Take Exit 5.
- Turn left at end of ramp.
- Go through traffic light and down the hill.
- Merge into left lane and turn left onto Garden Ave. N.
- Turn left onto North 8<sup>th</sup> Street.
- Follow signs to Shareholder Event parking.

#### Parking

Attendants at the entrance gate will provide directions to available parking.